

The Partnership Post

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Giving new meaning to the word Partnership

The Partnership Programs have once again broken new ground with their efforts to make available the highest-quality long term care insurance. Thanks to State legislation in Indiana and Connecticut and the approval of the federal government's Health Care Financing Administration (HCFA), there is now reciprocity between the Indiana Medicaid and Connecticut Medicaid programs.

If an Indiana resident purchases a Partnership policy and then later moves to Connecticut and uses his policy in a Connecticut nursing home, he/she could reap asset-saving benefits from the Connecticut Medicaid Program, and the same is true for Connecticut residents who would move to Indiana. The reciprocity agreement means that Indiana Partnership policyholders will be able to receive Medicaid Asset Protection if they happen to be residing in Connecticut and apply to Connecticut's Medicaid program. The same is true for Connecticut Partnership policyholders who relocate to Indiana and apply to Indiana's Medicaid program.

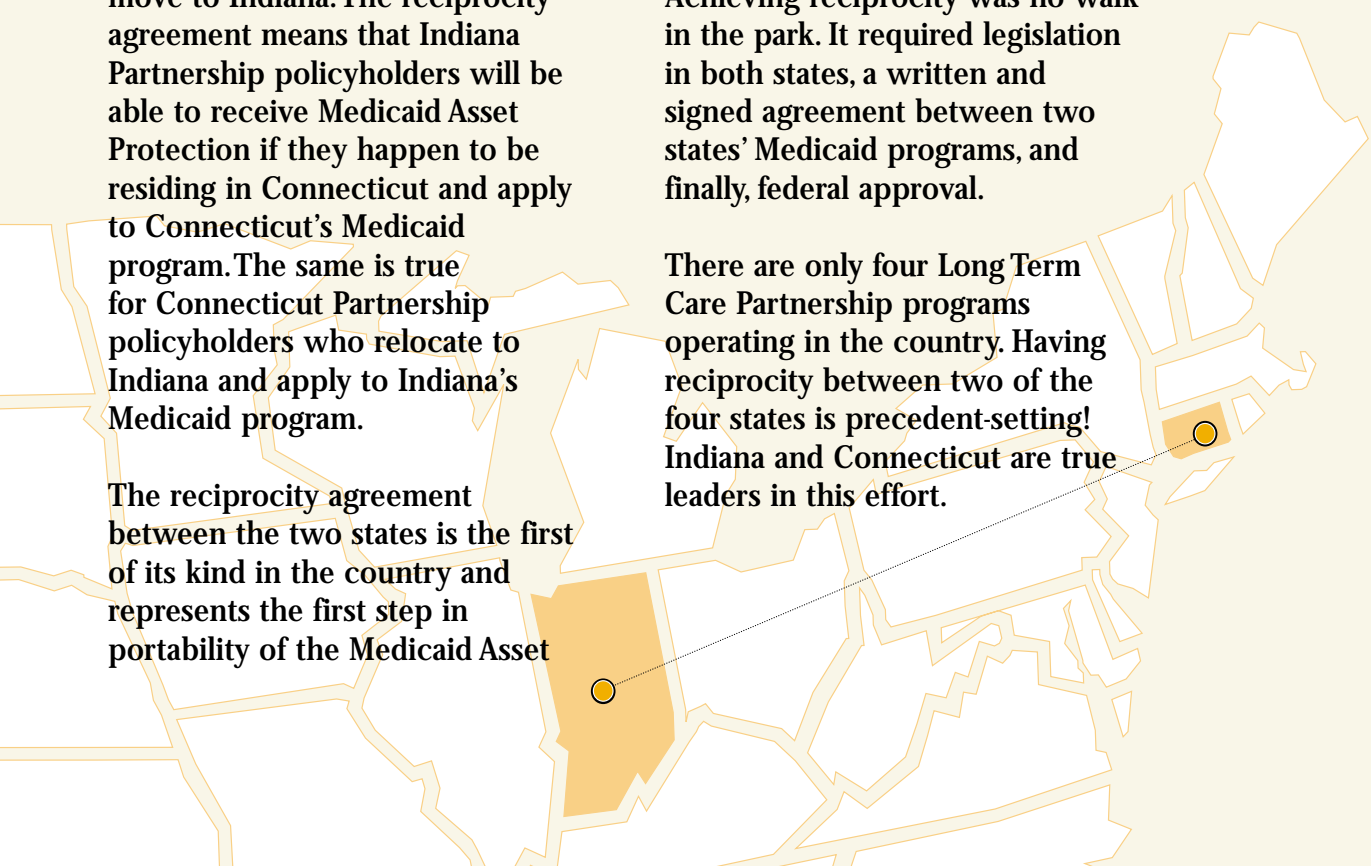
The reciprocity agreement between the two states is the first of its kind in the country and represents the first step in portability of the Medicaid Asset

Protection benefit. Prior to this agreement, the insurance benefits were portable, but the Medicaid Asset Protection feature was recognized only by the state where the policy was purchased.

One important caveat to the reciprocity is that asset protection granted by another state's Medicaid program (Connecticut and Indiana only, for now) provides dollar-for-dollar asset protection only. So, even though a person buys an Indiana Partnership policy qualified for total asset protection in Indiana, if they apply to the Connecticut Medicaid program, they will receive dollar-for-dollar asset protection.

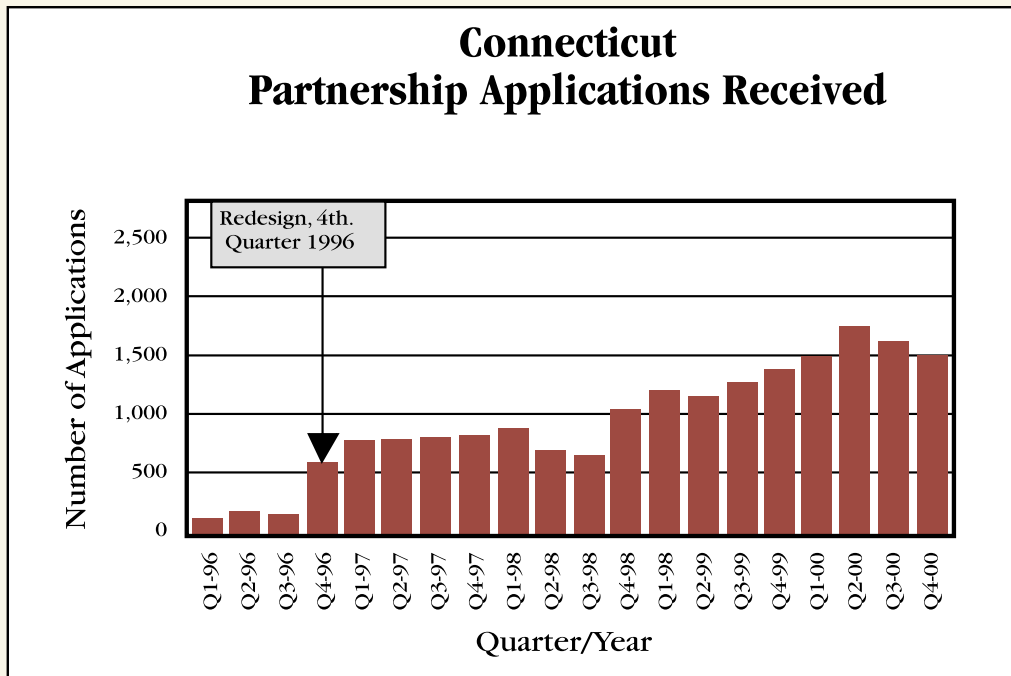
Achieving reciprocity was no walk in the park. It required legislation in both states, a written and signed agreement between two states' Medicaid programs, and finally, federal approval.

There are only four Long Term Care Partnership programs operating in the country. Having reciprocity between two of the four states is precedent-setting! Indiana and Connecticut are true leaders in this effort.



The only constant is change

Three of the four Partnership programs have undergone significant redesigns in recent years, in response to evaluations and market feedback and to changes in the political and economic environments in which the programs operate.



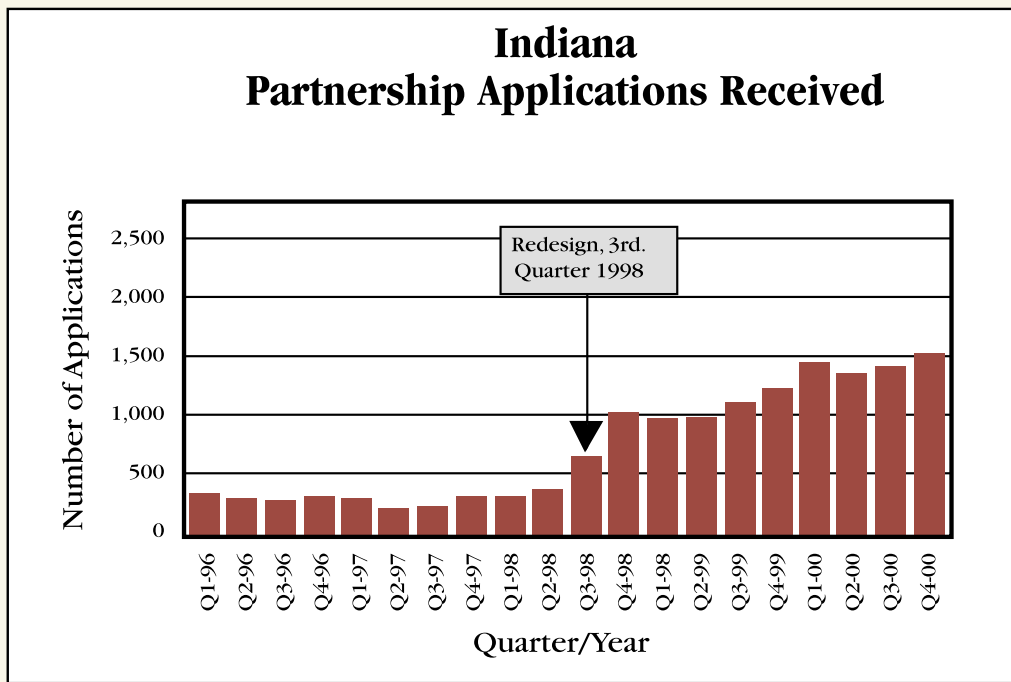
Source: Connecticut Partnership for Long Term Care.

A few years ago, Connecticut determined that the policies being marketed by the participating insurance companies needed to be redesigned. Large premium differentials between Partnership and non-Partnership policies (with Partnership policies being more expensive) were the primary

reason sales were lower than expected. So Connecticut undertook a process of working with insurers to offer similar benefits and similar costs in Partnership and non-Partnership policies. The result was a quick and dramatic increase in the sales of Partnership policies.



The only constant is change



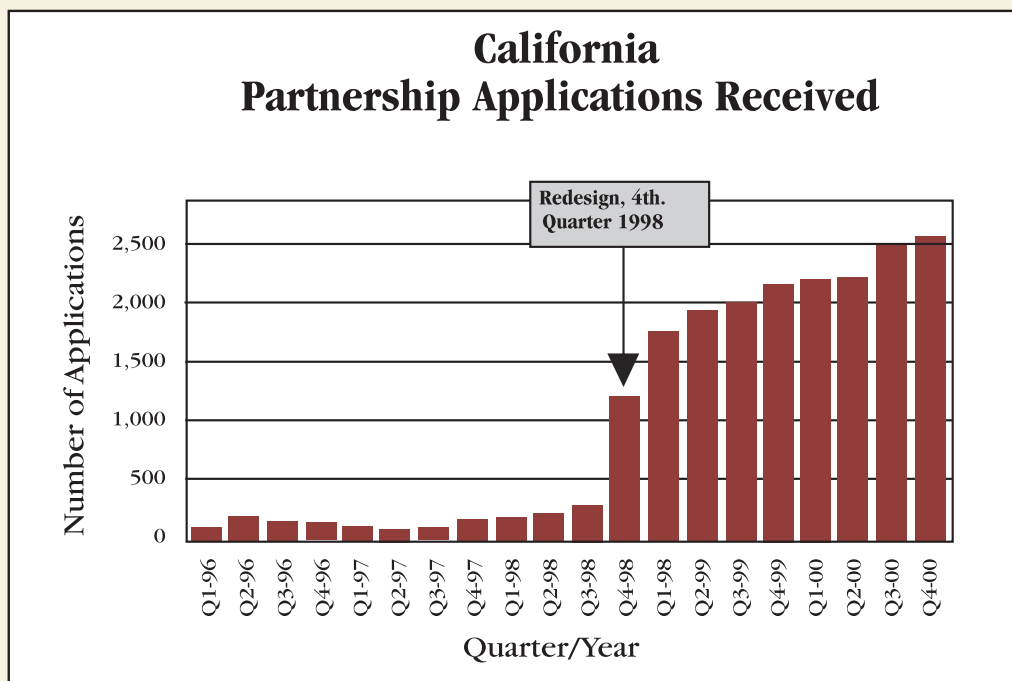
Source: Indiana Partnership for Long Term Care.

Indiana revised its partnership asset-protection model to create a hybrid approach. Consumers could purchase dollar-for-dollar asset protection with buying coverage up to a State-specified dollar amount, or total asset

protection by buying coverage that equals or exceeds the State-specified dollar amount. The introduction of the new Total Asset Protection policies led to an immediate increase in sales.



The only constant is change



Source: California Partnership for Long Term Care.

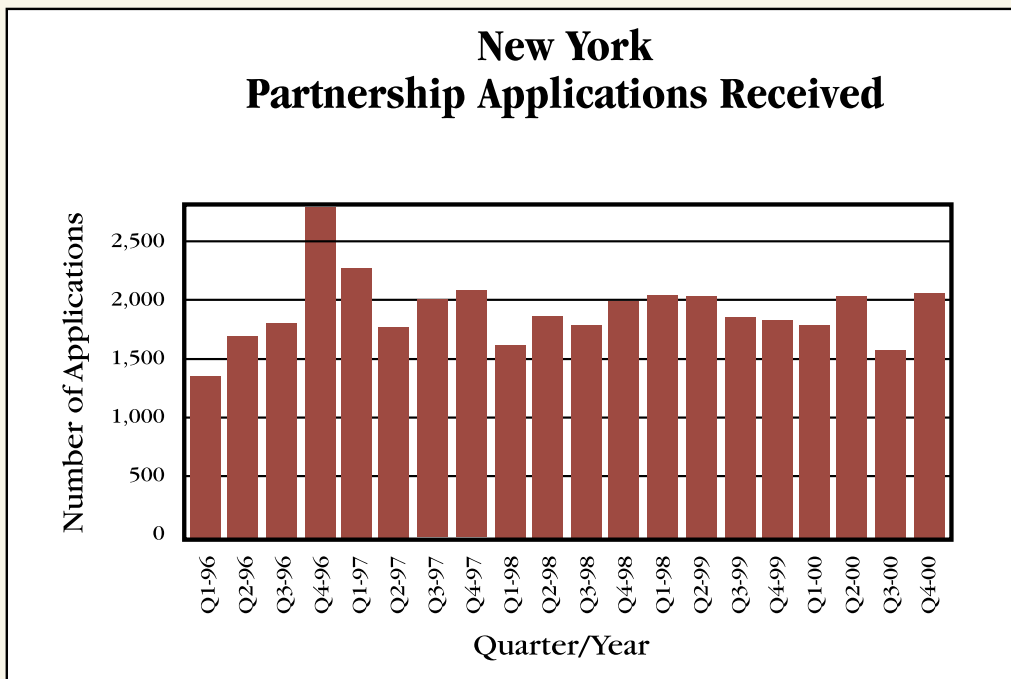
Note: This data does not include 5,716 applications taken by the calPERS long term care program because the policies are only offered during one short open-enrollment period each year and not on an ongoing basis.

In California, sales of Partnership policies suffered because the Partnership design restricted the agents' flexibility to select benefits and features and the built-in set of essential benefits and consumer protections made the policies more expensive than non-Partnership policies. In response, the Partnership regulations were streamlined to allow insurers to include the same benefits and options in both their Partnership

and non-Partnership policies. At about the same time, California legislation required that all future policies sold must include both the consumer protections and design features that had been included in Partnership policies. The participating companies used the refiling as an opportunity to design new policies with comparable benefits and premiums. The result has been an explosion in Partnership sales.



The only constant is change



Source: New York State Partnership for Long Term Care.

New York has experienced high participation levels since the Partnership product was first introduced. However, New York has been exploring some modifications in its product standards that would enable

insurers to incorporate in their Partnership policies certain design features that are increasingly common in the latest non-Partnership policies. This will help the Partnership to maintain its competitiveness.

Each of the state Partnership programs has worked with the participating insurers to make the product improvements necessary to increase sales. The programs have adapted to the rapid changes that have occurred in the marketplace, the regulatory environments and the political arenas. Markedly higher sales have been just one measure of the Partnership's success.



Satisfy your craving for data

What does most everyone in the insurance industry crave? Data. Accurate, up-to-date, meaningful, consistent sales data. And that's exactly what the Partnership programs are able to offer. Thanks to a uniform data set, with the same reporting system in all four Partnership states, and all participating companies mandatorily reporting, we have numbers. Following are some of the most interesting findings.

Cumulative Statistics across the four Partnership states through Dec. 2000:

Applications Received:	120,856
Policies Issued:	94,525
Policies In Force:	78,142

Cumulative Statistics Regarding Purchases:

Policies with Comprehensive Coverage (NH & HHC):	91%*
Policies with Facility-only Coverage :	9%

(*New York has only comprehensive policies available.)

First Time Purchasers:	93%
Male Purchasers:	41%
Female Purchasers:	59%
Married Purchasers:	71%
Single Purchasers:	29%
Average Age of Purchaser:	63

Benefit Utilization:

Number of policyholders who have qualified for benefits:	810
Number of policyholders who have exhausted policy benefits:	38
Number of policyholders who have exhausted benefits and accessed Medicaid:	21*

*The difference between the number of policyholders who have exhausted policy benefits and those who have accessed Medicaid could be due to a variety of reasons:

The policyholder's Medicaid application is pending; The policyholder chooses not to apply for Medicaid; The policyholder owns assets in excess of amount of earned asset protection; Or other reasons.



Looking back, Looking forward

Program Overview

Long term care financing alternatives in California, Connecticut, Indiana and New York comprise the Partnership for Long Term Care, a public/private alliance between state governments and insurance companies that was originally funded with \$14 million in grants from the nation's largest health care philanthropy, the Robert Wood Johnson Foundation. (All four state programs are now fully funded under their states' budgets.) The program, a comprehensive initiative to solve a major part of the long term care financing problem, joins Medicaid with private long term care insurance. Participating states work with insurers to create insurance policies that are more affordable and provide better protection against impoverishment than those commonly offered today. Once private insurance benefits are exhausted, special Medicaid eligibility rules are applied if additional coverage is necessary.

Partnership programs encourage consumers to take responsibility for financing their long term care by purchasing insurance policies. This approach serves as a positive alternative to the growing trend of transferring assets in order to be eligible for Medicaid coverage.

Insurers participating in the Partnerships must meet the program standards. These standards ensure that participating long term care policies are of high quality. Among the standards required in each state are inflation protection, minimum benefit amounts, and agent training. Participating insurers are also required to provide the state with information on who is buying certified Partnership products and on the utilization of benefits.

Partnership Models

Three distinct program models have emerged. Two of the states (CA and CT) use the Dollar - for - Dollar Model. New York uses the Total Assets Model. Indiana uses both Dollar - for - Dollar and Total Assets Model. The models are similar in several respects but differ in the way Medicaid eligibility rules are altered. The following is a short synopsis of each.

Dollar - for - Dollar Model - CA and CT

After meeting a stringent set of criteria, long term care insurance policies of varying length and scope are certified by the state insurance division. Partnership policies must cover at least one year at issue and pay a minimum per day benefit (different in each state). Once the benefits of the policy are exhausted, an application for Medicaid can be made using special eligibility



Looking back, Looking forward

rules. Every dollar paid out by an insurer through a Partnership policy will be deducted from the resources counted toward Medicaid eligibility. If a person receives \$80,000 of insurance benefits, then \$80,000 of assets will be protected in the Medicaid eligibility process. Once on Medicaid, an individual's income is devoted to the cost of care.

Total Assets Model - NY

After meeting somewhat different criteria, long term care insurance policies are certified by the state insurance department. Partnership policies must cover three years of nursing home care or six years of home health care. Policies must also pay a minimum per day benefit. Once the benefits of a Partnership policy are exhausted, the Medicaid eligibility process will not consider assets at all. Protection will be granted for all assets, but an individual's income must be devoted to the cost of care.

Hybrid Model - IN

After meeting a stringent set of criteria, long term care insurance policies of varying length and scope are certified by the state insurance division. Partnership policies must cover at least one year at issue and pay a minimum per day benefit.

The initial amount of coverage purchased, and then later used,

determines whether the policyholder earns dollar - for - dollar or total asset protection. If the initial amount of coverage purchased is, or more than, the state-set dollar amount in effect for the policy effective year, then once the benefits of the policy are exhausted, the Medicaid eligibility process will not consider assets at all. If the initial amount of coverage purchased is less than the state-set dollar amount, then every dollar paid out under the policy will be deducted from the resources counted toward Medicaid eligibility. Regardless of the type of asset protection earned, an individual's income must be devoted to the cost of care.

OBRA 1993

The Omnibus Budget Reconciliation Act of 1993 contained language with direct impact on the expansion of partnership programs. The Act recognized the four initial states now operating Partnership programs plus a future program in Iowa and a modified program in Massachusetts. These states were allowed to operate their Partnerships as planned because they had state plan amendments approved by Health and Human Services prior to May 14, 1993.

States obtaining a state plan amendment after May 14th may proceed with Partnership



Looking back, Looking forward

programs. However, they must also recover from the estates of all persons receiving services under Medicaid. The result of this language is that the asset protection component of the partnership is in effect only while the insured is alive. After the participant dies, states must recover what Medicaid spent from the estate, including protected assets. (The six states mentioned earlier are exempt from this requirement. This means that in the operational Partnership programs – CA, CT, IN, and NY – asset protection exists during Medicaid eligibility and also from Medicaid estate recovery efforts.)

OBRA also cites Partnership programs in its requirements for how “estate” shall be defined. States offering a Partnership program must use the specific definition of estate outlined in the law for Partnership participants.

Replication Activity

After the implementation of the Connecticut Partnership program in 1992, a number of states initiated efforts to replicate the partnership program. States acting to create Partnership programs can be broken into three groups—Enabling Legislation, Resolutions, and other Programs. The following is a summary of the activity in each group.

Enabling Legislation

This group of states passed state legislation directing the state to create a Partnership program. Most of these states (i.e. Missouri, Nevada, Ohio, Oregon, Rhode Island, and Vermont) simply stopped all efforts at implementation in the face of OBRA '93.

Colorado and Michigan made their state language conditional upon the overturn of sections of OBRA'93 language that pertain to Partnership programs.

Maryland took several steps toward creating a Partnership program. Regulations were drafted and part of their state plan amendment was approved. During the 1996 legislative session, further implementation of the program was made conditional upon the overturn of sections of OBRA'93 language pertaining to Partnership programs.

Resolutions

This group of states passed resolutions to urge the U.S. Congress to amend OBRA '93 provisions pertaining to Partnership programs. These states are Virginia (1997), Maryland (2000), and Pennsylvania (2001).



Looking back, Looking forward

Other Programs

The following states have active Partnership programs. Some are operating under the conditions outlined in OBRA '93 and others were exempted from this language.

Illinois received an approved state plan amendment after the May 14, 1993, date specified in OBRA '93. Therefore, all protected assets from Illinois Partnership policies are subject to estate recovery. Policies were first available in December 1995. To date, two insurers have approved products and under 50 policies have been sold. Recently, Illinois modified their program to combine the Dollar - for - Dollar Model and the Total Assets Model.

Iowa first created a program using the Dollar - for - Dollar Model in 1996. Their state plan amendment was approved before the May 14, 1993 deadline. Therefore, they can offer asset protection with no estate recovery. Since no insurers chose to participate, the program was put on hold. The program was revived in October 2000. To date, one insurer has participated with 10 policies having been sold.

Massachusetts offers a variation on the Partnership program. There is no up-front asset protection. Clients must meet all of the Medicaid eligibility requirements. However, assets that may not be

counted as a part of the initial eligibility (such as the house) can be protected from the state's estate recovery program. Their state plan amendment was approved prior to the May 14th deadline and therefore is not subject to the estate recovery conditions of OBRA '93.

Washington state replicated the Dollar - for - Dollar Model. Their state plan amendment was approved after the May 14th deadline. Therefore, protected assets under the Partnership program are subject to estate recovery. To date, no insurers have come forward to participate in the program.

Removing the OBRA Barrier

On March 15, 2001 Congressman John Peterson of the 5th District of Pennsylvania proposed a bill to amend title XIX of the Social Security act to permit additional States to enter into long term care partnerships under the Medicaid program. This bill, H. R. 1041, would strike wording requiring estate recovery of protected assets. Additionally, the bill would remove the May 14, 1993 deadline date for states to obtain an approved state plan amendment. The bill has been referred to the Committee on Energy and Commerce. If enacted, H. R. 1041 would open the way for replication on a national scale.



The Partner Companies

*I = Individual; G = Group

Insurers	CA	CT	IN	NY
American Progressive Life and Health Insurance Company of New York				I
American Republic Insurance Company			I	
Bankers Life and Casualty Company	I	I	I	
Bankers United Life Assurance Company			I	
California Public Employees' Retirement System	G			
Central States Health & Life Company of Omaha			I	
CNA Insurance Companies	I	I	G+I	G+I
Conseco Life Insurance Company				I
Conseco Senior Health Insurance Company			I	
Continental General Insurance Company			I	
First Fortis Life Insurance Company				I
GE Capital Assurance Company	I	I	I	
GE Capital Life Assurance Company of New York				I
Hartford Life Insurance Company			G	
John Hancock Life Insurance Company		I	I	I
Life Investors Insurance Company of America			I	
Massachusetts Mutual Life Insurance Company				I
MedAmerica Insurance Company		I		
MedAmerica Insurance Company of New York				I
Metropolitan Life Insurance Company		I		G
Monumental Life Insurance Company		I	I	
Mutual of Omaha Insurance Company			I	I
New York Life Insurance Company	I			I
Penn Treaty Network America Insurance Company			I	
Prudential Insurance Company				G
State Farm Mutual Automobile Insurance Company			I	
Teachers Insurance and Annuity Association				I
Transamerica Life Insurance Company		I		
Transamerica Occidental Life Insurance Company	I			
UNUM Life Insurance Company of America (for CT State Employees)		G		



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