



**CALIFORNIA HEALTH ADVOCATES**

# **Consumers and State Partnerships for Long Term Care**

**Bonnie Burns, Training & Policy Specialist**



# Consumers Need---

- ◆ High quality, reliable products with no surprises
- ◆ Understandable disclosures documents
- ◆ Well trained agents
- ◆ Strong state oversight of the program



# Taking Time To Do It Right

- ◆ **Insurance departments and state Medicaid directors must work together**
  - **Establish good communication and clear understanding of the responsibilities of both parties**
    - **Insurance department personnel must understand Medicaid eligibility, benefits, coverage, and estate recovery rules**
    - **Medicaid directors and staff must understand how long term care insurance benefits compare/contrast with state Medicaid benefits**
    - **Both must understand and agree on a the program's operation, a process for training agents, and a process for verifying agent understanding of the state Partnership program**



**◆ State agencies should establish clear rules**

- Agent participation**
- Agent training and verification**
- Programmatic and operational rules to avoid inappropriate sales and replacements**



**◆ Develop and require mandatory standardized explanations and disclosures**

- **Eligibility for state Medicaid program**
- **Asset protection**
- **Estate recovery rules**



# Products

- ◆ **State program should ensure Partnership products meet high standards established by the state**
  - **Opportunity for state to improve on minimum federal standards for all policies sold in the state**
    - **For instance, minimum federal standards do not include:**
      - **NAIC required disclosure of availability and location of SHIP counseling services**
      - **NAIC required marketing and training for agents**
      - **NAIC Rate Stability requirements**



# Pricing of Practices

- ◆ **NAIC Rate Stability (Sections 19 and 20)**

designed to prevent or mitigate rate increases in policies approved after the date of state adoption

- ◆ **Recent market consolidation**

- ◆ **Profitability lower than expected**



# Agent Training

- ◆ **Agent education is crucial**
  - **To protect consumers**
  - **For the success of the program**
  - **NY and CA require 8 hours, IN and CT require 7 hours**
  
- ◆ **The Deficit Reduction Act (2005)**
  - **Requires “*Medicaid agency provides technical assistance to insurance department to assure that agents receive training and demonstrate understanding of policies and public benefits*”**





# NAIC Model Act

- ◆ **Draft amendments requires anyone who sells, solicits, or negotiates long term care insurance to complete:**
  - **A one-time training of 8 hours**
  - **Ongoing training**
    - **Every 24 months of 4 hours**



## ◆ **Specifies elements of training**

- **State and federal regulations, relationship between qualified state long-term care insurance Partnership programs, other public and private coverage of long-term care services, including Medicaid;**
  - **Available long-term care services and providers;**
  - **Changes or improvements in long-term care services or providers;**
  - **Alternatives to the purchase of long-term care insurance;**
  - **The effect of inflation and the importance of inflation protection**
  - **Consumer suitability standards and guidelines**
- **Cannot include sales or marketing information or insurer or company specific products**



## ◆ **Burden of responsibility and proof delegated to insurers**

- **Insurers required to verify agents have taken training before allowing them to sell**
- **Insurers required to verify agents have demonstrated an understanding of the Partnership policies and their relationship to public and private coverage of long term care, including Medicaid**
- **Insurers required to maintain records and make available to insurance department**



# Asset Protection Standards

- ◆ **Asset protection should apply to all covered benefits**

- **Regardless of whether Medicaid covers those services as part of the state Medicaid program**

- ◆ **Asset protection reciprocity**

- **Critical to portability of products**

- **For younger purchasers unlikely to use benefits where they were purchased**

- **Older insured's who must move from the state of purchase**

- **Need close proximity to family caregivers**



# Inflation Protection

## ◆ Built in and compounded OR periodic increases?

### ● Built in

- Expensive component at purchase
- Prevents decreasing value of benefits over longer life spans

### ● Periodic increase

- Defers expense of adding inflation protection
- Increases chances that benefits will decline in value
- May trigger Medicaid eligibility sooner



# Questions

## ◆ States

- Will states save Medicaid dollars?

## ◆ Consumers

- Will Partnership policies pay benefits when needed AND protect promised assets?

## ◆ Companies

- Will Partnership policies stimulate sales?

## ◆ Agents

- Can agents convert from selling against Medicaid?



■ California experience

# Resources

## ◆ California Partnership home page

■ [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc)

## ◆ Statute and Regulations

● Welfare and Institutions Code SECTION 22000-22010

● California Code of Regulations, Title 22, Division 3, Chapter 8.

■ [www.leginfo.ca.gov](http://www.leginfo.ca.gov)

## ◆ Data base of rate increases

● By company and state since 1990

■ [www.insurance.ca.gov](http://www.insurance.ca.gov)



## ◆ Consumer information

- [www.insurance.ca.gov](http://www.insurance.ca.gov)
- [www.cahealthadvocates.org](http://www.cahealthadvocates.org)
- [www.calmedicare.org](http://www.calmedicare.org)
- California Buyers Guide
  - *Taking Care of Tomorrow (Department of Aging)*
- The NAIC Guide for Long Term Care Insurance
  - [http://www.naic.org/consumer\\_home.htm](http://www.naic.org/consumer_home.htm)

## ◆ AARP Public Policy Institute Report

- *Comparing Long Term Care Insurance Policies: Bewildering Choices for Consumers*
  - [http://www.aarp.org/research/longtermcare/resources/2006\\_13\\_ltc.html](http://www.aarp.org/research/longtermcare/resources/2006_13_ltc.html)

