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BUSINESS NEWS FROM THE FOUR-COUNTY REGION

FOCUS

Partnership policies add key piece to long-term care puzzle

Oregonians can now obtain private insurance without losing all Medicaid benefits

A new type of health insurance policy for long-term care will reward Oregon residents for planning ahead for future LTC needs.

Thanks to recent changes in Oregon law, long-term care partnership policies became available Jan. 1. For every dollar that such a policy pays out in benefits, the policy protects that amount for those who eventually require Medicaid assistance.

Simply put, the Oregon Partnership Plan is a joint venture between the state of Oregon and private LTC insurance carriers. The goals of the partnership are to offer middle-income Oregon residents an opportunity to anticipate future LTC needs and protect themselves against the catastrophic costs and impoverishment often associated with needing long-term care, and to ease the current and projected strain on the Medicaid program.

The changes in state law broaden health care reform and enables Oregon consumers to benefit from federal legislation, the LTC Insurance Partnership Act. The state and federal legislation together permit people with qualified partnership policies to access Medicaid services without having to spend down their assets, once their policy benefits are exhausted.

The value of the assets protected equals the amount of benefits received from the LTC insurance coverage.

The state legislation also amended Oregon's Medicaid statutes to enable the state's Medicaid program to participate in the LTC Insurance Partnership Act and to allow for protection of estate assets. The Oregon Department of Consumer and Business Services and the Oregon Department of Human Services jointly supported the legislation.

Long-term care is a broad range of services provided over a prolonged period, the purpose of which is to minimize or compensate for a person's loss of physical or mental functioning resulting from an illness, disability, cognitive impairment (such as Alzheimer's



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disease), or simply the frailties of old age. It is estimated that fewer than 10 percent of Americans over the age of 65 have LTC insurance.

LTC partnerships are public-private ventures that address the financing responsibility of long-term care. Partnerships are designed to encourage individuals to purchase private LTC insurance in order to fund their LTC needs, rather than relying on Medicaid to do so. The partnerships combine private LTC insurance with special access to Medicaid for individuals who exhaust their LTC insurance benefits.

LTC partnerships offer two main benefits: protection of assets during Medicaid eligibility determination and again during estate recovery. Several states developed LTC partnerships in the 1980s. However in the 1990s federal laws were changed so as to remove the estate recovery disregards, thereby rendering LTC partnerships worthless.

The Deficit Reduction Act of 2005 lifted the moratorium on estate recovery disregards and encouraged new development of LTC partnerships. After passage of that act, many states, including Oregon, became interested in LTC partnerships as a way to curb increasing growth in LTC expenditures for Medicaid participants.

The LTC partnership allows Oregonians to purchase a limited, and therefore more affordable, amount of LTC insurance coverage. The policies assure consumers that they could receive additional LTC services through Medicaid without having to reduce their assets to the \$2,000 Medicaid asset limit (which is required in order to meet Medicaid eligibility) after their insurance coverage is exhausted.

Under the Deficit Reduction Act, states can develop LTC Partnerships using the "dollar-for-dollar" model. This model protects a specific amount of personal assets. For every dollar that an LTC partnership insurance policy pays out in benefits, a dollar of assets can be protected during the Medicaid eligibility

determination. The amount protected is calculated based on the amount of benefits paid by the LTC insurance company on the policyholder's behalf.

For example, say a policyholder uses \$200,000 in LTC partnership insurance benefits, but he or she has \$300,000 in assets. The policyholder could be eligible for

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Medicaid when assets are reduced to \$202,000 (\$200,000 in excluded assets plus the \$2,000 Medicaid resource limit available to all Medicaid applicants).

Partnership policies also build on the three main reasons for buying LTC insurance:

- To relieve physical, financial and emotional burdens on their family and friends.
- To maintain financial independence and protect their assets from exorbitant expenses.
- To ensure their ability to secure quality care and ensure peace of mind for themselves and their family.

Policies are generally available to individuals aged 18 to 84 years who are in good health. They are available as individual or shared policies. Married couples and domestic partners are offered discounts and most individuals with preferred health could receive an additional discount.

Policies are also available through work-site coverage. More Oregon employers are now offering LTC insurance coverage as part of their employment benefits. Coverage is available through group or multi-life policies. Group discounts are offered in both group and multi-life policies.

If you have questions, talk with your insurance agent or contact your outsourcer.

DICK McNICHOLAS owns health insurance agency Comprehensive LTCI of Portland. He can be reached at 503-888-3546 and at info@comprehensivetci.com.