

The Long-Term Care Partnership Insurance Program in Montana

Revised March 2017



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What is Long-Term Care?

• Services & Support:

- Chronic illness
- Disabilities
- Other conditions that be limiting physically or mentally



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Statistics



- Explore Quick Facts about Long-Term Care (LTC)

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Question: What percent of persons 65 & older are expected to need some type of long-term care?

1. 82%
2. 70%
3. 63%
4. 45%



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Fact

- **70%** of persons age 65 or older
- Will need long-term care



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- Custodial Care
- Activities of Daily Living



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Medicare



- **Generally doesn't cover long-term care**

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Question: What was the average length of stay in nursing home in Montana for 2016?

1. 10.9 years
2. 8.5 years
3. 5.4 years
4. 2.4 years



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Facts



- **Montana Average Length of Stay (2016)**
 - 2.4 years
 - 1 in 5 stay more than 5 years

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Question: What is the average monthly cost of nursing home care in Montana for 2017?

1. \$8,589
2. \$7,523
3. \$6,819
4. \$3,225
5. \$2,987



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Average cost of care

- **Montana (2017) (nursing home)**
 - **\$6,819 monthly**
 - **\$81,826 annually**



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Average Cost in Montana for 3 yrs

- **Individual**
 - **\$245,478**
- **Couple**
 - **\$490,956**



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National Average Long-Term Care Services

Rate	Service
\$19 hr	Home Health Aide
\$62 day	Adult Day Care Center
\$2,962 month	Assisted Living Facility
\$183 day \$5,490 month	Semiprivate Room in Nursing Home
\$204 day \$6,120 month	Private Room in Nursing Home

4 Ways to Provide for Long-term Care CO\$T\$



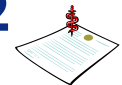
Way.....#1



1. 32% Use Personal Resources

- Current income
- Savings/Investments
- Sale of assets

Way.....#2



2. Purchase

- Regular long-term care insurance
 - 12.6% over age 65 have LTC insurance
- Long-Term Care Partnership Insurance Policy

Way.....#3

- Depend on relatives to pay nursing home costs
 - Most families say *no way!!!*



Way.....#4

- Medicaid
 - 61% of Montanans in nursing homes receive Medicaid assistance



How did the LTC partnership insurance program develop?

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Concern at State & Federal Levels



- Increasing cost of Medicaid for *long-term care* for the elderly

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Federal Deficit Reduction Act of 2005

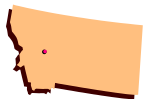
- States were encouraged to develop programs that would help reduce the growth of Medicaid expenses



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Montana Legislature (July 1, 2009)

- Responded with the *authorization* for a LTC insurance partnership program



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Question: On average what percent of nursing home costs were paid by *Medicaid* in Montana?

- 1. 92%
- 2. 86%
- 3. 73%
- 4. 61%
- 5. 54%

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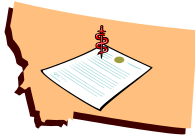
Who Pays



- Medicaid
 - 61% of LTC costs
- Nursing home residents
 - 32% of LTC costs
- Medicare/Other
 - 7%

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How does the Montana LTC partnership insurance program work?



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Montana Collaboration

- Private Insurance Companies
- Commissioner of Securities & Insurance (CSI)
- Department of Public Health & Human Services (DPHHS)
 - ❖ *Montana Medicaid Program*

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LTC Benefits

- Assets up to the value of the LTC partnership policy will **not** “count” when making *eligibility* determination for Medicaid

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Example: Betty

- 72-year old widow
- \$50,000 CDs
 - Wants to leave CDs to grandchildren for college

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LTC Policy

- Betty purchased a LTC *partnership insurance* policy
 - Benefit limit (pool)
 - \$100,000

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Benefits

- LTC *partnership* policy will cover the costs of Betty’s care
 - ❖ Up to \$100,000 benefit limit

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\$100,000 Benefit Depleted



- Betty's daughter contacted Office of Public Assistance
- Medicaid eligibility determination

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Daughter documents

- Betty purchased LTC *partnership insurance* policy
- Full benefit (\$100,000) had been utilized



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Calculation

- OPA excluded value of Betty's \$50,000 (CDs) in Medicaid eligibility calculation



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Eligibility

- Betty met other eligibility requirements
- Became immediately eligible for Medicaid



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Benefit to Betty

- She was able to keep \$50,000 in CDs to leave to her grandchildren



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Why not just "give away" assets to become qualified for Medicaid instead of paying for a LTC partnership insurance policy?



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Give away assets

- Federal & State laws require a period of Medicaid ineligibility
 - 5-year look-back rule



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Consequence



- “Uncompensated asset transfer penalty”
 - Result: “Ineligibility period” before qualifying for Medicaid

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Calculation



- Divide value of assets applicant gives away
- By monthly average nursing home cost
 - Montana \$6,819

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Revisit Betty



- What if ?????
- Betty had given \$50,000 to her grandchildren in an attempt to become “eligible” for Medicaid?

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Calculation



\$50,000 CDs
÷ \$6,819 = 7.3
Betty has almost 7 ½ months of Medicaid ineligibility

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- How will Betty pay for 7 ½ months of care?



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Caution: Asset Protection



- Available only after all benefits of LTC *partnership insurance* policy have been utilized

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More Information

• Medicaid & Long-Term Care Costs MontGuide

- Search by MontGuide title
- www.montana.edu



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Protect vs. Qualify

- Purchasing LTC insurance partnership policy may help *protect assets*
- Does not *qualify* a person for Medicaid coverage



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What companies are authorized to provide LTC partnership insurance policies in Montana?

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15 Companies

As of March 2017

- **Website**
<http://csimt.gov/wp-content/uploads/2017-LTC-Rate-Guide.pdf>
- **Phone**
➤ 1-800-332-6148



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LTC Partnership Companies

1. American General Life Insurance
2. Assurity Life
3. Bankers Life & Casualty
4. Bershire Life Insurance
5. Genworth Life Insurance
6. Massachusetts Mutual
7. MedAmerica

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LTC Partnership Companies

8. Metropolitan Life
9. Mutual of Omaha
10. New York Life
11. Northwestern Long-Term
12. Prudential Insurance
13. State Farm Mutual
14. Thrivent
15. Transamerica Life

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How can the financial stability of insurance companies be determined?



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Rating companies

- A. M. Best Company
- Standard & Poor's Corporation
- Moody's Investor Services



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Rate strength & viability to meet claims

- Investments
- Reserve adequacy
- Expense control
- Underwriting



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American Association for Long-Term Care

- Summary from 
 - 3 rating companies for several insurance companies
 - See Page 4 of MontGuide

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What is the cost of a LTC Insurance Partnership Policy?



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Costs of premiums depends on

- Age at purchase
- Type of coverage



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2017 Montana Long-Term Rate Comparison Guide (COMPREHENSIVE BENEFIT)

Company	Age 55	Age 60	Age 65	Age 70
Bankers	\$746	\$819	\$956	\$1,201
Genworth	\$383	\$447	\$549	\$832
Massachusetts Mutual	\$491	\$523	\$623	\$850
Mutual of Omaha	\$679	\$696	\$759	\$864
New York	\$741	\$789	\$866	\$1,158
State Farm Mutual Auto	\$968	\$960	\$1,000	\$1,143

2017 Montana Long-Term Rate Comparison Guide (COMPREHENSIVE BENEFIT)

Company	Age 55	Age 60	Age 65	Age 70
Thrivent	\$624	\$652	\$802	\$948
Transamerica	\$391	\$481	\$615	\$808
United Security Assurance	\$317	\$366	\$506	\$707

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2017 Montana Long-Term Rate Comparison Guide

- Available from Montana Commission of Securities & Insurance

<http://csimt.gov/wp-content/uploads/2017-LTC-Rate-Guide.pdf>

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Clearinghouse

- National Clearinghouse for Long-Term Care Information
 - Address in MontGuide
 - page 5



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How much of my income "should" be spent on LTC insurance?



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Question: LTC premiums should consume no more than what percent of income?

1. 15%
2. 10%
3. 7%
4. 4%



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National Association of Insurance Commissioners (NAIC)

- Recommends LTC insurance premiums should be **no more** than **7% of income**



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Example: Susan & Larry

- Joint income of \$65,000
- \$65,000
X .07

\$4,550 annually



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Example: Susan and Larry

- \$4,550 ÷ 12 = \$380
- Monthly premiums should not be more than \$380



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What questions should be asked before purchasing a LTC partnership insurance policy?



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Ask

- Location of care
 - Home
 - Assisted living facility
 - Adult day care
 - Nursing home



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Benefits paid

- Each day?
- Monthly?
- Elimination period?
- Inflation adjustment?



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Are premiums paid for a LTC partnership insurance policy tax deductible?



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Federal Income Tax Maximum Tax Deductible Premiums

Attained Age of Individual Before Close of Taxable Year	Maximum Tax-Deductible Premiums (2017)
40 or below	\$410
41 – 50	\$770
51 – 60	\$1,530
61 – 70	\$4,090
71 & above	\$5,110

Note: These amounts are subject to change each year

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Example -Federal Age 46 & 67



- **Dan & Marlene**
 - Paid \$14,964 for LTC policies
 - Limit: \$4,090 each
 - Total: \$8,180
(\$4,090 his + \$4,090 hers = \$8,180)

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Federal Deduction

- Exceed 10% AGI
 - ❖ $\$65,000 \times 10\% = \$6,500$
- Amount allowed for LTC
 $\$8,180 - \$6,500 =$
- Federal Tax Deduction =
\$1,680 on Schedule A

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Montana



- **Does not duplicate federal rules!**
 - Allows for a tax deduction of **total** amount premiums paid for LTC insurance
 - If you itemize!

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Montana



- Total amount premiums paid for LTC insurance
 - Taxpayer
 - Taxpayer's parents
 - Taxpayers grandparents

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Montana: Schedule III Itemized Deductions Dollar for Dollar *Not limited to amount above 10%*



5. Medical insurance premiums not deducted on your return.	\$ 0
6. Long-term care insurance premiums not deducted elsewhere on your return.	\$14,964
TOTAL	\$14,964

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Dan & Marlene Total Deduction Amount



Federal Tax Bracket 15%	\$1,680
Montana Tax Bracket 6.9%	\$14,964

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Dan & Marlene Tax Savings



Federal	\$252
Montana	\$1,033
Total	\$1,285

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Are benefits from a LTC *partnership* policy taxable?



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Generally, **NO**



- Limit is reimbursement received from the *larger of*
 - Cost of qualified LTC
 - \$310 per day (\$113,150)
 - See form 1099-LTC

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Is a LTC policy purchased before program began considered a partnership policy?



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Purchased before July 1, 2009



- Policy *could* be eligible for designation as a LTC *partnership* policy

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Insurance Company

- Ask if company would agree that the policy could be:
 - Reissued
 - Exchanged



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Company submits Policy for Certification

- Montana Commissioner of Securities & Insurance



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After Certification

- Company should provide to insured
 - *Partnership Status Disclosure Notice*



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Is a LTC insurance partnership policy purchased in another state certified in Montana?



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Another state?

- Policy can be designated as "certified" if person later moves to Montana



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Policy purchased in another state

- Montana Commissioner of Securities & Insurance (CSI) reviews policy
 - Must meet all of following conditions:



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Condition in another state

- Was insured person a resident of *partnership* state when coverage first became effective?



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Definition

- Does policy meet IRS definition of a "*qualified*" LTC partnership insurance policy?



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Policy Date

- Was *partnership* policy date issued, re-issued, or exchanged after July 1, 2009?



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NAIC Rules

- Does *partnership* policy meet specific rules of the National Association of Insurance Commissioners?



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Does policy have an inflation rate clause?

- Age...Under 61 yrs
 - compound annual protection
- Age...61-76
 - some level of inflation protection
- Age...Over 76
 - inflation protection is optional



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What if I want to make changes to my LTC partnership insurance policy after it is purchased?



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Changes may



- Affect whether your policy continues to be *certified* under Montana law

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Consult Insurance Agent



- To determine the effect of proposed changes
 - Get Response in writing

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Summary: LTC Partnership Insurance Program



- Helps Montanans protect their assets against the cost of LTC!

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Summary: LTC Partnership Insurance Program



- Eventually will save state & federal government Medicaid expenses!

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MSU Extension MontGuide

- **Further information**
 - **Long-Term Care Partnership Insurance in Montana**



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