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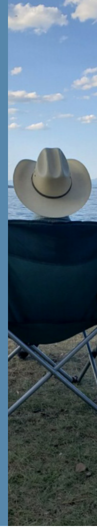

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Long-Term Care Partnership Insurance in Montana

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Montanans who buy a long-term care partnership insurance policy are protected from the requirement that they must use all their financial resources to qualify for Medicaid. Basic information about the Montana long-term care partnership insurance program and how it works is provided. Shopping tips are also described.

What is long-term care?

Long-term care helps people of any age with their medical needs or daily living activities over an extended period. It includes a wide variety of services and support provided in a home, in an adult day care, or in other living arrangements, such as continuing care retirement communities, home health, assisted living facilities, or nursing homes.

Long-Term Care Facts

- 7 in 10 Baby Boomers or older generations are expected to need some type of long-term care during their lifetime.
- Nationally, the average nursing home stay is 2.9 years, with 20% of persons staying more than five years.
- The average cost of care for an individual in a nursing facility in Montana during 2024 was $8,427 per month ($101,124 annually) for a semi-private room.
- The average monthly cost of hiring a home healthcare aide in the United States is $6,481 and in Montana, $6,873.
- In 2023, only 3.1 percent of Americans aged 65 and older had private long-term care insurance coverage.

Sources: Genworth 2023 Cost of Care www.genworth.com; www.plansponsor.com; www.aplaceformom.com

Who needs long-term care?

Long-term care services help those with chronic illness, disabilities, or other conditions that are physically or mentally limiting. Most long-term care is for help with Activities of Daily Living (ADL). The six ADLs include eating, bathing, dressing, toileting, transferring (getting up from bed and chairs), and keeping continence. Persons with cognitive impairments such as Alzheimer's disease or other dementias also may require long-term care services.

What is the purpose of the long-term care partnership insurance program?

The legislature passed the Long-Term Care Insurance Act to encourage individuals to buy long-term care insurance policies to provide for their potential long-term care needs. The goal was to reduce the amount of money the state of Montana spent on long-term care under the Medicaid program.

How does the long-term care partnership insurance program work?

When a Montanan who has a qualified long-term care partnership insurance policy needs care, the policy benefits will help cover the costs of care up to the lifetime limit (often called pool). Typically, policies reimburse the insured for long-term care expenses up to a certain amount, such as $100 or $200 per day with a lifetime limit between $100,000 and $300,000.

If a person reaches the lifetime policy limit and still needs long-term care, any assets equal to the policy's limit are not included when deciding the person's eligibility for Medicaid.

> ***Single Person Example:*** Betty Lou is a widow who bought a long-term care partnership insurance policy when she was age 55 with a lifetime benefit pool of $100,000. By age 72, Betty Lou's remaining assets include $100,000 in certificates of deposit (CDs) and $2,000 in her checking

account. She had an estate planning goal of leaving the CDs to her two grandchildren to help further their education.

When Betty Lou needed long-term care, first in her home and later in a nursing home, the benefits of the partnership policy covered her expenses until they reached the lifetime limit of $100,000. Betty then became responsible for the payments to the nursing home. Her daughter provided the local Office of Public Assistance (OPA) documentation from the insurance company of Betty Lou's use of her lifetime limit of $100,000 from her qualified long-term care partnership insurance policy. The OPA excluded the benefit of $100,000 paid to Betty Lou from the 'countable resource' calculation for her Medicaid eligibility.

Betty Lou was able to keep the CDs ($100,000) to leave to her grandchildren and the $2,000 in her checking account because she had bought and used the $100,000 lifetime limit of her qualified long-term care partnership insurance policy. Betty Lou did not have to 'spend down' her remaining resources of $102,000 to $2,000 before becoming eligible for Medicaid.

Married Couple Example: Shirley and Budd own a small ranch in eastern Montana. One of Shirley and Budd's estate planning goals is for their son to inherit the ranch, valued at $1,000,000.

Shirley and Budd decided to buy a long-term care partnership insurance policy with a shared care rider. If one spouse needs care and their own policy runs out of benefits, as a designated rider, they would be able to dip into the funds of their spouse's policy.

The goal of Shirley and Budd is to have insurance benefits for up to $1,000,000 of long-term care costs if one of them needs such care. While the long-term care partnership insurance policy they bought is in place, the benefits would help cover the cost of care at home, in an assisted living facility, or in a nursing home. Be aware not all policies offer these alternative care options. Then after the long-term care partnership insurance policy reaches the lifetime benefit limit, Shirley or Budd could apply for Medicaid (depending on who was in the nursing home).

In the Medicaid eligibility calculation, the Medicaid Eligibility Specialist excludes the value of their ranch up to the full amount of the long-term care partnership policy. This means if their policy pays $1,000,000 in benefits, the value of their ranch is not included as an asset in the calculation of Budd or Shirley's eligibility for Medicaid.

After Shirley or Budd's death, their son could inherit the ranch. The Montana Medicaid program would exclude the benefit value from the Medicaid Estate Recovery procedures. The reason for the exclusion was Shirley and Budd had bought and used the full benefit of $1,000,000 of a qualified long-term care partnership insurance policy.

Why not just give away all assets to become qualified for Medicaid instead of paying for a costly long-term care partnership insurance policy?

Federal law requires a Medicaid 'ineligibility period' if people give away assets or transfer the assets for less than the fair market value within a certain period (known as the look-back period). The look-back period for the transfer of assets is 60 months (5 years).

The following brief description of the look-back period eligibility rules is very general. Medicaid does have exceptions under which no ineligibility period is imposed. For example, there are exceptions for transfers to spouses, disabled children of any age, siblings with an ownership interest in a house, children who provided care to keep a parent out of a nursing home for two years, and transfers made for a purpose other than becoming Medicaid eligible.

More information about Medicaid eligibility requirements in Montana is available in the MSU Extension MontGuide *Medicaid and Long-Term Care Costs* (MT199511HR). Free copies are available from a local MSU Extension office or can be ordered from MSU Extension Publications at (406) 994-3273 or online, store.msuextension.org.

The period of ineligibility for a Medicaid applicant during the look-back period depends on the value and date of the gift. The period of ineligibility (i.e., penalty period) is the number of days the money or value of the gifted asset could have paid for care. The Montana average daily cost of nursing home care in Montana is $277 (2024). The period of ineligibility is one day for every $277 of uncompensated value the applicant gave away.

The following two examples show how the look-back rules apply to single and married persons.

Single Person Example: Assume Betty Lou gifted $100,000 to her grandchildren before she went into the nursing home. The 'uncompensated asset transfer penalty' and ineligibility period rules would apply. The ineligibility period is set at the number of months needed to spend the uncompensated value of the transferred assets on nursing home care ($100,000 in CDs for Betty Lou's situation).

The ineligibility period is one year for the uncompensated value Betty Lou gave away. By gifting the CDs to her grandchildren, Betty Lou would not receive Medicaid coverage for about a year after she entered the nursing home ($100,000 Betty's Gift ÷ $279 daily cost of care = 358 days of ineligibility ÷ 365 days in a year = .98 year). How would Betty pay for her nursing home costs for about a year if she gave away all her money?

Married Couple Example: Assume Shirley and Budd gifted a $1,000,000 ranch to their son. A year after the gift, Budd suffered severe brain trauma after a fall from a horse. After his hospital stay, Budd was admitted to the local nursing home so he could get the care he needed. Budd is subject to an 'uncompensated asset transfer penalty' resulting in an ineligibility period before he would qualify for Medicaid. The ineligibility period for Budd is around 10 years ($1,000,000 ÷ $279 = 3,584 days of ineligibility ÷ 365 days in a year = 9.8 years).

Will the purchase of a long-term care partnership insurance policy automatically qualify me for Medicaid?

No. The purchase of a long-term care partnership insurance policy may help protect assets up to the lifetime limit paid if a person is eligible for Medicaid, but it does not automatically qualify them for Medicaid.

For specific questions about Medicaid eligibility rules, call the Office of Public Assistance 888-706-1535, or visit the DPHHS website: dphhs.mt.gov/healthcare/Apply. Information about Montana Medicaid is also available at Benefits.Gov – Your Path to Government Benefits: www.benefits.gov/benefit/1633.

What companies provide long-term care partnership insurance policies in Montana?

The website of the Commissioner of Securities and Insurance lists 19 companies approved for selling partnership policies to Montanans. Visit csimt.gov/your-insurance/long-term-care, call 800-332-6148, or ask a local insurance agent for the list.

While information specific to long-term care partnership insurance policies may not be easy to find on company websites, each has a toll-free number to help search for specific information. One can also contact an insurance agent to request information about long-term care partnership insurance policies.

Montana insurance professionals must have special training before they can sell long-term care partnership insurance policies with endorsement approvals from the state. They must:

- be licensed as a producer for life or disability insurance,
- have completed a one-time training course of at least eight hours, and
- participate in ongoing training of no less than four hours every 24 months.

Where can I find the financial stability of insurance companies selling long-term care partnership policies?

Understandably, Montanans who buy long-term care partnership insurance policies want assurance that the company will pay their claims at a point in the future when they need long-term care. While there are no guarantees, ratings provided by credit agencies such as A.M. Best Company, Standard & Poor's Corporation, and Moody's Investor Services can be a guide. Each agency has a system for rating an insurer's financial strength and viability to meet claims obligations based on a variety of factors such as underwriting, expense control, reserve adequacy, and investments.

The American Association for Long-Term Care Insurance provides a summary of three rating agencies for insurance companies. The summary is available online at: aaltci.org/long-term-care-insurance/learning-center/company-ratings.php.

Long-term care plans are protected up to $300,000 by the Montana Life & Health Insurance Guaranty Association. For more information, visit the following website: Montana Life & Health Insurance Guaranty Association - Frequently Asked Questions (mtlifega.org)

What is the cost of a long-term care partnership insurance policy?

The cost of premiums for a partnership policy will depend on a person's age when buying the policy and the type of coverage chosen. The National Association of Insurance Commissioners has A Shopper's Guide to Long-Term Care Insurance with a table illustrating how premiums can fluctuate from company to company. Order a free guide online at csimt.gov/wp-content/uploads/2022/10/publication-ltc-lp-shoppers-guide-long-term.pdf.

Premiums on a long-term care partnership policy will not increase because of health changes. However, with the approval of the Montana Commissioner of Securities and Insurance, premiums can increase on a class basis (for example, for all policyholders aged 75 or older).

What amount of income should be spent on long-term care insurance?

Not every Montanan can afford long-term care insurance. Whether or not a long-term care insurance policy is a workable alternative depends on current assets, monthly income, and financial goals. Key questions to consider are:

- Do I have assets to protect?
- Is the premium affordable given my monthly income?
- Will I be able to afford premium increases in the future?
- Do I want to protect assets for a spouse, children, or grandchildren?
- Do I want to leave an inheritance to a charitable or nonprofit organization?

The National Association of Insurance Commissioners (NAIC) recommends long-term care insurance premiums consume no more than seven percent of annual gross income.

Married Couple Example: Joe and Debbie have a gross income of $84,000. Based on the recommendation of NAIC, the amount spent for their long-term care insurance policies should not exceed $5,880 annually ($84,000 income x 0.07 = $5,880 annually. $5,880 annually ÷ 12 months = $490 per month). Based on the recommendation of NAIC, the insurance premiums for Debbie and Joe should not exceed $490 monthly.

What questions should be asked before buying a long-term care insurance policy?

While there are policies covering only nursing home stays, others are more comprehensive, paying benefits for home care, adult day care, and care provided in assisted living facilities. Policies also offer options for the benefit amount paid for care each day and over a person's lifetime, the length of the elimination or waiting (deductible) period, and the type of inflation adjustment.

Many resources provide more information about features to consider when shopping for a long-term care insurance policy. Some booklets can be mailed while others are available for download from websites. The publications are free unless otherwise noted.

1. ***What is Long-term Care (LTC) and Who Needs It?***
   National Clearinghouse for Long-Term Care Information
   Administration on Aging
   Administration for Community Living
   330 C St. SW
   Washington, DC 20201
   (202) 401-4634
   www.longtermcare.gov

2. **AARP**
   - Understanding Long-Term Care Insurance (Updated Feb 2024) www.aarp.org/caregiving/financial-legal/info-2021/understanding-long-term-care-insurance.html
   - Buy Long-Term Care Insurance at the Right Age to Get the Best Value (Updated Feb 2024) www.aarp.org/caregiving/financial-legal/info-2019/when-to-buy-long-term-care-insurance.html

3. ***A Long-Term Care Insurance Policy Comparison Tool***
   This tool is part of a web-based educational program from the University of Illinois Extension. It helps consumers compare up to three different long-term care insurance policies. www.longtermcare.illinois.edu

Consider making an appointment with a financial advisor to help plan for future financial needs before deciding on the purchase of a long-term care policy.

Is a long-term care policy bought before the partnership program began in Montana considered a partnership policy?

If you bought a long-term care policy before July 1, 2009, it could be eligible for certification as a long-term care partnership insurance policy. First, the company decides whether to follow the partnership rules at the state and federal levels.

Assuming the company decides 'yes,' the next step is to send the policy for certification by the Montana Commissioner of Securities and Insurance. If the Commissioner certifies the revised policy, the company will reissue or exchange the policy for a long-term care partnership insurance policy. The company then should provide a "Partnership Status Disclosure Notice."

Contact your insurance agent to ask if a previously bought long-term policy could be reissued or exchanged for a 'certified partnership policy.' Or, ask a specialist at the office of the Montana Commissioner of Securities and Insurance (1-800-332-6148).

Is a long-term care partnership insurance policy bought in another state certified in Montana?

A long-term care partnership insurance policy issued while living in another state may be certified if a person later becomes a Montana resident. To find if the policy is certified, contact the office Montana Commissioner of Securities and Insurance (1-800-332-6148).

Representatives from the Montana Commissioner of Securities and Insurance will review the policy to decide if all the following conditions are met:

- If the insured person was a resident of a partnership state when coverage first became effective under the policy,
- If the policy meets the IRS definition of a 'qualified long-term care insurance policy.'
- If the policy issue date was issued, re-issued, or exchanged on July 1, 2009, or thereafter.
- If the policy meets specific rules of the National Association of Insurance Commissioners, and
- If the policy includes an inflation protection clause. This requirement varies depending on the age of the insured at the time of purchase:
  - If the purchaser is under 61 years of age, compound annual inflation protection must be provided.
  - If the purchaser is between 61-76 years of age, some level of inflation protection must be provided.
  - If the purchaser is over 76 years of age, inflation protection is optional.

Summary

Montana has a long-term care partnership insurance program allowing people to protect some or all of their assets (depending on the plan) if they need long-term care. The program helps Montanans pay for their care without having to spend down all their assets, as they would have to do if they relied totally on Medicaid.

The partnership program helps everyone by allowing Montanans to keep some or all of what they have worked hard to accumulate and by reducing the state's Medicaid costs. State and federal laws also allow for deductions for qualified long-term care premiums when calculating annual income taxes.

Acknowledgments

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Disclaimer

The information presented in this MontGuide is for general educational purposes only. It is not a substitute for legal or tax advice about the long-term care partnership insurance program. State and federal regulations are summarized as of the date of publication. Long-Term Care Insurance and Medicaid rules are under continual revision. Contact an attorney, insurance agent, or local Medicaid Eligibility Case Manager for recent developments. State and federal tax rules also change often, so contact a tax professional for the latest developments.

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