

# HOUSE BILL REPORT

## HB 1971

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As Reported By House Committee On:  
Health Care

**Title:** An act relating to a public and private partnership for long-term care insurance for the elderly.

**Brief Description:** Creating a public and private partnership for long-term care insurance.

**Sponsors:** Representatives Dyer, Dellwo, Zellinsky, Kremen, Basich, Brough, Long, Carlson, Ballard, Sehlin, Edmondson, Thomas, Stevens, Miller, Wood, Forner, Horn, Campbell, Chandler, Brumsickle, Tate, Vance, Fuhrman, Ballasiotes, Sheahan, Lisk, Cooke, Van Luven, Mielke, Foreman, Talcott, Springer, Finkbeiner, Mastin, Pruitt, Kessler, Rust, Morton, Chappell, Brown, Ogden, Flemming, Reams, Locke and Schoesler.

**Brief History:**

Reported by House Committee on:  
Health Care, March 2, 1993, DPS.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Dellwo, Chair; L. Johnson, Vice Chair; Dyer, Ranking Minority Member; Ballasiotes, Assistant Ranking Minority Member; Appelwick; Campbell; Conway; Cooke; Flemming; R. Johnson; Lisk; Mastin; Mielke; Morris; Thibaudeau; and Veloria.

**Staff:** Antonio Sanchez (786-7383).

**Background:** Currently, over 200,000 Washingtonians, or about 5 percent of the total population, have a chronic physical or mental disability which make it impossible for them to independently accomplish all the tasks essential to function without some type of assistance. By the year 2010, there will be an additional 100,000 Washingtonians in need of long-term care. Over the next 20 years, the state's chronically disabled population is expected to grow by more than 50 percent, almost twice as rapidly as our total population. At the same time, demographic, cultural, economic and social factors are working to decrease the availability of family and friends to care for this larger

and increasingly disabled population. As a result of these conditions, many elderly people will need some form of formal long-term care services. These services will include an array of in-home services, services in the community, and nursing home services. Although a growing number of elderly have enough private resources to purchase a limited amount of in-home or out-of-home long-term care services, it is expensive and costs are rising rapidly. Personal care provided in a person's home is currently about \$10 to \$15 an hour and, if nursing services are included, it can cost more than \$100 per visit. Basic boarding home care costs about \$10,000; adult family home care ranges from \$10,000 to \$18,000 per year, and nursing homes can cost \$35,000 per year or more. Few individuals or families can afford such dramatic out-of-pocket expenditures for any extended period. Consequently, a significant share of those who at any point are paying privately for their residential care, are likely to eventually exhaust all their funds and need public financial support for their care. This is referred to as "spending down."

A majority of people in need of nursing home care must ultimately look to the tax-supported Medicaid program for assistance. Statistics indicate that on the average it takes approximately 13 weeks before their resources are exhausted and they are forced to rely on Medicaid to pay for their nursing home care. This scenario is true for 50-60 percent of all nursing home residents. Medicaid is a joint state-federal program that will pay for nursing home care when certain medical and financial criteria are met. However, in Washington, people who need nursing home care can benefit from Medicaid without devastating their families by taking advantage of regulations that allow for the transfer of resources between spouses or to others. This practice results in a greater burden of the cost being shifted to the public through the use tax-supported nursing home care.

In an effort to reduce the burden of Medicaid expenses on the state and to halt the financial drain on individuals, 27 states currently have, or are implementing, partnership programs that combine private long-term care insurance with Medicaid. The programs enable the elderly to protect themselves against impoverishment by purchasing an asset protection insurance policy. The amount of asset protection is equal to the total amount of insurance purchased. The federal government requires that participating states meet a number of consumer protection requirements before they are allowed to participate. One of the most successful programs is currently being conducted in Connecticut.

Although, a range of long-term care insurance is offered in the state of Washington, there is not a long-term care insurance program that currently promotes the purchase of private long-term care insurance by providing easier access to Medicaid for those people who buy the insurance. The Washington State Insurance Commissioner's Office monitors and regulates the sale of long-term care policies. It also conducts a program that serves to educate the elderly about the purchase of long-term care insurance. The program is called the Senior Health Insurance Benefits Advisors (SHIBA).

**Summary of Substitute Bill:** The Department of Social and Health Services is given the authority to establish and coordinate a pilot long-term care insurance program referred to as the Washington Long-term Care Partnership. The Department of Social and Health Services is required to seek a waiver of appropriate federal Medicaid regulations to allow the protection of an individual's assets. They must also establish the rules of the partnership program that will join private long-term care insurance with a state Medicaid program. The partnership program would allow an individual to purchase insurance to a specific amount of asset protection. When individuals need long-term care, they will be able to access their benefits to the amount insured and not have to go through medicaid spend down before they qualify for Medicaid services.

The insurance commissioner is required to promulgate regulations for the partnership that meet the standards set by the federal government for the partnership program and to review long-term care insurance policies being submitted for endorsement. These regulations set by the commissioner include: inflation protection; minimum benefit amounts; duration and scope of benefits; free look period while examining the product; third party notice to assist if a premium is not paid; definition of benefit in dollars and not days; full integration of benefits between in-home care and nursing home care; required minimum benefit offering; and case management of benefits. All insurers offering long-term care policies under this program are also required to provide specific tracking data to the insurance commissioner regarding the sale, premiums and product features of the policies.

The insurance commissioner and the Department of Social and Health Services are required to develop a consumer education program designed to educate consumers as to the need for long-term care methods for financing long-term care, the availability of long-term care insurance, and the eligibility requirements for the partnership program.

The insurance commissioner and the Department of Social and Health Services are required to submit a yearly report to the Legislature on the progress and cost effectiveness of the program.

**Substitute Bill Compared to Original Bill:** Technical changes were made to clarify the responsibilities of the Department of Social and Health Services and the insurance commissioner. Other housekeeping changes were made to make the act consistent with state policies and structure.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.