

HOUSE BILL REPORT

HB 1536

As Reported By House Committee On:
Health Care

Title: An act relating to the long-term care partnership program.

Brief Description: Revising the Washington long-term care partnership.

Sponsors: Representative Dyer.

Brief History:

Committee Activity:

Health Care: 2/21/95 [DPS].

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Cody, Vice Chairman; Casada; Conway; Crouse; Kessler; Morris; Sherstad and Skinner.

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 makes 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. As a result of these conditions, many functionally disabled 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 persons 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. 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."

Many people in need of nursing home care must ultimately look to the tax-supported Medicaid program for assistance. 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 elderly persons 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.

In 1993, the Legislature directed the Department of Social and Health Services (DSHS) to establish and coordinate a pilot long-term care insurance program referred to as the Washington Long-term Care Partnership. The DSHS is required to seek a waiver of appropriate federal Medicaid regulations to allow the protection of an individual's assets. The department 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 Office of the Insurance Commissioner (OIC) is required to promulgate regulations for the partnership program 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 OIC regarding the sale, premiums and product features of the policies.

The OIC and the DSHS 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 OIC and the DSHS have not fully implemented this program.

Summary of Substitute Bill: The OIC is required to work in conjunction with the DSHS to coordinate the Long-term Care Partnership Program. The 1998 ending date for the program is eliminated and the program is extended indefinitely. Technical changes are made to clarify the ability of policy holders to exclude all or some of their assets in determining Medicaid eligibility as specified by the DSHS and the OIC.

Modifications are made to the rules that the OIC is required to adopt regarding the partnership policies. Under these rules, policies must now contain coverage for nursing home care, and an alternative plan of care as defined by the insurance commissioner that must be rejected in writing. Home and community-based long-term care services are made optional. In addition, automatic inflation protection is made mandatory for policy holders under the age of 80 and optional for policy holders over the age of 80. Insurers offering partnership policies are required to provide information to the OIC for annual reporting, based on a uniform data set defined by the commissioner. The development of consumer education for the partnership program must also include the cooperation of members of the long-term care insurance industry. The program's reporting requirement is extended until 1998.

Substitute Bill Compared to Original Bill: Modifications are made to allow the implementation of the provisions for transfer of assets prior to the time of a partnership policy holder's death so that such transfers are not subject to recovery requirements. Technical changes are made to formally seek approval from the Federal Health Care Financing Administration to protect an individual's assets under the partnership program. Clarification is made to require that coverage for an alternative plan of care benefit and inflation protection be included for those seeking partnership long-term care insurance plans. In addition, applicants for a partnership policy are required to reject in writing if they do not want home and community based benefits.

Appropriation: None.

Fiscal Note: Requested on February 19, 1995.

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

Testimony For: The Partnership Long-term Care Insurance Program will expand the capability for the public to protect their assets and not have to be impoverished if they need long-term care. The program can help the state save money and at the same time protect individuals.

Testimony Against: None.

Testified: Gail McGaffick and Joey Hood, Home Care Association of Washington (concerns); Karen Tynes, Washington Association of Homes for the Aging (concerns); Scott Sigman, Washington Health Care Association (pro); and Spencer Lehmann, National Association of Health Underwriters.