North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

The Honorable William Purcell, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 625, Legislative Office Building
Raleigh, NC 27603

Dear Senator Purcell:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Feezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

The Honorable Doug Berger, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 526, Legislative Office Building
Raleigh, NC 27603

Dear Senator Berger:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Feezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

The Honorable Beverly M. Earle, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 634, Legislative Office Building
Raleigh, NC 27603

Dear Representative Earle:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Freezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Raleigh, N.C. 27603

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

The Honorable Bob England, M.D., Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

Dear Representative England:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Feezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

The Honorable Verla Insko, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 307-B1, Legislative Office Building
Raleigh, NC 27603

Dear Representative Insko:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Feezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

April 2, 2009

Marilyn Chism, Director
Fiscal Research Division
Room 619, Legislative Office Building
Raleigh, NC 27601

Dear Ms. Chism:

Section 10.10 of S.L. 2006-66 (Senate Bill 1741), "Public-Private Long-Term Care Partnership Program," required DHHS to develop a North Carolina Long-Term Care Partnership Program. The purpose of the Program is to reduce future Medicaid costs for long-term care by delaying or eliminating dependence on Medicaid. The Program is to be structured and administered in accordance with applicable federal law and guidelines for qualified State long-term care partnerships and must offer incentives to individuals to insure against the substantial costs of providing for their long-term care needs. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Angela Floyd, Assistant Director for Recipient and Provider Services at the Division of Medical Assistance. She can be reached at (919) 855-4050 or via email at Angela.Floyd@ncmail.net.

Sincerely,

Lanier M. Cansler

Lanier M. Cansler

LMC:af

Enclosure

cc: Allen Feezor
Dan Stewart
Tara R. Larson
Jennifer Hoffmann
Sharnese Ransome
Legislative Library (2)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

REPORT TO THE

SENATE APPROPRIATIONS COMMITTEE ON HEALTH AND HUMAN SERVICES

AND

HOUSE APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

AND

FISCAL RESEARCH DIVISION

LONG TERM CARE PARTNERSHIP PROGRAM DEVELOPMENT RECOMMENDATION

April 1, 2009

TABLE OF CONTENTS

Executive Summary	Page 1
Section I General Information	Page 1
Section II Concerns Addressed by the Long Term Care Partnership (LTCP) Program	Page 2
Section III Description of Resource Disregard for Eligibility	Page 2
Section IV Description of Resource Protection for Estate Recovery	Page 3
Section V Recipients Who Will Benefit From Resource Protection at Estate Recovery	Page 3
Section VI Reciprocity	Page 3
Section VII Policy Requirements	Page 4
Section VIII Policy Disclosure and Identification	Page 4
Section IX Agent Training	Page 5
Section X Data Collection	Page 5
Section XI Consumer Protection	Page 6
Section XII Eligibility Information System (EIS) Requirements	Page 6

Section XIII Fiscal Impact Page 7

Section XIV Recommendations Page 8

Attachment A GAO Report Figure 1: Financing of Long Term Care Nursing Facility Stays Under Three Scenarios

Attachment B Long Term Care Partnership Program (LTCP) - Legislation Document

EXECUTIVE SUMMARY

Section 10.10 of SL. 2006-66 authorized the Department of Health and Human Services to develop a Long Term Care Partnership (LTCP) program for North Carolina. The purpose of the Program is to reduce future Medicaid costs for long term care by delaying or eliminating dependence on Medicaid. The Program, including the treatment of resources for Medicaid eligibility when applying for long term care and the treatment of resources for Estate Recovery, notwithstanding statutory provisions on treatment of resources and Estate Recovery to the contrary, shall offer incentives to individuals to ensure against the substantial costs of providing for their long term care needs.

Section 10.10 of SL. 2006-66 also directed the Department to submit the proposed program to the Senate Appropriations Committee on Health and Human Services, the House of Representative Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division prior to submitting the program for federal approval of the necessary State Plan amendment.

I. GENERAL INFORMATION

The LTCP program provides incentives for the purchase of private long term care insurance. The LTCP program is an alliance between the North Carolina Division of Medical Assistance and the North Carolina Department of Insurance. It is a joint effort by State government and private industry to create an option to help individuals plan to meet their future long term care needs without depleting all resources to pay for care. An individual who purchases a LTCP policy as determined by the Department of Insurance, and has utilized benefits of that policy is allowed a special resource disregard when applying for long term care Medicaid, and resource protection at Estate Recovery.

The amount of the eligibility resource disregard and Estate Recovery resource protection is equal to the amount of benefits paid out by the LTCP policy prior to the application for long term care Medicaid. Once the resource disregard is established, the amount never changes. The resource disregard and resource protection only applies to the resources owned by the insured individual. It does not apply to any other person whose resources are included in the eligibility determination, such as a spouse.

A technical workgroup was formed to develop North Carolina's LTCP program rules and guidelines. The workgroup consisted of the following:

North Carolina Division of Medical Assistance
North Carolina Department of Insurance (NCDOI), and North Carolina Seniors' Health Insurance Information Program (SHIIP) of the NCDOI
North Carolina Division of Aging and Adult Services
North Carolina Department of Justice

County Department of Social Services staff
North Carolina Health Care Facilities Association
American Association of Retired Persons (AARP)
Private Insurance Companies
North Carolina Bar Association

II. CONCERNS ADDRESSED BY THE LONG TERM CARE PARTNERSHIP (LTCP) PROGRAM

A. Rapidly increasing Medicaid expenditures for nursing home care.

B. Rapidly growing elderly population in the state.

C. The limited extent to which people are using private insurance to protect themselves against the high cost of long term care.

D. The only public program providing significant financial relief to individuals unable to pay for long term care is Medicaid, which requires individuals to become impoverished in order to qualify.

III. DESCRIPTION OF RESOURCE DISREGARD FOR ELIGIBILITY

After the implementation of the LTCP program, when determining long term care Medicaid eligibility, the amount of resource disregard equals the amount of insurance benefit payments that have been made from a qualified LTCP policy to or on behalf of the individual (Dollar-for-Dollar Model) prior to his application for long term care Medicaid. For every dollar the LTCP policy pays out in benefits, a dollar of resources can be disregarded during the long term care Medicaid eligibility determination. Resource disregard only applies to the insured individual.

LTCP policies do not have to be exhausted prior to receiving a resource disregard for long term care Medicaid. The insured individual may qualify for Medicaid to help with the cost of long term care if the individual's LTCP policy has paid out enough benefits prior to application for long term care Medicaid to bring the countable resource total under the limitation amount for long term care Medicaid.

It should be noted that although the LTCP policy may continue to pay benefits, no additional resources can be disregarded or protected after the date of the Medicaid application for long term care assistance.

IV. DESCRIPTION OF RESOURCE PROTECTION FOR ESTATE RECOVERY

The Deficit Reduction Act of 2005, Public Law 109-171, requires that the amount of resources that can be protected at Estate Recovery is the same amount of resources that was disregarded at the time of the individual's long term care Medicaid application.

This amount remains the same at the time of Estate Recovery even if a policy continues to pay additional benefits after long term care Medicaid approval.

A Medicaid invoice will be submitted to the executor of the estate for the total amount of services received by the recipient which were paid by Medicaid and are subject to Estate Recovery. The resource amount that was disregarded at the time of the long term care Medicaid application will be deducted from the total estate resources. Any additional amount of resources in the estate will be subject to recovery. Resource protection only applies to the insured individual.

V. RECIPIENTS WHO WILL BENEFIT FROM RESOURCE PROTECTION AT ESTATE RECOVERY

Individuals receiving the following Medicaid services in North Carolina can benefit from resource protection provided by LTCP policies:

A. Aged, Blind, and Disabled individuals receiving assistance with long term care cost for a skilled nursing facility.

B Program of All-Inclusive Care (PACE) participants.

C. Individuals participating in the Community Alternative Program (CAP) under the Home and Community Based Services Waiver.

D. Recipients who receive Personal Care Services and later receive any service listed in A.-C. above.

VI. RECIPROCITY

In order to permit portability, North Carolina elects to participate with other states which choose to participate in the national reciprocity agreement. However, it is unlikely that all states will participate. An individual must purchase their LTCP policy in his state of residence.

Although a LTCP policy is purchased in a state that participates in the national reciprocity agreement, Medicaid applicants moving to another LTCP reciprocity state will still need to meet the new state's Medicaid eligibility requirements.

VII. POLICY REQUIREMENTS

CMS State Medicaid Director Letter #06-019, dated July 27, 2006, requires that the date of issuance of the LTCP policy must occur on or after the purchaser's state's LTCP program implementation effective date in the state where the purchaser resides.

Certain LTCP policies issued prior to the state's program effective may be eligible for partnership status. These policies must receive a LTCP policy amendment, rider, or endorsement to give the coverage a current effective date on or after the state's LTCP program effective date in order to qualify as a partnership policy. Only policy benefits paid after the amendment to the policy will qualify for the resource disregard and/or resource protection.

LTCP policies owned by individuals who have moved to North Carolina from another reciprocal state will be honored by North Carolina after North Carolina implements the LTCP program.

VIII. POLICY DISCLOSURE AND IDENTIFICATION

Policies and Amendments must be easily identifiable. A disclosure will be provided to individuals at the point of sale of a LTCP policy and provided again with the delivery of the LTCP policy document. The disclosure will provide information that will help the purchasers of these policies to better understand the benefits and limitations in regard to the Medicaid program. The telephone number for the Seniors' Health Insurance Information Program (SHIIP) is provided as a contact for any questions. The following is an example of the proposed language of the disclosure:

"At the time of issuance, this long term care insurance policy qualifies as a North Carolina Long Term Care Partnership (LTCP) policy. For Medicaid applicants/recipients applying for Program of all Inclusive Care (PACE) services, Community Alternative Program (CAP) services, or for help with the cost of long term care received in a skilled nursing facility, this means that an amount of your resources equal to the dollar amount of long term care insurance benefits paid to you or on your behalf under this policy will be disregarded for purposes of determining your eligibility for long term care Medicaid services listed above. The amount that will be disregarded at eligibility will be equal to the amount of LTCP policy benefits paid out prior to the time you apply for long term care Medicaid.

As a result, you may qualify for assistance with the cost for your long term care needs under Medicaid without first being required to substantially exhaust your personal resources. If you are already a recipient of long term care Medicaid, this policy will not allow a resource disregard or Estate Recovery resource protection.

Please note that this policy may lose LTCP program status if you move to a different state or you modify the coverage after issuance. This policy may also lose Partnership Program status due to changes in federal or state laws.

If you have questions regarding long term care insurance and the North Carolina Long Term Care Partnership Program, you may contact the Seniors' Health Insurance Information Program of the Department of Insurance at 1-800-443-9354."

IX. AGENT TRAINING

The Department of Insurance Long Term Care Insurance Model Act draft requirements provides assurance to Medicaid that anyone who sells a policy under the Partnership will receive adequate training to assure that agents understand LTCP policies and their relationship to public and private coverage of long term care. Agent training will be provided by North Carolina Department of Insurance approved education providers.

X. DATA COLLECTION

The Deficit Reduction Act requires that all carriers selling LTCP policies under the LTCP program provide regular reports to the Secretary of the U.S. Department of Health and Human Services. The Secretary, as appropriate, shall provide copies of the reports to the states involved; however, final reporting requirements have not been issued.

A. N.C. Department of Insurance will provide a quarterly report of purchasers to DMA.

B. N.C. Department of Insurance will provide to DMA a quarterly report indicating LTCP policy benefit payments that have been made.

C. A federal reporting requirement draft proposal stipulates data to be loaded into an integrated database by each insurer. The integrated database will be used to generate individual state level reports that will be used by the states as a monitoring tool and to track the implementation of the LTCP program at the state level.

   The database will help States anticipate the number of individuals insured who may become eligible for long term care Medicaid resource disregards and Estate Recovery protection over a projected time period and the amount of benefits remaining under their policy maximums. Final federal reporting guidance is expected from the Center for Medicare and Medicaid Services, but has not been issued at this time.

XI. CONSUMER PROTECTION

A. Inflation protection is necessary in order to offset inflationary increases in the cost of care over time and help the benefit amount keep pace with the cost of long term care services. The Deficit Reduction Act requires the following inflation protection for LTCP policies:

1. For purchasers under 61 years old, compound annual inflation protection,

2. For purchasers 61 to 76 years old, some level of inflation protection is required; and

3. For purchasers 76 years or older, inflation protection may be offered but is not required.

B. Given the complexity of the long-term-care insurance choices, and the added intricacy of the LTCP program, the workgroup recommends that the following consumer protection measures be built into the State LTCP program.

1. Develop a Self-Assessment Guide to help consumers ask the right questions and make the best decision for their situation. The guide could be accessed by consumers on the following websites: Division of Medical Assistance (DMA), Department of Insurance (DOI), Division of Aging and Adult Services (DAAS), and Seniors' Health Insurance Information Program (SHIIP).

2. Require insurance companies to issue a 90 day notice prior to exhaustion of a LTCP policy instructing the insured to go to his local department of social services to apply for Medicaid.

3. Third party designee requirement. A third party is designated to receive premium due notice, in addition to the insured, to prevent loss of benefits due to non-payment.

4. Provide Disclosures developed by DMA as described in VIII, to anyone considering the purchase of LTCP policy.

XII. ELIGIBILITY INFORMATION SYSTEM (EIS) REQUIREMENTS

LTCP policy information will be entered in EIS.

The amount of LTCP policy benefits paid out and disregarded at the time of the long term care Medicaid application will be entered into the Eligibility Information System. The amount entered at the time of application will be permanently recorded and tracked throughout the applicant's lifetime. This amount is protected at the time of Estate Recovery.

Once Estate Recovery provisions are finalized, system requirements must be identified. Eligibility Information System (EIS), Division of Information Resource Management (DIRM), Medicaid Management Information System (MMIS), and Electronic Data Systems (EDS) staff must collaboratively develop, program, and test systems prior to the implementation of the LTCP program.

XIII. FISCAL IMPACT

Start up costs will be incurred to complete the Eligibility Information System (EIS) and Medicaid Management Information System (MMIS) changes required to track LTCP policy information, eligibility resource disregards and Estate Recovery protection information. If the Division of Information and Resource Management (DIRM) is able to use state staff, it will cost us nothing, but will require 2 staff persons working for approximately six months. If they have to use a contractor it will cost approximately $71 per hour X 1000 hours. DIRM staff will also be utilized with a contractor. Costs for MMIS Estate Recovery screen are estimated to be $16,000, and could be ready for implementation approximately 8 months after authorization.

There is very little information available to determine if LTCP policies are likely to result in savings for Medicaid. The latest information available from the US Government Accountability Office report, "Long-Term Care Insurance: Partnership Programs Include Benefits That Protect Policyholders and are Unlikely to Result in Medicaid Savings," May 2007 concludes that the LTCP program is unlikely to result in savings for Medicaid, and may increase spending. The GAO used available data from the four states (California, Connecticut, Indiana, and New York) that have been operating LTCP programs since the early 1990's, available survey data, and illustrative financing scenarios to determine the likely financial impact to Medicaid. Refer to Attachment A.

The U.S. Health and Human Services and the four states (California, Connecticut, Indiana, and New York) disagree with the analysis and submitted written comments on the draft of this report. The comments indicated that the GAO study results should not be considered conclusive because they do not adequately account for the effect of estate planning efforts such as asset transfers to become eligible for long term care Medicaid. The GAO responded to the draft comments stating "While some Medicaid savings could result from people who purchase LTCP policies instead of transferring assets, they are unlikely to offset the costs associated with those who would have otherwise purchased traditional policies".

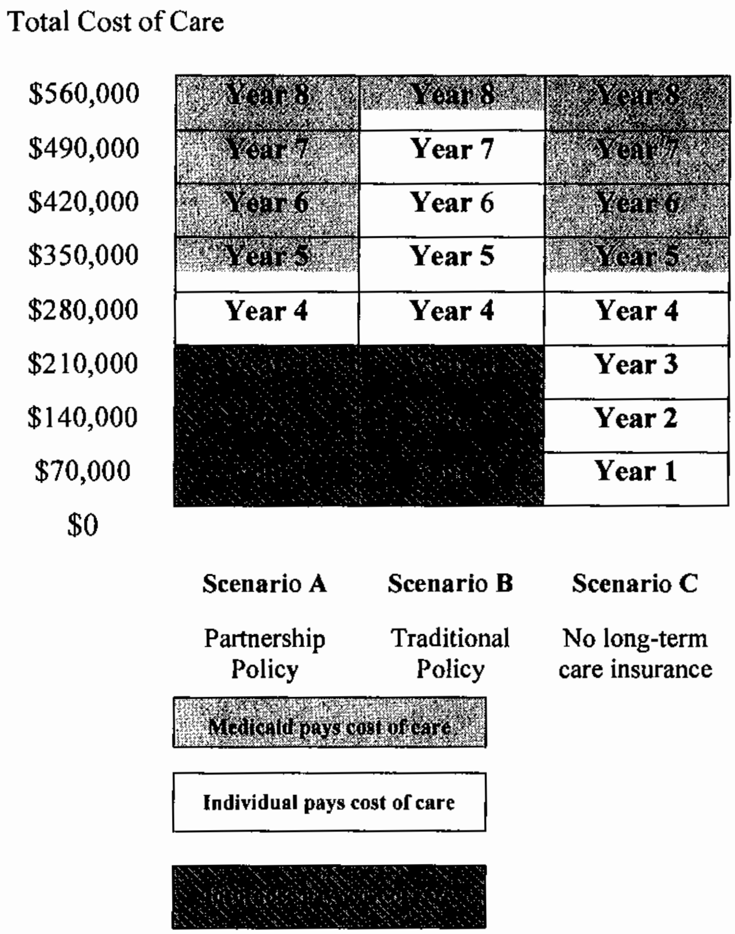
XIV. RECOMMENDATIONS

The consensus of the workgroup was to recommend that North Carolina proceed with the development of a LTCP program. A State Plan Amendment will be submitted for federal approval to implement the program as provided for in Section 6021 of the Deficit Reduction Act of 2005 (DRA), P.L. 109-171. The program should be effective 8 months after authorization.

In order to be consistent with the 2006 changes in federal law for the LTCP program, legislation to address resource disregard and Estate Recovery resource protection is needed. Refer to Attachment B.

The Legislature may need to consider modifications to some of the statutes in Chapter 58, Article 55 of the North Carolina General Statutes pertaining to Long Term Care Insurance. (LTCP)

Figure 1: Financing of Long-Term Care Nursing Facility Stays Under Three Scenarios



We assume an individual has $300,000 in nonhousing assets. To simplify this example, we assume no income exceeding Medicaid eligibility levels. There are three options for funding long-term care costs:

Scenario A: Purchase a dollar-for-dollar partnership policy

- Insurance pays for 3 years of care at a cost of about $70,000 per year.
- Individual spends down $90,000, covering a little more than 1 year of care
- Individual is eligible for Medicaid after a little more than 4 years

Scenario B: Purchase traditional LTC insurance

- Insurance pays for 3 years of care at a cost of about $70,000 per year
- Individual spends down $300,000, covering more than 4 years of care
- Individual is eligible for Medicaid after more than 7 years

Scenario C: Do not purchase insurance: self-finance care

- Individual spends down $300,000, covering more than 4 years of nursing facility care at a cost of about $70,000 per year
- Individual is eligible for Medicaid after a little more than 4 years

Source: GAO 07-231

Note: To simplify our scenarios, we made some simplifying assumptions, such as, the individual depicted in the scenarios has assets and benefits that are typical of many individuals with long-term care insurance; the individual is unmarried; and the individual has assets that are greater than or equal to the value of the individual's Partnership policy. Our results do not depend on the level of assets or the amount of insurance dollars, provided the amount of insurance dollars does not exceed the amount of assets.

We found some circumstances when adjusting the assumptions underlying our scenarios resulted in delaying or accelerating Medicaid eligibility, but most did not change the outcomes related to Medicaid savings. For example, to construct our scenarios, we assumed an individual who had $300,000 in assets, $210,000 in insurance coverage, and who used this coverage for long-term care that cost about $70,000 per year. When we changed these amounts-as long as the amount of insurance coverage did not exceed the amount of assets-the scenarios still showed that the individual became eligible for Medicaid sooner with a Partnership policy than with a traditional policy, and became eligible for Medicaid at the same time with a Partnership policy and self-financing.

Attachment A

§ 108A - 70.4. Long Term Care Partnership Program

(a). As used in Section 108A-70.4, unless the context clearly requires otherwise, the term:

(1) "Resource" means cash or its equivalent and/or real or personal property that is available to the applicant/recipient.

(2) "Asset" means resources and income.

(3) "Department" means the Department of Health and Human Services, Division of Medical Assistance.

(4) "Medicaid" means the federal medical assistance program established under title XIX the Social Security Act.

(5) "Estate Recovery" means the placing of a statutory claim pursuit to108A-70.5 on the estate of the deceased Medicaid recipient.

(6) "Long Term Care Partnership policy" means a long term care insurance policy which is approved by the North Carolina Department of Insurance to meet all of the model regulations and requirements of the model Act promulgated by the National Association of Insurance Commissioners.

(7) "Resource Disregard" means the amount of resources owned by the long term care Medicaid applicant that is equal to the amount of benefits paid by a long term care partnership policy for the applicant which will not be counted when determining long term care Medicaid eligibility.

(8) "Resource Protection" means an amount equal to the resource disregard given to the recipient at long term care Medicaid eligibility that will be deducted from the total estate value at estate recovery.

(b) Since the Deficit Reduction Act of 2005 repealed the restrictions to resource protection contained in the Omnibus Budget Reconciliation Act of 1993 (public law 103-66, 107 Stat. 312), there shall be established the North Carolina Long Term Care Partnership program, to be administered by the Department with the assistance of the North Carolina Department of Insurance to do the following:

(1) Provide a mechanism for individuals to qualify for coverage of the cost of their long term care needs under Medicaid without first being required to substantially exhaust their resources;

(2) Provide counseling services to individuals planning for their long term care needs; and

(3) Alleviate the financial burden on the state's medical assistance program by encouraging the pursuit of private initiatives.

(c) In the case of an individual who has received benefits under a long term care partnership policy, an equal amount of resources shall not be considered by the Department during the determination of the following:

(1) Eligibility for long term care Medicaid;

Attachment B

(2) Any subsequent recovery by the state from a deceased recipient's estate for payment of Medicaid paid services.

(d) The Department shall promulgate necessary rules and amendments to the state plan to allow for resource disregard at long term care Medicaid eligibility determination and resource protection at estate recovery. To provide resource disregards for purchases of a long term care partnership policy, the Department shall count insurance benefits paid under the policy prior to the date of the first application for long term care Medicaid made after the implementation of the program toward resource disregard and resource protection to the extent the payments are for covered services under the long term care partnership policy.

(e) A qualified long term care partnership policy after the effective date of this statute shall contain a disclosure detailing in plain language the current law pertaining to resource disregard and resource protection. A duplicate disclosure shall be given to the insured individual with the delivery of the policy document.

(f) The Department will enter into a reciprocal agreement with other states that enter into a national reciprocity agreement to extend the resource disregard and resource protection to residents of the state who purchased or purchased and used a qualified long term care policy in another state.

(g) The Department and the Department of Insurance are authorized to adopt rules to implement the provisions of this program for its administration.