F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 01/30/13
SPONSOR Cotter **LAST UPDATED** ____ **HB** ____

SHORT TITLE Long-Term Care Insurance Partnership Program **SB** 196

ANALYST Geisler

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate (See Fiscal Impact)				General & federal funds

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Aging and Long-Term Services Department (ALTSD)
Attorney General's Office (AGO)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 196 amends the state's Medicaid plan to establish a qualified state long-term care insurance partnership program, which would allow individuals who have purchased and exhausted the benefits of a long-term care insurance policy to protect some of their assets from the requirement that they be legally destitute before receiving Medicaid benefits. This bill requires cooperation between HSD and the Insurance Department on rulemaking related to the implementation and operation of a qualified state long-term care insurance partnership program.

FISCAL IMPLICATIONS

Long term care insurance partnership programs allow persons to shelter income or assets of up to the total value of their long term care insurance partnership policy when applying for Medicaid eligibility. Should the policy holder ever need nursing home care and the policy holder qualifies for Medicaid, the policy holder would have to exhaust the insurance before Medicaid would cover the cost of care. This reduces the total cost of care Medicaid would need to cover and preserves some of the policyholder's assets because the individual did not have to "spend down" excess income and assets in order to qualify for Medicaid. After the individual dies, the individual's estate is not subject to estate recovery.

HSD notes that since long term care policies are usually purchased 10 to 30 years before they are needed, the benefits of these policies to Medicaid will not be realized for many years. Medicaid does not expect significant savings from a long-term care insurance partnership program nor does the program anticipate significant reduction in estate recoveries due to the protections in the partnership program.

The AGO notes the federal Government Accountability Office ("GAO") released a study (GAO-07-231) in 2007 that looked at data available from partnership programs that had been operating in four states. The study concluded that partnership programs did benefit long-term care policy holders but were unlikely to result in savings for Medicaid and may result in increased Medicaid spending. However, the GAO found that the fiscal impact is likely to be small.

SIGNIFICANT ISSUES

The federal Deficit Reduction Act of 2005 authorized states to establish long-term care insurance partnership programs. The AGO notes that changes proposed by the bill appear to be allowed under federal law. ALTSD notes that this bill would bring New Mexico in line with the majority of states that offer long-term care insurance partnership programs and it is in line with the federal guidelines.

The PRC notes that this bill mandates cooperation between HSD and the Insurance Department on rulemaking related to the implementation and operation of a qualified state long-term care insurance partnership program, including reciprocity agreements between states which would allow New Mexico residents who purchased such a partnership policy in another state to maintain the protections afforded by such a policy.

SB 196 requires the Superintendent of Insurance to certify whether a long-term care insurance policy meets the federal and state criteria to be a "long-term care insurance partnership program." The bill also requires that insurance agents that sell long-term care insurance be knowledgeable on qualified state long-term care insurance partnership program insurance and advise their clients accordingly.

ADMINISTRATIVE IMPLICATIONS

HSD notes the following administrative impacts of SB 196:

- The ASPEN (Automated System Program and Eligibility Network) system that is scheduled to roll out starting in July 2013 would need to be modified to accommodate the new eligibility rules. Additionally, if it is required that the program be fully implemented prior to December 31, 2013, the state's current eligibility system (ISD2) would also need to be modified to accommodate the new eligibility rules as ASPEN will not be statewide until late January 2014.
- A Medicaid state plan amendment would be required to be submitted to the federal government for approval.
- Eligibility rules for Institutional and Home and Community Based Services would need to be revised to include eligibility rules for individuals with long-term care insurance partnership policies.

AMMENDMENT

To clarify educational requirements for insurance agents the PRC suggests modifying the language on page 7 lines 7-12 as follows:

“D. The superintendent shall ensure that the examination and continuing education requirements of a licensed producer that sells a policy, plan, certificate or rider pursuant to the Long-Term Care Insurance Law include the subject of qualified state long-term care partnership program insurance and how it relates to other public and private coverage of long-term care expenses.”

GG/svb:bm