

NATIONAL LTC PARTNERSHIP Q&A's

Q. What is the National Long-Term Care Partnership?

A. On February 2, 2006 Congress passed the Deficit Reduction Act of 2005. President Bush signed this bill into law on February 8, 2006. There are several aspects to this legislation, three sections in particular affect Long-Term Care (LTC) insurance. The most notable of these promotes and allows the expansion of Long-Term Care Partnership programs.

Long-Term Care Partnership programs combine private Long-Term Care insurance as a primary payer of long-term care with Medicaid as a secondary payer once the Long-Term Care policy's benefits have been exhausted. Following exhaustion of policy benefits, an individual insured under a Long-Term Care Partnership policy becomes eligible for Medicaid benefits while retaining a portion of his/her assets above the amounts usually allowed by Medicaid. Under this program, the amount of assets that could be protected above the regular Medicaid spend-down limits is equal to the amount of benefits paid by the Long-Term Care Partnership policy.

Q. Is the Long-Term Care Partnership a new program?

A. No. Before 1994 four states had implemented full LTC partnership programs: California, Connecticut, New York and Indiana. These state programs had different policy requirements and provided different levels of Medicaid asset protection. Expansion of the Partnership programs ceased with the passage of the Omnibus Budget Reconciliation Act (OBRA) of 1993. However, the new legislation specifically grandfathers the four existing state Partnership programs.

This new legislation will allow states that are interested, to implement Long-Term Care partnership programs. However the legislation also provides states with guidance and uniform requirements for Partnership policies rather than have 50 states with 50 different sets of Partnership policy requirements. Additionally, the legislation provides that the Medicaid asset protection provided by a Partnership policy can enjoy reciprocity between the states that have implemented the National Partnership program. (Currently under the four state Partnership programs, only Indiana and Connecticut provide reciprocity for Medicaid asset protection). The legislation also allows a state to file for exemption from reciprocal Medicaid asset protection.

Q Can you provide an example for the Medicaid asset protection provided under the National LTC Partnership programs?

A. Let's say that an unmarried person without an LTC Partnership policy applies for Medicaid to cover his/her long-term care expenses. While the Medicaid rules and limits differ by marital status and state, it's not unusual for a state to require the single individual to spend their countable assets (excludes the primary residence) down to a fairly low level, say \$3,000 before Medicaid will begin to cover their long-term care services.

Now suppose that same individual has a Long-Term Care insurance policy that participates in the National LTC Partnership program. Let's say that he or she has a policy that provides up to a maximum of \$200,000 in benefits. The individual begins to receive long-term care services and qualifies for benefits under the terms of the policy. Over time the policy pays out \$200,000 in benefits for long-term care services, depleting the benefit pool. Because of the dollar-for-dollar asset protection provided by the Partnership program a dollar of assets is protected from Medicaid spend down for every dollar of benefits paid from the policy. That individual could then apply for Medicaid and be allowed to keep \$203,000 of his or her countable assets, \$200,000 above the regular limit, because of the Partnership policy.

Q. How will the National Long-Term Care Partnership program be implemented?

A. It will be up to each state that wishes to participate in the National LTC Partnership program to amend its Medicaid plan. A state can adopt its Partnership program at its discretion and as soon as the first day of the first calendar quarter in which the state's Medicaid plan is amended. Insurers may be required to file and receive individual state Department of Insurance approval for some new policy language describing the dollar-for-dollar Medicaid asset protection provided by the Partnership Program. Fortunately, the uniformity of requirements for National LTC Partnership policies should facilitate the process.

As with any newly passed legislation there may be a period of time during which certain details are sorted out.

Q. What are the policy requirements for Long-Term Care policies that participate in the National LTC Partnership Program?

A. Specific requirements apply to Long-Term Care policies or certificates that participate in the National LTC Partnership program.

The National LTC Partnership policy or certificate must:

1. Be a Tax-Qualified LTC policy/certificate.
2. Meet certain requirements of the NAIC Model Act and Regulation for Long-Term Care insurance.
3. Be issued after the state amends its Medicaid plan.
4. Meet the specific state's requirements for Tax-Qualified LTC policies, however, the state cannot impose any requirements for National Partnership policies other than what it imposes on non-Partnership LTC insurance policies.
5. Provide compound inflation protection for applicants ages 60 and younger (the state may select the specific rate of inflation, for example- 1%, 3%, 5%).
6. Provide some form of inflation protection (but not necessarily compound) for applicants ages 61 through 74 (no inflation protection is required for applicants ages 75 and older).

The legislation also requires participating insurance companies to provide certain reports to the Secretary of Health and Human Services.

Q. What about the State Partnership programs that currently exist in California, Connecticut, Indiana and New York?

A. Under the legislation these four programs are grandfathered. They may continue to impose their specific Partnership policy requirements and provide varying levels of Medicaid asset protection.

Q. Was MetLife involved in the creation of this National LTC Partnership Program?

A. As a leader in the Long-Term Care insurance industry, MetLife is proud to say that we, along with other LTC insurers and trade associations, were instrumental in crafting this new legislation. We believe that it provides Americans with an exciting new way to protect their assets and retain their financial freedom. MetLife is committed to offering National LTC Partnership insurance policies as soon as it is possible.

Q. What will happen to those individuals who have purchased a Long-Term Care policy or certificate prior to the enactment of this legislation and/or the adoption of each state's Medicaid amendment?

A. The language in the legislation does permit insurance companies to have programs that would allow existing non-Partnership policyholders/certificateholders to exchange their policies for National LTC Partnership policies. However, each insurance company must review its block of LTC insurance business to determine if or how it will implement an exchange program.

Q. If someone is interested in applying for a MetLife Tax-Qualified LTC insurance today should they wait until National LTC Partnership insurance policies are available in their state?

A. Generally, no. The timing for availability of National LTC Partnership insurance plans for each state will vary. Some states will take longer than others. Individuals who wait for a National LTC Partnership policy to be available in their state run the risk of a change in health making them uninsurable or a change in age making the coverage more expensive than if they apply for an LTC insurance policy today. Of course, depending on the state and an individual's circumstances, he or she may decide to wait.

Q. Other than the National LTC Partnership program, what other Sections of the Deficit Reduction Act of 2005 affect LTC insurance?

A. There are sections of the Act that further restrict an individual's ability to transfer assets and access Medicaid benefits. These restrictions include:

1. The "look back" period for transfer of assets to an individual will be extended from 3 years to 5 years.
2. There will be a new Medicaid cap on the home equity exemption of \$500,000 with the allowance for individual states to increase that cap to \$750,000.
3. There is a limitation on the use of certain annuities to shield assets from Medicaid.

These and other new Medicaid restrictions will not apply retroactively; but will take effect on the date this legislation is enacted.

Q. Is there anything else in the legislation affecting Long-Term Care insurance?

A. The Act also provides \$15 Million in funding over 5 years for the "National Clearinghouse for Long-Term Care Information". The purpose of this new initiative is to promote consumer education regarding the National LTC Partnership Program, Medicare, Medicaid and Long-Term Care insurance.

Both the new restrictions on Medicaid asset transfers and the new National Clearinghouse for Long-Term Care Information will further direct consumers towards Long-Term Care insurance as a viable option to provide financial protection from long-term care expenses.

At MetLife, we believe the passage of this historic legislation will send a message to the general public (not unlike the message sent by HIPAA in 1996 when tax-qualified LTC insurance plans were established). It is unlikely that the federal government is going to provide taxpayer-funded long-term care to all Americans; and it is our personal responsibility to plan for financing our own long-term care needs.

We will provide additional information as further developments occur regarding this legislation.

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