☞ **05hr_SSC-HCR_Misc_pt46**

☞ Details: Department of Health and Family Services Update and Long Term Care. Hearing held in Madison, Wisconsin on October 17, 2006.

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Select Committee on Health Care Reform...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
  (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)

Senate

PUBLIC HEARING

Select Committee on Health Care Reform

The committee will hold a public hearing on the following items at the time specified below:

Tuesday, October 17, 2006
10:00 AM
411 South
State Capitol

Invited Speakers Only

DEPARTMENT OF HEALTH AND FAMILY SERVICES UPDATE

Speaking together →

Helene Nelson, Secretary
Department of Health and Family Services

Kevin Hayden, Administrator
Division of Health Care Financing
Department of Health and Family Services

ISSUES:

- o Review of the DHFS 2007-09 budget items that relate to the Deficit Reduction Act.
- o Update on Family Care and the Relocation Initiative.
- o Explanation of the Department's Pay for Performance Initiative.
- o Individual Cash Accounts.
- o Explanation of Department efforts to ensure Medicaid is not paying for services third party payers should be covering.
- o Efforts to maximize federal dollars.

LONG TERM CARE PARTNERSHIP PROGRAM

Conference call → **Peter Leonis, Intergovernmental Affairs Liaison**
Centers for Medicare and Medicaid Services

Conference call → **Mary Ann Hack**

Representative for Indiana's Long Term Care Partnership Insurance Program

Laura DeGolier and Jim Harbridge
National Association of Insurance and Financial Advisors

OR ask Dick Sweet to explain current Wis. lang. + needed changes.

FAMILY CARE

Testifying together

Tom Frazier
Coalition of Wisconsin Aging Groups

Lynn Breedlove
Disability Rights Wisconsin

LONG TERM CARE REFORM AND NURSING HOME CARE

Testifying together

Must leave by 2:30 pm

Bill Bruce, President
St. Joseph's Community Health Services
Hillsboro, WI

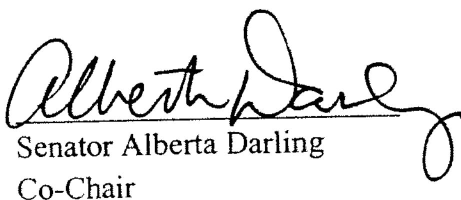
Mike Schafer, CEO
Spooner Health System

Testifying together

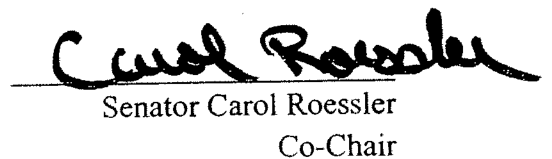
Tom Moore, Executive Director
Wisconsin Health Care Association

John Sauer, Executive Director
Wisconsin Association of Homes and Services for the Aging

Craig Thompson, Legislative Director
Wisconsin Counties Association



Senator Alberta Darling
Co-Chair



Senator Carol Roessler
Co-Chair

REVISED NOTICE

Senate

PUBLIC HEARING

Select Committee on Health Care Reform

The committee will hold a public hearing on the following items at the time specified below:

Tuesday, October 17, 2006
10:00 AM
411 South
State Capitol

Invited Speakers Only

DEPARTMENT OF HEALTH AND FAMILY SERVICES UPDATE

Helene Nelson, Secretary
Department of Health and Family Services

Testifying together

Kevin Hayden, Administrator
Division of Health Care Financing
Department of Health and Family Services

ISSUES:
- o Review of the DHFS 2007-09 budget items that relate to the Deficit Reduction Act.
- o Update on Family Care and the Relocation Initiative.
- o Explanation of the Department's Pay for Performance Initiative.
- o Individual Cash Accounts.
- o Explanation of Department efforts to ensure Medicaid is not paying for services third party payers should be covering.
- o Efforts to maximize federal dollars.

LONG TERM CARE PARTNERSHIP PROGRAM

Peter Leonis, Intergovernmental Affairs Liaison Bringing some folks with him.

TODD MacMill

Centers for Medicare and Medicaid Services

Mary Ann Hack
Representative for Indiana's Long Term Care Partnership Insurance Program

Laura DeGolier and Jim Harbridge
National Association of Insurance and Financial Advisors

FAMILY CARE

Tom Frazier
Coalition of Wisconsin Aging Groups

Lynn Breedlove
Disability Rights Wisconsin

LONG TERM CARE REFORM AND NURSING HOME CARE

Bill Bruce, President
St. Joseph's Community Health Services
Hillsboro, WI

Mike Schafer, CEO
Spooner Health System

Tom Moore, Executive Director
Wisconsin Health Care Association

John Sauer, Executive Director
Wisconsin Association of Homes and Services for the Aging

Craig Thompson, Legislative Director
Wisconsin Counties Association

Karen Bullock, Chief Executive Officer
Community Health Partnership, Inc.
Representing the Wisconsin Partnership Program

Paul Soczynski, Chief Operating Officer
Community Care, Inc.
Representing the Wisconsin Partnership Program

Senator Alberta Darling
Co-Chair

Senator Carol Roessler
Co-Chair

LTC PARTNERSHIP

- CMS will speak to what the federal Deficit Reduction Act allows states to pursue in terms of a LTC Partnership program.

- Mary Ann Hack will testify about the Indiana program. If she doesn't cover these issues, you may want to raise them:

  -Have they realized any cost savings?
  -What obstacles have they faced, how have they overcome them?
  -Explanation of inflation requirements. They require automatic 5% compound. How has this worked out for them, why did they choose this?

- Laura DeGolier and Jim Harbridge, NAIFA. Ask what their thoughts are about defining compound protection as "automatic 5%."

Disregard LTC - MC Estate Recovery -

12% - own Home apt

30% 1-2 Bed ICFMRF
2006 ?

85% to BQA Reg.

64% of 3/4 adult
family home!!

21% - 5-8 CBRF.

After Relocation family
happy.

12
3
85
21

---

5 yr look back

Medicaid 3rd Party
Enrollment must
Pursue 3rd Party
Payment.

PRO RATA Share of ...
at all.

Benchmarking other states
8½ to 9 - 7

all best practice.
P. over 70% in MC
to do. EOS Robust.
time.

Pay for Performance
Lead Screening

Tobacco
Well Child Screening
Screen 80% of
members ...
Put to ...
Science shows
back in.
"Meaningful Pay for
Performance Rewards
Provider Compensation
Leveling w/ Practice.

MH also

Mortgage Florida

smoking
Lead + Cessation

Why these 2.

alcohol
abuse.

[illegible] Baseline
Health Literacy

Medicare Advantage

Topic

[illegible]

~~[illegible]~~

Crisis — adm diff.
Newspaper

Indiana Budget/
now Dept.
Good wkg.
1987 Ins/ D.H.
1991 approved
1993 1st policies available
1997 - allow reciprocity
98 Total Ass. — Total Asset —
Dollar for Dollar
~~Certain~~ ~~amt~~ coverage protection
exhaust that.
Dollar for Dollar.
~~Tax deduct~~ ~~in~~ ☆ - 4/
Partnership.
3/2 [illegible]

State of INDIANA Wins Medicaid
Elig. delayed or prevented
Medicaid Saves 35,000
per person.. - Saving
Costs to medicaid
IRS - co's benefit.

FACTS & FIGURES

8 Co's participating
Through 38,500 policy
93 - 0[illegible] -

77% policies
4.3 year benefits
facility care in N.H.

89% buyer - facility +
home [illegible].

AVE Age Buyer = 61
10 yr. ago was 73
18 - 89 Range.

360 policy holders used
[illegible].
101 in benefits - Since this yr.
102 - 28% died before access MA.

Debra Kennedy
Pam Shannon
Laura Rose
Eileen Mallow.

10% Used benefits
have gone on to
exhaust.
1/2 } of [illegible] = medicaid
1/2 did not
Some moved out of state
health bad
Policy 50-60,000 of
Assets. owned
$ for $ didn't buy
enuf to cover Assets
1 persons health
Assets
15.8 Billion
Policy
356 People used
their benefit.

77% of purchasers last at least 4 yr. in N.H.

Majority will [illegible] live

10% Policy holders who use only 10% exhausted

½ on to medicare

Return of Premium Rider

Some Co's have.

how.

Don't use benefits would can be.

15.8 B those people co
Shelter Assets instead MA

N.H. 95%

13.4 B. may have been saved in INDIANA.

Legislative authority
MA amendments.

Good working relationships
Ins carriers, Ins Comm.
Helped both consumer
+ customers. Come to balance
on how much necy.

Agent Education

CE Ins providers

8 Hr. LTC CE.

5 .. every yr. there after..

1X only 7 Hr. Partnership.
Paid for by Agents. ship covers

~~50%~~ 5%

Compounded Every

Year. Inf.

have to grow by

this amt. a yr.

simple interest age

75 or older.

new federal law

- CK out!!

if don't have auto 5% then

Co payments won't cant

save medical

may [illegible] [illegible]

[illegible].

Consumer Directed

CK SDW

Services Option.

Underutilized

option of family care

ICFMR SUCCESSES.

modified closing date.

Overwhelming. Please

w/

NH Diversion those slots used

38 co's

A 4% per day

L quickly.

Children LT Care
Needs

Pro.
- Independent Assessment

Aging & Disability.

~~Adult day care~~

add acute

&

Nursing home

June 2004

Page 6 need for

LTC. FNS

Divestment + LTC

Involve FNS Info
in creation of ~~[illegible]~~ FNS
people

Over 60 on W List.
not a lot of choices
available to them

Typical N.H.
patients
> 3_ & per day.
w/increase.
2nd increase
Used to ~~[illegible]~~ back fill
costs last yr. actually.
Loose ___ $230. m$

Medicaid ~~Be~~ N.H.
beds per mile Co Don't
have beds in areas
of Co where need them

Down sizing more to
do w/ costs than F care

John Suner

Mil Co 78% Elders
Reside in Milw.
Co. / CK Cost

Effectiveness in more
urban co's — ???

Higher Reimbursement
Rate for higher based
acuity.

NH bed tax $ back to NH.

Public Exp program $ paid
to homes which generate
them

FC — accuracy adj.
Rate > for Fam Care
acuity adj — for NH too.

May accurate
> P Care Malw (model

How Exp FC w/
add $

F Care > = welfare model.

Medicaid Nationally
= unsustainable.

Germany = based
more on German F
model

New Financing
Model = needed.

Next generation not
able to sustain model.

Many N Homes interested in modernizing. More innovated designs.

allow for N.H. TOO

States looking to WI

DJ.

Certified Public Expenditure

OLD IGT

all Dollars

to be Returned to the Homes

Cairds ⊂
than 1997

Growth CAIDS
more ~~than~~
on PTax.

Over may
Haw find fair.
Co's leave in $
by Co
Cairds + levy
Bld rate on levy.

Chipp. Eau Claire
winnas ag, Dave Co

Racine.

Totally integrated funding mult.

circled for each of consulting how l + care to be performed) la area.

Monitor Q outcomes

Mental health
teams

also addressed

Use to be flat
Rate now
Individual
Rate

indiv. activity
Saved ______

Require Co. Daily Facility
Benefit: $110 thru up
Daily

Set minimum Ave DAILY = R.F.
Co's can go above
as
also set maximum.
Most Co's Jan = lowest
Jan. Ind. Requires.

Jim Harbridge
& Laura DeMolier.
Both from FDL
area.
Merc
aggression
of Attream —
Educ about LTCare

Year 2050

~~2050~~ —

20% of states will grow.

85% = 66%

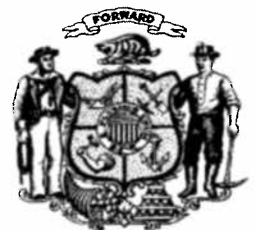
95,000 to 158,000 people

~~#31 Bayh Rame Harman~~
~~Debra Kennedy~~

Select Committee
on H.C. "Reform" FC

is reform!
Resource Center
1 Stop Shopping for
everything OA'S need

WISCONSIN STATE LEGISLATURE



Jennifer Stegall
Committee Clerk
Notes

DHFS

Helene Nelson and Kevin Haden

FAMILY CARE

- Submitted written testimony
- Family Care update as well as nursing home relocation and diversion.
- About managing dollars but also about managing care.
- Map of counties provided that shows which counties have received planning grants. All that have received grants are making progress.
- Do see different models developing across the state.
- Earlier starters: west coast coalitions, and the Kenosha/Racine. All moving along fast. ADRC for Racine in the Depts. budget. Both counties chose a model where the county does the ADRC and the CMO would be run by a private entity. Implementation in Racine for the ADRC in early 2007 if the requested money is approved in the 07-09 budget.
- All west coast counties are doing good planning. Blue, Red and Pink on map are looking at public/private models.
- 21.9 million GPR requested. Would allow 75% of the pop. to have access to Resource Centers and 60 some percent to have access to CMOs.
- Cost effective and ends waiting list…this is why want to expand.

RELOCATION AND DIVERSION

- Total of 1,101 individuals were relocated or diverted from institutions to community based care in FY 06.
- Chart in written testimony details how many people in specific populations have moved and where they have moved from.

AD: Anything more we can do to get this going? Helene: WI. Viewed as a leader in the area of LTC reform. Yes, bits and pieces we can learn from others. Money follows the person federal grant. WI. will apply for this and boost/continue what we are currently doing in this area. Affordable housing is an issue that will be looked at. Currently finding affordable housing is a barrier. Have had folks that could have moved except for that (couldn't afford housing).

AD: Heard NY, CA, and Conn. Forming a consortium and trying to get people to purchase LTC insurance at an earlier age.

Helene: DHFS will prepare a paper for the Gov. in the coming months. Will be taking a closer look at Partnership. Need to think about and look at consumer protection aspect as well.

Olsen: ICFMR's in his district are concerned about the relocation of their residents. View the people still in the inst. as a pop. that needs to be in an institutional environment.
Helene: You are hearing questions that people do ask. Reminding committee of the legal environment in which we operate. Adults and their care is reviewed under case review. Case by case the courts decide what the best environment is for that person.

DRA PROVISIONS IN THE AGENCY'S BUDGET REQUEST

Documentation of citizenship (feds required)
Asset transfers
MA should be last payer…DRA expanded the list of 3rd party payers the state must pursue and that should pay before MA.

- Asset transfers…Recipients barred from transferring assets 5 years before qualifying for MA. Currently 3 years.
- 3rd party paying…$192,000 GPR…expect to reduce needed GPR by this much due to going after 3rd party payers that should be paying.
- CR: Where are we in going after 3rd party payers…scale of 1-10? Kevin: 81/2 to 9. We match up very well to private sector capabilities.
- CR: Do you see any benefit with the Dept. working with a company like DHI? Kevin: Dept. need to work with DHI is not necessary. DHFS follows all best practices in MA payment. Much of care is provided by managed care. CR: Good is never good enough if better is possible. How would you get at a better mark? Kevin: Division will look at setting benchmarks to do better.
  CR: Please look at BidRx. How can this fold into MA?

PAY FOR PERFORMANCE AND MANAGED CARE

- Lead screening and dental care incentives and looking at tobacco cessation initiatives. Want to make certain the providers and providing the well child exams. If health plan doesn't meet target of 80% early

screenings…state takes back some of the money initially provided to the HMO.

- Want to reward the managed care community for the health of the managed care population. Do have an effect in getting the outcomes we would like. Will continue to look at other states.
- AD: How can we make a shift to chronic diseases? We are looking at requiring a health risk assessment for each MA recipient. Would you favor looking into this with us? Kevin: Absolutely. Health literacy also important. Need to create some accountability and award recipients for doing so. AD: in the Medicare modernization act…policies that will benefit state coffers if those eligible for MA could recoup dollars for these folks.

INDIVIDUAL CASH ACCOUNTS

- The B.C. advisory committee did look at these accounts. The recipient would be able to keep his/her funds. Approach will be to begin to look at other states. May be interested in working with the committee to look at pilots.

FEDERAL DOLLAR MAXIMIZATION

- Very aggressive in this area.
- AD: Should look at Medicare Modernization Act as well.

LONG TERM CARE PARTNERSHIP PROGRAM

Peter Leonis, CMS

- Submitted written testimony…pwr. Point.
- Protects the state from having to pay out benefits right away…don't have to until the person has exhausted their LTC insurance benefit.
- State insurance commissioner will play a key role.
- MN has pursued. Has a state plan amendment pending with CMS.
- CR: What is the turn around time? Peter: CMS has 90 days to review state amendments.
- CR questions of Dick Sweet…questioning about current WI. Stat. lang. Dick: Yes, required DHFS to seek a waiver to allow for a partnership program. DHFS was working on the waiver request when the feds

decided to no longer allow for it. Current language would need to be tweaked. Ex. Waiver no longer needed...plan amendment is. CR: So, we need to modernize it.

- Peter...this program is new for a lot of states...maybe 5-10 years this will provide a real benefit. CR: We see this as an excellent vehicle.

Mary Ann Hack

- Indiana program.
- In Indiana, the program started in the Budget dept, aging and then when to MA and is now in the Dept. of Ins. Think it is important there be a good working relationship between OCI and DHFS.
- 1987, enabling leg. 1991...plan amendment approved. First policy available in 93.
- Total asset protection- if person buys a certain amt of cov. To start with and then dissolve that, all assets would be protection. DRA doesn't allow new states to do this.
- Passed a tax deduction in 99. Allows premiums to be deducted for partnership policies. 3 and a half percent.
- A grant funding from the Robert wood Johnson Foundation. In 99, became fully state funded. State dollars funding tax deduction and program staff. Used to consist of 4-5 people. Now down to 3. Purpose...receptionist answers toll free line...sends out info packets to consumers, etc. Data person who is part time partnership and part time MA. Director resp. for doing presentation and keeping up with the regs.
- Indiana and Conn. were first to have reciprocity agreement. Still in effect.
- 2002 MA tightened up eligibility rules and estate recovery. Did this to keep people out of MA that had a lot of money. Rationale, through Partnership...already provide avenue to protect assets. If not going to take advantage of this...too bad.
- Person gets high quality plans. Asset protection is free...it is a state benefit from the state...ins. Co. can't charge.
- For every year MA eligibility is delayed or prevented, $35,000 (every year/per person) saved in nursing home and presc. Drug costs and other medical services costs.
- State received no money from the ins. Companies. They don't share any of what they make with the state.
- Indiana has 8 companies part. In the program. Fluctuates.

- Do have a lot of the large carriers participating.
- 38,500 policies have been purchased from 93 through June of 06. 77% of policies have avg. benefit of 3 years. Avg. age of buyer is 61. 10 years ago it was 72.
- 366 policy holders have used some of their benefit. This is less than 1% of the buyers.
- 102 died before exhausting their coverage…thus not accessing MA.
- 37 holders have exhausted their coverage. (10%). Half pursued MA and half have not. Those who have not have…moved out of state, bought policies that would protect 50 or 60 thousand of assets, some protect all assets…some want to remain private pay because they don't want to use MA…one person's health improved.
- 15.8 million is the total amount Indiana has saved. This is how much has been paid out to the 366 policy holders.
- Some companies offer a return of policy rider…this is at an additional cost. The premiums can be re-paid if person dies without using policy.
- MA reimburses nursing homes 80% of the private pay rate.
- Ideas for state dev. State partnership programs:
    - Amend state plan
    - Dev. relationship with OCI and MA depts..
    - Dev. relationship with the ins. Companies and the agents.
    - Always try to balance between level of regulation of ins. Co.'s
    - Required the annual 5% compound inflation protection

- FSO doesn't save MA as much money because the person will not be able to pay for their benefits and will need to use their assets, meaning they will end up on MA sooner.

- State sets the minimum co-pay. Also sets the max. number of years for coverage. State requires a 1 year. This is to ensure there is an option for the middle income person.

- AD: 4 states operational right now…if you could change any part of your program to shadow other states, would you give us insight into that…those states doing anything you want to do? Mary Ann…no not really. Happy with where we are at. CR: Last state in was who…Mary Ann…CA. They went over and above what needed to be done.

- CR would like to pursue Indiana model.

Laura DeGolier and Jim Harbridge

- NAIFA
- Submitted written testimony…power pt (Mark Meiners) and written remarks.
- Encourage Committee to work on Partnership Program for WI.
- Jim has worked with Agnesian, FDL County etc.
- Goal is to educate these companies about LTC. It is a process…ongoing process.
- Jim: many people who have purchased the plans without inflation protection. Tragedy that those folks who purchased policies before program in place will not get credit. CMS doesn't allow?.
- Jim: WI mandates compound benefit…WI does not allow for simple.
- Jim: person who purchased years ago, did not have option to purchase the compound benefit…doesn't this person deserve some kind of credit?
- Peter: The DRA does contemplate allowing those who currently have LTC policies to exchange them. Not sure on how this would work. PETER WILL GET MORE INFORMATION FOR THE COMMITTEE ON THIS.
- Peter: Why can't CMS just allow grandfathering?
- AD: What incentive should there be to get people to buy in now? Jim…incentive is allowing people to retain assets. State already has a tax deduction for the premium on LTC insurance.
- AD: Which of the 4 states that have the program would you recommend? Laura: Indiana…it is close…the mindset is the same.

FAMILY CARE

Tom Fraiser

- Discussion of the APS study and success of the Family Care program.
- Family Care is real reform.
- Unless you change the way we finance long term care, you are not reforming it.
- Supports expansion and believes it needs to be done right. Will work with counties and state to help ensure this. Need consumer involvement in that planning. Up to this point, there has not been enough consumer involvement.

- ADRC (aging and disability resource centers) One stop shopping for everything people with disabilities and aging need…not just one stop shopping for long term care.
- Want to see continued strong public role, both state and county, in LTC reform. Support of public/private partnership…similar to what Racine/Kenosha are pursuing.
- Very concerned about complete privatization…county completely out of involvement in LTC.

Lynn Breedlove

- Disability Rights WI.
- Supports expansion of family care
- See this as the most promising opp. to eliminate waiting lists.
- Hope there would be more use of the component of Family Care that allows for more control over the dollars (individuals have more control).
- Nursing home diversion program…small exp. For 150 people…should feel good that these folks have been able to stay in the community. 38 counties participated in the program. Avg. cost…45 dollars a day...lower than expected. Turns out that a lot of the folks needed a modest resource.
- Need to expand resources for children.
- Do have a fairly new MA waiver program…feds have approved and other states do like.
- This program enables us to get some fed. Match for some of the services the state pays for. Previously, the state paid for the services with no match.
- Miller: Thoughts on partnership? Fraiser: has some concerns about it but thinks we could look at it. Not real familiar with it. Are we subsidizing wealthier people that could pay for their care anyway, but would get MA coverage (because their assets would be protected).
- CR tired of hearing example after example of people divesting.

NURSING HOME CARE AND LONG TERM CARE REFORM

- Bill Bruce and Michael Schaefer…provided written testimony.
- JS contact Bill (WHA) to get specific information regarding over regulation. What could be removed.

John Sauer and Tom Ramsey

- Submitted written testimony.
- Involved in partnership 30 years ago. Cautions that the ins. industry should be involved from the beginning. Involve in discussion of what plans look like.
- Given members a print out of the MA deficits nursing homes are facing (broken down by district).
- DHFS report.
- Will see more closures if financial issues are not addressed.
- FDL county closing nursing home. Of those relocated, only one located outside of the nursing home environment.
- If the nursing home took the last rate increase they received, .30 a patient, not enough of an increase to even fund their utilities bill.
- Next increase they receive will be around the 1st of the year. This will be used to backfill the losses they incurred before. Have an MA loss of over 232 million dollars.
- MKE facing a nursing home bed crisis.
- No beds in the area of the county where they need them. In the F.C. counties, won't find many nursing home providers indicating that the program has any impact on their census.
- 78% of all elders in Family Care reside in MKE county.

Craig Thompson

- ICFMR downsizing…they were supportive. Concern was that if rates were insufficient, the remainder of the cost would end up on the property tax.
- CR was on the liability shield leg. This passed and has shielded them…none of the expense landed on the property tax.
- Family Care…largely successful.
- Have advocated that the other 67 counties be involved in expansion. That being said…will not be done easily. Many counties doing this on a regional basis…forming consortia. Major undertaking.
- All of the things that go into the governance model…coordinating care etc. is a sig. undertaking.
- Less money going into Community Aids now than in the 1980's. Not consistent statewide…varies county to county. This makes the consortia for Family Care difficult. Counties not starting on level playing field.
- Expansion proposal…counties leave in the amount of money they currently put into LTC.

- Phase counties down to the 22% level. Fair way to go about it, given the MA budget. Lessen the disparities between counties. Will share letter to DHFS with the members.

WI. Partnership Program
Submitted written testimony…blue folder.

Brad Winnekins, Legacy Services, Inc.

Raised the issue of **Compound Inflation Coverage vs. Future Purchase Options**

- More and more young people are purchasing because the premiums are much lower. Since there is a big gap between the time people purchase insurance and the time they use it, inflation protection is important.

Automatic 5% Compound Inflation Protection: The rider compounds benefits 5% annually while premiums remain level. (The premium stays the same but the amount of the benefit increases, taking into account inflation).

Future Purchase Options (FPO): Lets consumers periodically buy additional benefits to keep pace with inflation. Given that policy holders must pay for this extra coverage at their attained age, FPO pricing becomes significantly more expensive over time. The artificially low initial price of FPO causes many consumers to select that option.

More people choose the FPO because the insurance industry doesn't show the person the price increases.

SEE ATTACHED TABLE

Existing Partnership Programs

California
Automatic 5% Compound is required for ages 70 and under.

Connecticut
Automatic 5% Compound is required for applicants under the age of 65.

Indiana
Automatic 5% Compound is required for all Partnership policies.

The Deficit Reduction Act prohibits states from placing a condition on Partnership that is not also placed on non partnership policies.

MN is moving forward with a LTC Partnership program. They are planning to define Compound inflation protection to mean Automatic 5% for Partnership Polices and non-Partnership policies.

Same Coverage – Different Price

Age	Daily Benefit	Premium with Auto 5%	Daily Benefit	Premium with FPO	Daily Benefit	FPO Premium Convert at 65
47	150	827	150	347	150	347
48	158	827	150	347	150	347
49	166	827	150	347	150	347
50	174	827	174	407	174	407
51	183	827	174	407	174	407
52	192	827	174	407	174	407
53	202	827	202	481	202	481
54	212	827	202	481	202	481
55	223	827	202	481	202	481
56	234	827	234	573	234	573
57	246	827	234	573	234	573
58	258	827	234	573	234	573
59	271	827	271	703	271	703
60	285	827	271	703	271	703
61	299	827	271	703	271	703
62	314	827	314	887	314	887
63	330	827	314	887	314	887
64	347	827	314	887	314	887
65	364	827	364	1,158	364	2,400
66	382	827	364	1,158	382	2,400
67	401	827	364	1,158	401	2,400
68	421	827	421	1,567	421	2,400
69	442	827	421	1,567	442	2,400
70	464	827	421	1,567	464	2,400
71	487	827	487	2,218	487	2,400
72	511	827	487	2,218	511	2,400
73	537	827	487	2,218	537	2,400
74	564	827	564	3,289	564	2,400
75	592	827	564	3,289	592	2,400
76	622	827	564	3,289	622	2,400
77	653	827	653	5,058	653	2,400
78	686	827	653	5,058	686	2,400
79	720	827	653	5,058	720	2,400
80	756	827	756	7,811	756	2,400
81	794	827	756	7,811	794	2,400
82 *	834	827	756	7,811	834	2,400
83	876	827	876	12,064	876	2,400
84	920	827	876	12,064	920	2,400
85	966	827	876	12,064	966	2,400
86	1,014	827	1,014	18,337	1,014	2,400
87	1,065	827	1,014	18,337	1,065	2,400
88	1,118	827	1,014	18,337	1,118	2,400
89	1,174	827	1,174	27,872	1,174	2,400
90	1,233	827	1,174	27,872	1,233	2,400
91	1,295	827	1,174	27,872	1,295	2,400
92	1,360	827	1,360	41,530	1,360	2,400
93	1,428	827	1,360	41,530	1,428	2,400
94	1,499	827	1,360	41,530	1,499	2,400
95	1,574	827	1,574	61,879	1,574	2,400
96	1,653	827	1,574	61,879	1,653	2,400
97	1,736	827	1,574	61,879	1,736	2,400
98	1,823	827	1,823	92,200	1,823	2,400
99	1,914	827	1,823	92,200	1,914	2,400

Policy Configuration: $150 Daily Benefit, 3-Year Benefit Period, 90 Day Elimination

* 82 is the average age at which policyholders access long term care services (AARP, August 200[illegible]

NCSL State Assignment Staff

Wisconsin

- **Bruce Feustel**, Senior Fellow, Legislative Management, Denver, Bruce.Feustel@ncsl.org (303-856-1399)
- **Nancy Rhyme**, Director of Leaders' Services, Leaders Services, Denver, Nancy.Rhyme@ncsl.org (303-856-1515)

© 2006 National Conference of State Legislatures, All Rights Reserved

Denver Office: Tel: 303-364-7700 | Fax: 303-364-7800 | 7700 East First Place | Denver, CO 80230 | Map
Washington Office: Tel: 202-624-5400 | Fax: 202-737-1069 | 444 North Capitol Street, N.W., Suite 515 | Washington, D.C. 20001

9/21 → Called 9/21. She will get back to me re: LTC partnership exp. in other states.

9/21 Laura Tobler called back – She is going to have Donna Folkemer call me.

Talk to Donna about having someone speak to the committee re: experience of partnership. NY, Indiana?