

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-0156/2	Introduction Number AB-0213
Description A Long-Term Care Partnership Program	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 131 (1) (g)	
Agency/Prepared By OCI/ Jim Guidry (608) 264-6239	Authorized Signature Sean Dilweg (608) 266-3585
Date 4/24/2007	

Fiscal Estimate Narratives

OCI 4/25/2007

LRB Number	07-0156/2	Introduction Number	AB-0213	Estimate Type	Original
Description A Long-Term Care Partnership Program					

Assumptions Used in Arriving at Fiscal Estimate

The DRA

The Deficit Reduction Act (DRA) of 2005 is federal legislation that allows all States that file State Plan Amendments (SPA) to their Medicaid program to develop Qualified State LTC Partnership insurance policies. Qualified State LTC Partnership policies allow policyholders the right to exclude from estate recovery the amount of LTC benefits paid under a qualified LTC insurance policy.

Long-Term Care Partnership Program

There are over 100 insurance companies that market LTC nationally. Forty-four insurance companies currently market at least one category of long-term care insurance policy in Wisconsin. In 2005, 150,000 Wisconsin consumers were insured under LTC policies. These insurers offer tax-qualified and nontax-qualified LTC policies and stand alone nursing home and home health care products. In addition, eight life insurance companies offer LTC riders to life policies. Thirty-seven insurance companies not actively marketing but have closed blocks of LTC business for which they are responsible for premium and billing, policyholder service and claims activity. Past experience has shown that the introduction of tax-qualified LTC policies and subsequent changes in Wisconsin tax law led to increase in number of insurance companies offering LTC policies, and increase in LTC policyholders. The OCI anticipates that the advent of the federal DRA and corresponding publicity and marketing activity will lead to increase in number of insurance companies offering LTC, increase in the number of agents marketing LTC, and an increase in the number of Wisconsin policyholders considering and applying for LTC

As with other changes in federal law that affect insurance products, the DRA relies on states for enforcement, such as ensuring compliance of policy forms and rates; handling complaints; investigating complaints about unsuitable sales and taking enforcement actions; developing and providing customer information, and oversight of advertising, marketing and sales activities.

The OCI recognizes seniors as a vulnerable population, many with modest incomes, who sometimes fall prey to financial planning schemes that they can ill afford and that are unsuitable. The 150,000 consumers with existing LTC policies may be approached to exchange their policies for policies that qualify under for the Long Term Care Partnership program.

OCI would need to obtain additional staffing resources to monitor the long term care insurance market place due to increased marketing and sales activity for the products and a greater potential for unsuitable sales and high-pressure sales tactics due to the tacit endorsement of the product by the state and federal government; and monitor and react to potential consumer issues in the long term care insurance market place. Some long term care insurers will pressure their sales force to sell these products, substantially increasing the potential for unsuitable sales and high-pressure sales tactics. We estimate that at least 3.0 FTE's are needed to perform market analysis on long term care insurers and long term care insurance agents regarding their conduct in the market and their compliance of the long term care insurance laws.

Specifically, the OCI anticipates increased positions that would:

Insurance Examiner LTC Partnership Coordinator

- Implement Wisconsin's Long-Term Care Partnership Program,
- Develop quality assurance program and monitoring tools for the OCI to monitor all aspects of implementation of the LTC Partnership Program, including standards addressing HIPAA and Wisconsin privacy provisions, and conduct scheduled QA reviews,
- Identify and draft necessary amendments to Wisconsin statutes and regulations required by the DRA to implement the LTC Partnership Program,
- Develop criteria for inflation protection in order to comply with DRA

- Develop procedures and guidance for qualified LTC partnership policies to ensure compliance with IRS definitions, Section 6021 of the DRA, specific rules of the NAIC, ss. Ins 3.455 and Ins 3.46, and DHFS guidelines,
- Develop a certification form for LTC partnership policies for insurance companies and reporting criteria,
- Draft Bulletins for insurance companies explaining Wisconsin requirements regarding policy disclosure, agent training, and inflation protection,
- Represent the OCI at policy and planning meetings with NAIC, DHHS, DHFS, other state and federal agencies involving developing positions and working on issues involving LTC partnership and the DRA
- Monitor implementation and federal guidance on transfer of assets and substantial home equity and National Clearinghouse program provisions of the DRA
- Monitor national and state activity involving LTC partnership programs
- Monitor introduction of those new health, managed care, life and annuity products designed to cover LTC expenses, and mechanisms developed to fund the LTC coverage purchase
- Monitor LTC rate stabilization
- Develop guidance for insurance companies, agents, and training schools regarding training requirements under the DRA,
- Monitor and audit agent training schools and programs,
- Make presentations to senior aging groups, health care providers, insurance agents, insurance companies and consumer groups regarding the LTC partnership program
- Draft Guides, Bulletins, FAQs and maintain OCI Senior Issues LTC webpage

Insurance Examiner Market Analyst

- Conduct market analysis, includes analyzing national complaint, investigation and regulatory data available at NAIC databases, and OCI complaints, policy form filings, management activity, pricing, and market place activity,
- Conduct reviews of all insurance companies new to the LTC market in Wisconsin
- Conduct market conduct examinations at insurance company administrative headquarters, including sampling complaints, premium and billing activity, advertising, marketing, and sales, policyholder services and claims administration activity
- Draft summary market analysis reports and market conduct reports
- Develop monitoring and auditing tools, and audit procedure steps and guides
- Develop sampling methodology for reviewing claim administration, underwriting and premium and billing processes,
- Develop tools for surveying and reporting comparative analysis among Wisconsin long-term care insurers on market share, demographics, pricing, and product distinctions
- Review for approval all qualified LTC partnership policies marketed in Wisconsin,
- Develop LTC partnership policy form checklists that address IRS definitions, Section 6021 of the DRA, specific rules of the NAIC, ss. Ins 3.455 and Ins 3.46, and DHFS guidelines,
- Review actuarial memoranda for LTC partnership policy form filings and work with the OCI's consulting actuary,
- Audit, analyze, and create annual summary reports regarding LTC benefit appeals, rescission reports, lapse and replacement reports, and suitability reports
- Monitor agent advertising

Insurance Examiner Investigator

- Investigate complaints from policyholder, their families or representatives, insurance intermediaries and companies, and legislators that involve potential violations of Wisconsin insurance law, including conducting interviews, taking depositions, collecting evidence and documents, and preparing legal cases for potential enforcement actions,
- Develop tools for conducting Internet investigations to monitor, identify and thwart unfair marketing and sales activities designed for potential LTC insurance purchasers,
- Work with DHFS, federal agencies and other state insurance departments on investigations of LTC to prevent unfair and unsuitable marketing and sales activities, unfair competition, deceptive advertising, unfair or deceptive pricing practices, and unfair claim settlement practices,
- Testify at enforcement hearing as fact and/or expert witness
- Identify and report enforcement activity and issues with suggestions for regulatory, statutory or regulation remedy.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description A Long-Term Care Partnership Program			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Supplies and Services (i.e. Workstation, Computer, Supplies) for 2 FTE: \$19,500.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$164,800		\$
(FTE Position Changes)	(3.0 FTE)		
State Operations - Other Costs	7,900		
Local Assistance	0		
Aids to Individuals or Organizations	0		
TOTAL State Costs by Category	\$172,700		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS (131)	172,700		
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$172,700		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By			
OCI/ Jim Guidry (608) 264-6239		Authorized Signature	
		Sean Dilweg (608) 266-3585	
			Date
			4/24/2007