Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **07-2179/1**	Introduction Number **SB-114**

Description
A Long-Term Care Partnership Program

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☒ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☒ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHFS 4/25/2007

LRB Number **07-2179/1**	Introduction Number **SB-114**	Estimate Type **Original**
Description A Long-Term Care Partnership Program		

Assumptions Used in Arriving at Fiscal Estimate

This Bill establishes in Wisconsin a Long-Term Care Partnership Program as defined under the federal Deficit Reduction Act of 2005. The Long-Term Care Partnership Program (LTCPP) is designed to encourage the purchase of private long-term care insurance by allowing policyholders to protect some or all of their financial assets while receiving Medicaid-covered long-term care services after their private policies' benefits have been exhausted. Because the full fiscal impact of a LTCPP cannot be known until 20 or more years after implementation, this estimate will outline expected short- and long-term administrative costs and discuss the potential Medicaid savings based on four existing Partnership programs.

Establishing a Partnership program in Wisconsin will require the state to implement new administrative processes that inform consumers, modify Medicaid eligibility requirements, and monitor, educate and regulate long-term care insurers. Some of these processes are the responsibility of the Office of the Commissioner of Insurance and therefore are not included in this estimate. It is expected that a Partnership program would increase Departmental and local agency workloads, eligibility processing system costs, and Estate Recovery Program collections processing. It is assumed that local agency expenditures would increase by $12,000 AF in the first year and by an additional $12,000 for each successive year to a maximum of $144,000 after 12 years. These county expenses would increase for 12 years because of the ever growing need to process and document accumulated Partnership policies and respond to consumer inquiries. The Department would also require 1 FTE at $63,700 AF annually for a LTCPP director (Human Services Program Coordinator, Senior) to be responsible for program promotion and coordination, interaction with local agencies, and mandated reporting requirements. It is also estimated that the Department would need to modify existing Medicaid eligibility databases at a one-time cost of $500,000 AF.

The federal government began the LTCPP as a pilot program in four states between 1992 and 1994. These states have provided valuable data on the Partnership which has been analyzed by the Government Accountability Office and many other organizations. Through mid-2006, about 250,000 Partnership policies had been purchased in the four pilot states, but fewer than 4,000 of those policyholders had claimed benefits and only 175 had enrolled in Medicaid after exhausting their Partnership policy benefits. Because the time between when a policy is purchased and benefits are accessed can be decades in length, it is extremely difficult to assess the impact these existing Partnership programs have had or will have on Medicaid programs.

The estimated fiscal impact of a Partnership program assumes a "dollar-for-dollar" arrangement whereby asset protection is equal to the amount of benefits paid by the private insurance policy. Assets protected under Partnership policies include assets Medicaid would otherwise count for eligibility purposes, such as cash savings, securities and most property, among other items. Partnership programs do not shelter income, such as Social Security or pension income.

This estimate assumes that Medicaid benefit savings are generated when, at the time a policyholder accesses his/her Partnership LTC benefits, the private policy benefits exceed the policyholder's assets. For example, an individual with $100,000 in assets and a $200,000 LTC policy would be able to afford an additional $100,000 in LTC costs beyond what they would have without a LTC policy. In this example, the policyholder would enroll in Medicaid later than they would have otherwise, producing a savings for the MA program. However, a policyholder with significant assets (in excess of their LTC policy benefits), would be unlikely to have spent down to the level required by Medicaid in the absence of a LTC policy, so these policyholders do not represent a potential savings to the MA program. Also, because of the asset protection granted to Partnership policyholders, it is possible that policyholders with liquid assets in excess of their LTC policy benefit could become MA eligible earlier than a similar individual without a LTC Partnership policy. In this circumstance, the Partnership policy may actually increase Medicaid benefit expenditures.

This estimate assumes that individuals with a LTC Partnership policy and less than $225,000 in assets will generate a savings for the MA program ($225,000 is approximately equal to the median LTC benefit in the

four pilot states). Data from California's and Connecticut's Partnership Programs indicates that approximately 75% of Partnership policy purchasers had liquid assets (excluding home and autos) in excess of $225,000 while only 25% of policyholders had liquid assets less than $225,000. Therefore only about one quarter of Partnership policyholders are likely to contribute to Medicaid benefit savings and only when they access those private benefits.

Based on the twelve-year Partnership history and on the relative size of Wisconsin's population, it is estimated that 21,128 Partnership policies would be purchased in Wisconsin between 2008 and 2020. Assuming that only policies sold to individuals with less than $225,000 in liquid assets will impact MA, there would be approximately 5,282 such policyholders in 2020 (and 15,846 with assets greater than $225,000). Based on the data from the four pilot states, by 2020 in Wisconsin, only 1.54%, or 81 policyholders with assets less than $225,000 would have received private insurance benefits for their LTC needs. Though the typical policy provides coverage for two years the average policyholder would be expected to claim benefits for less than two years. It is assumed that these 81 Partnership policies would, on average, pay benefits for one and a half year of nursing home care ($75,000 AF in Medicaid expenditures) and ultimately protect $25,000 in remaining assets. Based on these assumptions, a Partnership program beginning in Wisconsin in 2008, could accrue total MA benefit savings of $4,058,600 AF over 12 years by 2020 in current dollars, not adjusted for inflation. In that same period, administrative expenses would be expected to total approximately $2,200,400 AF. In GPR terms, by 2020 cumulative MA benefit savings are expected to be $1.7 million while administrative expenses would be approximately $1.1 million generating an annual average savings of $50,400. For the 2007-2009 biennium, a Partnership Program would increase expenditures by $663,400 AF ($331,700 GPR) and generate no savings.

At full maturity (about 30 years after its inception) a Partnership program's annual savings to Medicaid is likely to exceed related administrative costs. However at this early stage, it is not possible to determine the anticipated annual impact a Partnership program will have on Medicaid expenditures.

Long-Range Fiscal Implications

Administrative Costs

	total expenditures	
Annual additional county IM costs	$ 12,000	$ 37,850.00
CARES database update	$ 500,000	

	AF SFY08	AF SFY09	GPR SFY08	GPR SFY09
LTCPP director*	$ 63,700	$ 63,700	$ 31,900	$ 31,900
CARES database update	$ 500,000	$ -	$ 250,000	$ -
Additional County IM costs	$ 12,000	$ 24,000	$ 6,000	$ 12,000
	$ 575,700	$ 87,700	$ 287,900	$ 43,900

* Human Services Program Coordinator, Senior

07-09 Biennium	AF	$ 663,400	0.5	0.5
	GPR	$ 331,700		

12 years (AF) $ 2,200,400

12 years (GPR) $ 1,100,200

MA Benefit Savings

Partnership State	2005 population	program start	policies purchased	% population purchasing LTC partnershop policies	rec'd private benefits	% rec'd private benefits	exhausted private benefits and accessed MA	% exhausted private benefits and accessed MA	per capita asset protection
California	36,132,147	1994	97,223	0.27%	1,270	1.31%	36	0.04%	$ 55,713
Connecticut	3,510,297	1992	42,730	1.22%	512	1.20%	36	0.08%	$ 120,023
Indiana	6,271,973	1993	39,063	0.62%	391	1.00%	22	0.06%	$ 69,683
New York	19,254,630	1993	69,690	0.36%	1,649	2.37%	81	0.12%	n/a
Total	65,169,047		248,706	0.38%	3,822	1.54%	175	0.07%	$ 74,100
Wisconsin (AVG)	5,536,201	2008	21,128	0.38%	325	1.54%	15	0.07%	$ 74,100
							0.42		

Wisconsin (in 2020)	CA and CT policholder assets	# of policy holders (AVG)	accessing LTC benefit	assets protected	per capita MA benefits supplanted by private benefits	total cost/savings to MA (AF)	total cost/savings to MA (GPR)
>$225,000	75%	15,846	244		-	$ -	
<$225,000	25%	5,282	81	$ 25,000	$ 75,000	$ 4,058,600	$ 1,704,600
		21,128	325				
						admin costs	$ 1,100,200
						net savings	$ 604,400
						annual savings	$ 50,400

1	$ 12,000
2	$ 24,000
3	$ 36,000
4	$ 48,000
5	$ 60,000
6	$ 72,000
7	$ 84,000
8	$ 96,000
9	$ 108,000
10	$ 120,000
11	$ 132,000
12	$ 144,000
	$ 936,000

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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):

It is estimated that the Department wo0uld need to modify existing Medicaid eligibility databases at a one-time cost of $500,000 AF ($250,000 GPR).

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$63,700	$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs		
Local Assistance	12,000	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$75,700**	**$**
B. State Costs by Source of Funds		
GPR	37,800	
FED	37,900	
PRO/PRS		
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, ets.)

	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	$75,700	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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