Long Term Care University

Long Term Care University – Question of the Month

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Q: Some insurance companies offer Partnership Qualified long term care insurance policies. Can you explain what that means, what advantages it may provide and details on the Maryland Long Term Care Insurance Partnership Program?

The Problem – Limited Long Term Care Insurance Benefits, Limited Medicaid Benefits and Limited Medicare Benefits
Most long term care (LTC) insurance policies provide a limited amount of benefits. Even lifetime benefit policies generally have a daily, monthly or annual limit. The cost of long term care after a policy has been exhausted can be financially devastating for you and your family. To compound the problem, assistance in the form of Medicare is limited to those who have been hospitalized and only then will Medicare pay for care in full for up to 20 days. To further compound the problem, assistance in the form of Medicaid is generally limited to the impoverished.

The Solution – Partnership Qualified Long Term Care Insurance Policies
The Partnership Program is based on the Robert Wood Johnson Foundation program called the Program to Promote Long Term Care Insurance for the Elderly, initiated in 1987. Today, a Partnership Program is a "partnership" between a state, an insurance company and state residents who buy long term care Partnership policies. With a Partnership Qualified policy, you can apply for Medicaid with 'asset disregard'. This allows you to keep assets that would otherwise be disallowed. In almost all states that have Partnership Programs, the amount of assets Medicaid will disregard is **equal to the amount of the benefits you actually receive** under your LTC Partnership Qualified policy. This type of disregard is often referred to as **Dollar for Dollar**. So, you can qualify for Medicaid without being impoverished. Almost all states (including Maryland) participate in the National Reciprocity Compact for the granting of Medicaid Asset Protection for states with Partnership for Long Term Care programs.

The Maryland Long Term Care Insurance Partnership Program
Let's say you are a 50 year old Maryland (MD) resident who purchases $383,256 (the average rate of a private nursing room for an average three year stay in MD in 2020) of insurance coverage through a MD Long Term Care Partnership Program Qualified policy. When you need care at age 80 the policy actually pays for $930,276 of tax free care (due to 3% compound inflation protection). Regardless of the premiums you paid, under the Maryland Long Term Care Partnership Program you would then have $930,276 (plus an additional $2,000 that is provided to all MD residents) of assets protected from Maryland Medicaid and states that participate in the National Reciprocity Compact. Thus, the Maryland Long Term Care Partnership Program for provides **Dollar for Dollar** asset protection. With this example, you could qualify for Medicaid without being impoverished and keep $932,276 of your assets. However, your income is considered in determining your eligibility for Medicaid.

Long term care costs in MD have been increasing at an average annual rate of 2% to 4% for the last 15 years. Long term care costs across the U.S. have been increasing at an average annual rate of 2% to 4% for the last 15 years. The MD Long Term Care Insurance Partnership Program has **inflation protection** requirements, designed in part to protect the policyholder and in part to protect the state's Medicaid program. Lest we not forget, this is a Partnership Program. Those requirements are as follows:

- If you are younger than **61**, your plan must include fixed or Consumer Price Index [CPI]-All Urban Consumers **annual compound inflation protection.**
- If you are age **61 to 75**, your plan does not need to include inflation protection. **However, you can select an inflation protection option and still qualify.**
- If you are **76 or older**, your plan does not need to include inflation protection. **However, you can select an inflation protection option and still qualify.**

Action Step – Purchase a Maryland Long Term Care Insurance Partnership Program
When you purchase a Maryland Long Term Care Insurance Partnership Program Qualified policy, you gain the safety of long term care insurance and the peace of mind provided by asset protection.

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