STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

THE CONNECTICUT PARTNERSHIP FOR LONG-TERM CARE

A Progress Report

to the General Assembly

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Section 17b-254 of the Connecticut General Statutes (CGS) stipulates that each year, in January, the Secretary of the Office of Policy and Management shall report to the General Assembly on the progress of the Connecticut Partnership for Long-Term Care. This is the 33rd such annual report. Connecticut was the first state in the nation to offer its residents a way to plan ahead to meet their long-term care needs without the fear of impoverishment, and initially laid the groundwork for three other states, New York, Indiana, and California to implement Partnership programs. Due to federal legislation passed in 2006, forty-one more states have also implemented Partnership programs.

The Connecticut Partnership for Long-Term Care was developed to constrain the growth in Medicaid long-term care expenditures by educating Connecticut residents about the importance of planning ahead for future long-term care costs and by offering, through private insurers, high-quality, affordable long-term care insurance that provides protection against impoverishment. This past year (2021) was the 29th full year that Connecticut Partnership policies were available for purchase by Connecticut residents. The Connecticut Partnership had initially been funded through a grant from the Robert Wood Johnson Foundation (RWJF). Since RWJF funding ended, the Partnership has been supported through a combination of public and private funds.

As Section 17b-254 of the CGS asks for information on a number of specific topics, this report is organized to address those areas of interest:

1) **SUCCESS IN IMPLEMENTING THE PUBLIC AND PRIVATE PARTNERSHIP**

A) *Project Status*:

Below is some background information on the development of the Connecticut Partnership with details on the accomplishments in 2021.

In December 1991, the Insurance Department (CID), in conjunction with the Office of Policy and Management (OPM) and the Department of Income Maintenance (now the Department of Social Services (DSS)), approved the first three policies to be sold under the Connecticut Partnership. In April 1992, those three policies were available for purchase by Connecticut residents and sales began.

The Partnership became fully operational in 1992. The Partnership's public information and consumer education campaign was fully initiated by the then State Department on Aging (now the Department of Aging and Disability Services). As part of this educational effort, the Partnership's consumer counseling program began to utilize trained volunteers as information specialists for those interested in learning about their long-term care financing options, with the Partnership being one of those options. OPM began its extensive research and evaluation component of the project by surveying those who purchased and dropped policies, those accessing benefits, as well as those denied coverage, to learn more about what type of people were participating and why some individuals were being denied insurance. Insurers began the process of providing seven hours of training to their agents on long-term care insurance in general, and the Partnership in particular, in order to meet the requirements found in the Insurance Department's regulations.

In 2021, the Connecticut Partnership continued its proactive efforts to educate Connecticut residents, agents, financial planners and other interested parties about the need to plan ahead to meet future long-term care costs. Even with the public health emergency created by COVID-19, the Partnership was able to conduct **14** presentations (all held virtually), reaching more than **300** people through these sessions. The Partnership continued quarterly updates in an effort to keep agents well informed and educated, as well as to solicit their feedback and ideas on how to enhance the program.

In 2021, the Connecticut Partnership continued its collaborative efforts with various State agencies. Besides OPM, the Partnership involves DSS, the Department of Aging and Disability Services, the Insurance Department and the University of Connecticut Center on Aging.

During 2021, the Partnership exceeded the **72,900** mark for applications submitted and the **60,500** mark for policies purchased. More information on sales is provided in Section 3 below.

The events mentioned above are addressed in more detail in the following sections.

B) *Accomplishments in 2021*:

- **Policies Approved**:

  - To date, the Insurance Department and OPM have collaborated to precertify policies for two current participating insurance companies. (See Section 2 for a complete listing.) Over the years, some insurers have made the decision to stop selling long-term care insurance altogether while, at the same time, new insurers have joined the Partnership. In addition, there have been instances where an insurer mutually has agreed with the Partnership that they will no longer continue to participate in the Partnership. Because of these factors, the number of insurance companies participating in the Partnership has varied over the years. Overall, at one time or another, over 20 insurers have participated in the Partnership. All of these insurers have a continued involvement with the Partnership since they have active Partnership policyholders.

- **Policies Purchased**:

  - As of the end of September 2021 (reports are submitted by insurers every quarter so data as of December 31, 2021 won't be available until later in January 2021): **60,596** Partnership policies were sold; **72,971** applications were received; **2,481** applications were pending (including withdrawals); and **9,894** individuals were denied policies. More information on purchasers of Partnership policies is provided in Section 3.

- **Agent Training and Outreach**:

  - The Insurance Department regulation governing the approval of policies under the Partnership states that "*no agent will be authorized to market, sell, solicit or otherwise contact any person for the purpose of marketing a precertified* (Partnership) *long term care insurance policy unless the agent has completed seven hours of training on long term care insurance in general and the Connecticut Partnership for Long-Term Care specifically*." This requirement was the first of its kind in the nation.

  - The insurance companies have the responsibility for providing the required agent training, but, beginning in 1994, OPM began conducting the training on their behalf. Realizing that it is in the best interest of the Partnership to accommodate the needs of agents who wish to sell Partnership policies, OPM decided to take over the responsibility for holding agent training sessions on a regular basis. The insurers may continue to provide their own training sessions if they wish.

Since 1994, when the State took over the responsibility of conducting agent certification training sessions, over **6,800** agents have completed the training and have been certified to sell Partnership policies. Prior to 1994, an additional 1,000 agents had already been certified to sell Partnership policies after attending company-sponsored certification programs.

In October 2007, the Partnership developed a new format for the Partnership training requirement. Rather than a seven-hour classroom course, the new format is comprised of two components. The first is an online course culminating in an exam the agent must pass. The second component is a four-hour classroom course conducted by Partnership staff. Both components must be completed before an agent is certified to sell Partnership-approved policies.

In 2021, in order to make the agent trainings more accessible to insurance agents, the Partnership transitioned the agent certification course to one ten-hour online course developed by Partnership staff and hosted on a web platform offered by outside vendors. This new digital program has allowed agents and brokers the ability to access the training at their convenience. In addition, the self-paced nature of the course has allowed those taking the training to work around their schedules, which has been especially important given the disruption caused by the pandemic. The online course is currently being hosted by one vendor.

- In addition to the agent training mentioned above, the Partnership has focused a tremendous amount of time and resources toward educating agents and brokers. Realizing that the project cannot hope to be successful unless agents are motivated to support and sell the program, the project implemented ongoing outreach efforts.

  The Partnership has continued to send regular quarterly updates to agents. The updates are the project's communication link to the agents, providing them with timely information on the project and materials they can use to assist their clients. As part of these updates, the Partnership has developed a series of “Special Bulletins” highlighting federal and state legislation, and other changes affecting the Partnership and long-term care insurance.

- **<u>Public Forums and Presentations</u>**:

  - Due to the pandemic, the Partnership was unable to hold its popular series of Public Forums that are traditionally held every Spring and Fall. However, the Partnership was able to conduct 14 virtual presentations during the pandemic.

- **<u>Offering of Long-Term Care Insurance to State Employees and Retirees</u>**:

  - In the late 1990s and early 2000s, the Office of the State Comptroller authorized, for the first time, an offering of Partnership long-term care insurance to State employees, retirees and their family members.

    In 2011, the Office of the State Comptroller authorized another offering of Partnership-approved long-term care insurance to State employees, retirees and their family members. For active State employees the offering included a limited enrollment period during which there were more relaxed medical underwriting criteria utilized. All other employees, retirees and family members were fully medically underwritten. Even amidst the pandemic, the enroller conducted another open enrollment period in 2020 with relaxed medical underwriting for active State employees.

    As a continuation of the offering of Partnership long-term care insurance started in 2011, the enroller for the offering held numerous virtual meetings with employees throughout 2020. The plan offered to Connecticut residents is a Partnership-approved policy. Non-Connecticut residents are offered the same plan but it is a non-Partnership plan with a provision that allows a no cost conversion to a Partnership plan should the non-resident become a Connecticut resident in the future.

    However, effective July 1, 2021, the insurance company offering Partnership long-term care insurance ceased selling long-term care insurance nationwide. To date, the Comptroller's Office has decided not to go out to bid to continue the offering so currently there is no offering of long-term care insurance to State employee, retirees and family members.

- **<u>Federal Legislation – Expansion of the Partnership for Long-Term Care</u>**:

  - On February 8, 2006, the Deficit Reduction Act (DRA) of 2005 went into effect. The DRA repealed the requirement imposed by Congress in 1993 that new Partnership programs would have to attempt to recover assets protected through the Partnership after the Medicaid client had died. After the four initial Partnership programs (CA, CT, IN & NY) were started in 1992 and 1993, Congress imposed the new recovery provisions which ostensibly kept new states from developing Partnership programs. Only Illinois had gotten approval as a Partnership state since 1993, but the asset recovery requirement proved to be an insurmountable obstacle and the Illinois Partnership did not survive. With the repeal of the 1993 recovery requirement, there was tremendous interest from states to develop a Partnership program.

    Since 2006, forty-one states have received federal approval to implement Partnership programs. In addition to the four original states (CA, CT, IN & NY), there are a total of 45 states operating Partnership programs. Only Alaska, Hawaii, Massachusetts, Mississippi and Vermont do not currently operate a Partnership program. All the new Partnership programs are required to utilize the dollar-for-dollar Medicaid Asset Protection model first implemented in Connecticut.

- **<u>Reciprocity</u>**:

  - In 1998, the Connecticut General Assembly passed legislation that gave Connecticut the authority to enter into reciprocal agreements with other Partnership states for the granting of Medicaid Asset Protection.

    Connecticut developed such a reciprocal agreement with Indiana and the appropriate parties in both states signed the agreement.

    In 2001, the Partnerships in Indiana and Connecticut received approval from the U.S. Health Care Financing Administration (now the Centers for Medicare and Medicaid Services) making the reciprocal agreement effective. The agreement allows a Connecticut Partnership policyholder to receive Medicaid Asset Protection from Indiana's Medicaid program and vice versa for purchasers of Indiana Partnership policies.

As noted above, due to the passage of the federal Deficit Reduction Act in 2006, many more states have developed Partnership programs. Effective January 1, 2009, the federal government enacted a Reciprocity Compact (Compact) for Medicaid Asset Protection between Partnership states. The Compact requires that any state in the Compact agrees to have reciprocity with any other state in the Compact.

On March 27, 2009, Connecticut received approval from the federal government to join the Compact. The approval was retroactive to January 1, 2009. However, all Connecticut Partnership policyholders are covered under the Compact, regardless of when they purchased their Partnership policy.

Under the terms of the Compact, Connecticut Partnership policyholders who relocate to another state may be eligible to receive dollar-for-dollar Medicaid Asset Protection just as they would when they apply to Connecticut's Medicaid program. Two conditions must be met for a policyholder to be eligible for reciprocity in another state: (1) the policyholder must apply to and qualify under the other state's Medicaid program; and (2) at the time the policyholder applies to the other state's Medicaid program, Connecticut and the other state must both be members of the Compact or Connecticut must have a separate reciprocal agreement with that state for the granting of Medicaid Asset Protection.

The Compact requires that any state participating in the Compact must agree to engage in reciprocity with every other state in the Compact for the purpose of granting dollar-for-dollar Medicaid Asset Protection. In addition, the original reciprocity agreement between Connecticut and Indiana remains in effect.

For a map showing the states currently participating in the Compact, go to the following website - https://nyspltc.health.ny.gov/reciprocitymap.htm or call the Connecticut Partnership at 860-418-6318.

It's important to note that states are permitted to opt in and out of the Compact at any time. A state can opt out of the Compact by giving 60 days notice to the federal government. Consequently, the list of states participating in the Compact may change over time. Currently, all of the 41 new Partnership states, along with Connecticut, Indiana and New York, are participating in the Reciprocity Compact. California is currently the only state with a Partnership program that is not participating in the Reciprocity Compact.

Of greatest importance to a Connecticut Partnership policyholder is whether Connecticut has Medicaid Asset Protection reciprocity with their state of residence at the point the individual applies to that state's Medicaid program. *The only firm guarantee the State of Connecticut can provide to a Connecticut Partnership policyholder is that Connecticut's Medicaid program will recognize their earned Medicaid Asset Protection.*

- **Outreach to Nursing Facilities**:

  - This past year, the Partnership continued an outreach effort targeted at nursing facilities in Connecticut. The goal of the outreach was to educate nursing facilities about the Partnership and remind them that Connecticut law requires Connecticut nursing facilities to provide at least a 5% rate discount for residents who own Partnership policies.

C) *Presentations*:

a) **Presentations**:

In 2021, **14** virtual presentations were given by Partnership staff to a variety of organizations. See Appendix A for a full list of presentations.

2) **NUMBER OF POLICIES PRECERTIFIED** and
3) **CHARACTERISTICS OF INDIVIDUALS PURCHASING PRECERTIFIED POLICIES**

The following is a list of the companies currently approved under the Connecticut Partnership for Long-Term Care and the types of policies they are marketing:

Bankers Life and Casualty	**Individual**
Genworth Life	**Individual & Group**

As of September 30, 2021, sales of Partnership policies eclipsed **60,500** with more than **72,950** applications received.

Sales of Connecticut Partnership-approved policies began in April 1992. The latest statistics are for the period ending September 30, 2021. **60,596** policies were purchased as of September 30, 2021 with **72,971** applications received. Of note is that **62%** of active policyholders are **under age 60** and **97%** are **under age 70**. The average age of a Partnership policyholder is **57**. From these statistics it appears that the Partnership is having considerable success in achieving its goal of attracting younger individuals to purchase long-term care insurance. In addition, **100%** of active policyholders own a plan that includes home care in addition to nursing home care. The average benefit amount purchased for all policies is **$263,717**. As well, **92%** of all active policyholders fall into the category of first-time purchasers.

Below are additional statistics regarding sales of Connecticut Partnership policies as of September 30, 2021:

Applications Received:	**72,971**
Policies Purchased:	**60,596**
Number of Individuals Denied Policies:	**9,894**
Applications Pending:	**2,481**

The statistics below are based on active policyholders:

Type of Policy Purchased:	
Nursing Home & Home Care Coverage	**100%**
Nursing Home Only Coverage	**0%**
Category of Policy Purchased:	
Individual	**82%**
Group/Association	**18%**
Average Age of All Active Policyholders:	**57**
Average Age for Purchasers of Individual Policies	**57**
Average Age for Purchasers of Group/Association Policies	**54**
Age Range for Active Policyholders:	**20-86**
Gender:	

Male	**43%**
Female	**57%**

As part of the research and evaluation component of the Partnership, OPM has in the past surveyed a random sample of those who purchase Partnership policies. Completion of the survey is voluntary. The survey provides a full composite of the purchasers of Partnership policies collecting data on marital status, race, living arrangements, monthly income, value of assets and more. Below is a sample of the data collected based on the completion of **13,599** surveys (missing data excluded – totals may not add up to 100% due to rounding or that categories are not mutually exclusive):

Marital Status:	
Married	**77%**
Never Married, Single	**5%**
Widowed	**9%**
Divorced/Separated	**8%**
Race:	
White	**97%**
Other	**3%**
Living Arrangements:**	
Live with spouse	**76%**
Live alone	**16%**
Live with child/relatives/Other	**10%**
Children live with me	**6%**
Monthly Income:	
Less than $1,000	**1%**
$1,000-2,499	**16%**
$2,500-4,999	**35%**
$5,000+	**49%**
Assets (does not include home and car):	
Less than $25,000	**5%**
$25,000-49,999	**5%**
$50,000-99,999	**9%**
$100,000-199,999	**15%**
$200,000-349,999	**20%**
$350,000+	**45%**

* Due to rounding, figures may not total to 100%.
** Not Mutually Exclusive

4) NUMBER OF INDIVIDUALS SEEKING CONSUMER INFORMATION SERVICES

The Connecticut Partnership for Long-Term Care continues to generate a great deal of interest across the state (see Appendix A). To date, the Partnership has responded to over **63,000** calls.

As shown in Appendix A, **14** virtual presentations were given by Office of Policy and Management staff reaching over **300** individuals.

5) BENEFITS PAID UNDER MEDICAID RESOURCE PROTECTION

As of September 30, 2021, a total of **5,190** Partnership policyholders had qualified to receive benefits under their policies.

1,271 policyholders received service payments in the quarter ending September 30, 2021. The remainder of the policyholders who had qualified for benefits at some time have either recovered, became eligible for Medicaid, died since going into benefit, dropped their policies, or are recently eligible and have not had service activity reported to date. A total of over **$665 million** in insurance payments have earned Medicaid Asset Protection. Of that amount, over **$208 million** will never be used since it was earned by policyholders who have since died before applying to Medicaid.

326 policyholders have accessed Connecticut's Medicaid program after using their Partnership benefits, while protecting over **$81 million** in assets.

6) **ESTIMATED IMPACT ON PRESENT AND FUTURE MEDICAID EXPENDITURES** and
7) **COST EFFECTIVENESS OF THE PROGRAM**

The Connecticut Partnership is not only projected to generate savings to the Medicaid program well into the future, it already has had a positive impact on current Medicaid expenditures. Savings can result because of the following reasons:

- Persons would have a more attractive alternative to transferring assets as a method of accessing Medicaid coverage without exhausting their resources. Partnership Baseline Surveys show that **31%** of respondents indicated that one of the reasons they purchased a Partnership policy was as an alternative to transferring assets;

- Policyholders may never need to access Medicaid if their coverage under their private Partnership policy proves to be sufficient to meet their long-term care needs. The majority of individuals who have used their Partnership benefits have never needed to apply to Medicaid, primarily because they died before utilizing all their insurance benefits;

- Care management assistance and provider discount arrangements under private insurance have the potential to control unnecessary utilization of services and costs which can help individuals stretch and conserve scarce resources and delay, or eliminate, an individual's need for Medicaid coverage.

Less appealing from the consumer's perspective, but nonetheless important to Medicaid, are these additional possible sources of savings:

- "Protected assets" through the Connecticut Partnership would generate additional income that would be applied toward the cost of care;

- Determining the exact amount of resources one will have at the time long-term care is needed is a difficult task. Under these circumstances, individuals will use their best judgement and some may purchase policies that provide protection in excess of their Medicaid-countable assets level. The additional insurance coverage would substitute for Medicaid payments resulting in savings.

The Partnership has already begun to generate savings to Connecticut's Medicaid program. Through purchaser survey data and claims information to date, it is estimated that as a result of the Connecticut Partnership, the State's Medicaid program has saved over **$77.5 million** (half of these savings would accrue to the federal government). This estimate is based on the assumption that a certain number of purchasers of Partnership insurance policies would have transferred assets and accessed the Medicaid program in the absence of the Partnership program. Savings are generated by individuals using their Partnership policy benefits. Therefore, as more and more policyholders access benefits, increased savings will accrue to the State's Medicaid program. With an average purchase age of 57 and an average claimant age of 80 under the Partnership, it will be several more years before significant claim experience, and thus savings, will occur.

The presence of the Partnership has certainly increased the number of Connecticut residents purchasing long-term care insurance. Since insurance companies are required to pay an annual 1.5% tax on all premiums collected, the increase in long-term care insurance sales due to the Partnership has resulted in increased revenues to the State's General Fund of approximately **$1 million annually**. This figure will only increase as more policies are purchased.

8) <u>DETERMINATION REGARDING THE APPROPRIATENESS OF CONTINUING THE PROGRAM</u>

The Office of Policy and Management continues to fully support the implementation of the Connecticut Partnership for Long-Term Care. In the time the Connecticut Partnership has been operational, it has shown that the public and private sectors can work together to develop and implement creative approaches to our state's difficult problems. The Connecticut Partnership has enhanced the quality of long-term care insurance sold in Connecticut and directly educated over **124,000** residents about the need to plan ahead for future long-term care costs. Over **60,500** Connecticut residents have put plans in place for their future long-term care costs by purchasing Partnership policies. These policies will protect the purchaser's resources and prevent impoverishment, while also helping to reduce the reliance on Medicaid as a payor of long-term care.

The Connecticut Partnership is an excellent example of a program that successfully works to satisfy the needs of the individual, as well as those of the larger society of taxpayers. The Office of Policy and Management is extremely pleased with the response to the Partnership program to date and believes that the project can only build on this success in the years ahead. In addition, the expansion of the Partnership model, first pioneered in Connecticut, to many more states points to the Connecticut Partnership's successes and the importance of the Partnership program.

APPENDIX A

PRESENTATIONS

January 2021:
- Washington Gunn Memorial Library
- Southbury Public Library

February 2021:
- Darien Library
- Waterford Public Library
- CT State Library – Financial Literacy Series
- Bethel Public Library
- Granby Library
- Glastonbury Wells Turner Memorial Library

March 2021:
- CT Conference of Municipalities
- Agent Paul Orme Seminar
- Norwich Otis Library
- Litchfield Community Center
- Wilton Library
- Weston Library