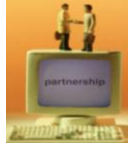


The Kentucky Long-Term Care Partnership Insurance Program Notice

Introduction:

In 2008, legislation was passed which allowed Kentucky to establish the Kentucky Long-term Care Partnership Insurance Program through a partnership among the Department for Medicaid Services (DMS), the Department of Insurance (DOI), and private long-term care (LTC) insurance companies. Under this program, special LTC insurance policies may be issued to encourage an individual to insure against the cost of providing for LTC needs without depleting all assets and assist in reducing the financial burden on the Kentucky Medicaid Program. These policies will be available beginning [effective date of 806 KAR 17:083] and must meet certain state and federal requirements.



What is Long-Term Care and Why Do I Need Long-Term Care Insurance?

LTC insurance is a form of health insurance that provides coverage for nursing home care for at least a year. A LTC insurance policy will pay for various services to maintain an individual's quality of life. Long-term care services refer to a wide range of medical and/or personal services for people who need hands-on or standby assistance with activities of daily living, including getting in and out of bed, toileting, bathing, dressing, and eating – or medical care due to functional limitations, chronic health conditions or cognitive (thinking) impairment like Alzheimer's disease. Someone with a cognitive impairment normally needs supervision, protection or verbal reminders to do everyday activities. LTC services might include skilled, intermediate or personal nursing care, home health care, adult day care, respite care, rehabilitation and assistance with activities of daily living.

The majority of people will need some type of LTC in the future and Medicare and health insurance policies usually do not cover LTC services. Therefore, you may wish to purchase LTC insurance to cover these services. This decision should be based on your personal health and finances. As with any insurance policy, only you can decide if a LTC insurance policy is right for you.

What is Medicaid?

Medicaid is a Medical Assistance program for families and individuals who meet both technical and financial eligibility requirements. The guidelines and income standards are not the same in every state. The Department for Medicaid Services, which is part of the Cabinet for Health and Family Services, administers the Kentucky Medicaid Program (<http://www.chfs.ky.gov/dms/>).



General Medicaid Eligibility Requirements and Information:

- √ The purchase of a LTC partnership insurance policy **does not** guarantee eligibility for Medicaid.
- √ Medicaid eligibility is complex and must be determined on a case by case basis by an eligibility specialist at your local Department for Community Based Services Office.
- √ Applicants must provide:
 - Proof of Income;
 - Evidence of Social Security Number;
 - Proof of Identity (Driver's License);
 - Proof of Citizenship (Birth Certificate);
 - Proof of Health Insurance, if applicable, including any LTC insurance information;
 - Documentation of all resources or assets currently owned and anything disposed of in the three to five years prior to application.
- √ Medicaid eligibility has special rules that relate to married couples, property where the Medicaid applicant resides, homes over a certain value, vehicles, and burial arrangements.
- √ Medicaid recipients of LTC assistance are subject to Medicaid estate recovery, which means that Medicaid has the right to recover any money spent on your behalf from your estate after your death.

How Does the Kentucky Long-term Care Partnership Insurance Program Work?

The DOI and DMS developed the requirements for LTC partnership insurance policies, which are consistent with federal law. These requirements are published as Kentucky administrative regulations. The insurance companies

develop policies that follow these requirements and train their agents in order for the company to sell long-term care partnership insurance.

Inflation protection – also called inflation benefits – helps a LTC policy keep up with the rising costs of LTC services by automatically increasing benefits each year. A LTC partnership insurance policy is required to include:

- √ For an individual who had not attained age 61 as of the original date of purchase, an annual inflation benefit of not less than three percent (3%) calculated on a compound basis; and
- √ For an individual who had attained age 61 to 75 as of the original date of purchase, an annual inflation benefit of not less than three percent (3%) calculated on a simple basis.

Inflation protection is not required for individuals over age 76, but it is available for an additional cost.

All LTC partnership insurance policies are “federally tax qualified.” This means that the benefits or claims you receive from the policy may not be considered “taxable income.” If you itemize your deductions, you may be able to deduct LTC insurance premiums as medical expenses up to the Internal Revenue Service limit. Many states, including Kentucky, may offer state tax incentives for individuals obtaining a LTC insurance policy. Please consult with your tax specialist for specific information regarding the tax treatment of LTC partnership insurance policies.

Medicaid eligibility is very complex and must be determined on a case by case basis by an eligibility specialist at your local Department for Community Based Services Office. If you apply for Medicaid benefits, a LTC partnership insurance policy allows you to keep assets equal to the amount of LTC partnership insurance benefits you received. For every dollar that a LTC partnership insurance policy pays in benefits, a dollar of personal assets may be protected (disregarded or not counted) by Medicaid during the eligibility review and, if approved, those protected assets would not be subject to estate recovery. Generally, an unmarried person utilizing LTC services may qualify for Medicaid when he or she has assets of \$2,000 or less. For example, if you have \$100,000 in assets (stocks, bank accounts, investments, etc), Medicaid could require you to “spend down” \$98,000 in assets before you could be eligible for Medicaid benefits. However, if you have a LTC partnership insurance policy that has paid out \$50,000 dollars in benefits, Medicaid could disregard \$50,000 and you would be required to “spend down” \$48,000 in assets before you could be eligible for Medicaid benefits.



Kentucky has entered into a reciprocal agreement with the majority of states that offer LTC partnership programs. This means that if you buy a LTC partnership insurance policy in Kentucky and later move to another state with a LTC partnership insurance program, you may receive the same dollar for dollar asset protection benefit from the other state’s Medicaid program. Not all states participate in a reciprocal agreement; therefore, it is important to check before you move.

Partnership Insurance Policy Facts:

- √ Asset Protection (asset disregard or assets not counted for Medicaid eligibility) is based on the amount that the insurance company pays in benefits. Asset Protection is NOT based on the value of the policy or the amount of premiums paid.
- √ Existing LTC insurance policies will not automatically qualify as LTC partnership insurance policies. Contact your insurance company for information on exchanging an existing policy.
- √ **Purchasing a partnership insurance policy does not guarantee eligibility for the Kentucky Medicaid Program;** you must meet Medicaid eligibility requirements. Contact the Department for Medicaid Services if you have Medicaid eligibility questions.

Additional Information.

If you have questions regarding LTC partnership insurance policies please contact [carrier name and telephone number & any other contact information and/or] the Kentucky Department of Insurance at 800-595-6053 or visit www.insurance.ky.gov. If you have questions regarding Medicaid eligibility, you can visit the Department for Medicaid Services Web site at <http://chfs.ky.gov/dms/Eligibility.htm> or contact the Medicaid Eligibility Policy Branch at ~~502-564-6204~~.