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December 15, 2010

The Honorable Thomas M. Middleton, Chairman
Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen St.
Annapolis, MD 21401

The Honorable Peter A. Hammen, Chairman
Health and Government Operations Committee
House Office Building, Room 241
6 Bladen St.
Annapolis, MD 21401

Re: Long-Term Care Partnership Program 2010 Annual Report

Dear Chairman Middleton and Chairman Hammen:

The Department of Health and Mental Hygiene (DHMH) and the Maryland Insurance Administration (MIA) are required to annually report certain information specified in §15-407 of the Health-General Article to you on the effectiveness of the Long-Term Care Partnership Program (Program), the impact of the Program on State expenditures for medical assistance, the number of enrollees in the Program, and the number of long-term care policies offered in the State.

The Long-Term Care Partnership Program is still in its very early stages. The first companies certified to sell Program policies in Maryland began selling these Program policies in 2010. As of this date, ten insurers have been certified to sell this coverage.

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Staff from state agencies such as DHMH, MIA, Department of Human Resources (DHR), the Maryland Department on Aging (MDoA) and industry representatives including the National Association of Insurers and Financial Advisors (NAIFA), the Maryland Association of Health Underwriters (MAHU), the Financial Planning Association of Maryland (FPA of MD) have met regularly during past year to provide a coordinated approach for program implementation and to evaluate the effectiveness of the LTC Partnership Program in the State of Maryland on an ongoing basis. In addition, DHMH staff has received technical assistance and best practice strategies from teleconference calls administered by the Center for Medicaid, CHIP and Survey & Certification (CMCS).

In order for the State to ascertain the effectiveness of the Program, insurers are required to file annual reports with the MIA dealing with several aspects of the Program, including the number of policies sold, the number of enrollees, the number of long-term care policies that are offered in Maryland, and the number of licensed insurance producers that have met the Maryland training requirements for the sale of long-term care insurance.

The first report from insurers was due October 1, 2010 and insurers are adjusting to this new reporting requirement. The regulations require filings not only from insurers that are certified to sell the Program policies, but also from all insurers that sell long-term care insurance policies that are not Program policies. As of this date, the MIA has identified 33 companies that offer long-term care insurance in Maryland. Thirty of these 33 companies, including all insurers certified to sell the Program policies, have filed the required report.

The 30 reporting companies offer 90 different long-term care insurance policies in Maryland, ranging from stand alone long-term care insurance policies to additional benefits that are added to life insurance or annuity contracts. The companies also report that 6233 insurance producers have received the required long-term care insurance training to solicit this coverage.

The chart on the next page shows the insurers that are certified to participate in the Program, the date each insurer was certified to participate in the Program, the number of enrollees in the Program as of July 1, 2010, and the number of Program policies the insurer has issued or delivered in Maryland for the 12-month period ending on July 1, 2010.

Insurer	Date Insurer Certified to Sell Program Policies in Maryland	Number of Program Enrollees as of July 1, 2010	Number of Program Policies Issued in 12-Month Period Ending July 1, 2010
American General Life Insurance Company	6/7/2010	0	0
Assurity Life Insurance Company	12/7/2009	2	1
Bankers Life and Casualty Company	9/17/2010	0	0
Berkshire Life Insurance Company	12/7/2009	17	10
Genworth Life Insurance Company	6/16/2010	0	0
Massachusetts Mutual Life Insurance Company	12/10/2009	46	46
Mutual of Omaha Insurance Company	8/12/2010	0	0
New York Life Insurance Company	6/10/2010	0	0
Transamerica Life Insurance Company	2/5/2010	0	0
United of Omaha Life Insurance Company	8/12/2010	0	0
Total		65	57

Consumer education seminars were conducted in the Fall of 2010 by DHMH in conjunction with MIA and with partial funding by industry organizations to ensure public understanding of the impact of the LTC Partnership program on Medicaid applicants who have purchased partnership policies.

The above table shows that there has been interest on the part of insurers in receiving certification under the Program. Of the 33 insurers who are approved to write long-term care insurance in Maryland, 10 have applied for certification to sell the Program policies in Maryland. Due to the newness of the Program, only 3 of the 10 insurers that have been certified to issue Program policies had issued any of these policies in Maryland by July 1, 2010. As of July 1, 2010, 65 Maryland residents have enrolled in the Program and 57 Program policies have been issued.

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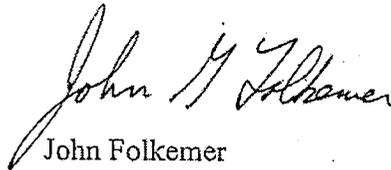
Throughout the year, staff members from both the MIA and the DHMH have spoken to consumers who find the spend-down protections for Medicaid in the Long-Term Care Partnership Program to be of interest to them. If an individual purchases a Program policy and receives benefits under that policy, the Program provides that the individual's assets will be protected on a dollar for dollar basis by each dollar paid in benefits under the Program policy. However, at the same time, much negative press has surrounded the issue of long-term care insurance, particularly the issue of high rate increases for this relatively new type of coverage. This negative information, combined with a difficult economic environment, may have had a chilling effect on the sale of this coverage.

At this time, it is too early to assess the impact of the Program on State expenditures for medical assistance. Since long-term care insurance policies are medically underwritten and are issued only to individuals who are unlikely to need long-term care services in the near future, usually there are a number of years from the time a policy is issued to the time claims are made under the policy. We expect that individuals who purchase long-term care insurance will have protection under the policy for long-term care needs and will not need to apply for the spend-down for Medicaid until a later date than an individual of the same means who has not purchased this coverage. As a result, when the full burden of LTC costs are avoided because of private long-term care insurance, Medicaid costs may be greatly reduced. However, the extent of savings to the Medicaid program is expected to occur in the distant future.

Sincerely,



Beth Sammis
Acting Commissioner
Maryland Insurance Administration



John Folkemer
Deputy Secretary Health Care Financing
Department of Health & Mental Hygiene

cc: Marie L. Grant, Committee Staff, Senate Finance Committee
Linda Stahr, Committee Staff, House Health & Government Operations Committee
Sarah T. Albert, Library Associate, Department of Legislative Services (5 copies)
Brenda A. Wilson, Associate Commissioner