Indiana Long Term Care Insurance Partnership
Application and Details of the Program
Michael A. Nellinger  
Estate Planning Attorney  
Nellinger & Dunn LLP  
6601 E. 10th St.  
Indianapolis, IN 46219  
(317) 441-1981  
mnellinger@aol.com

© 2015 Nellinger & Dunn LLP  
Copyright 2015 by Nellinger & Dunn LLP. No part of this publication may be reproduced by any means without express written permission of Nellinger & Dunn LLP

Disclaimer: The information available in this pamphlet is for informational purposes only and not for the purpose of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem. Use of and access to this pamphlet does not create an attorney-client relationship between Nellinger & Dunn LLP and the reader. The opinions expressed in this pamphlet are the opinions of the author and may not reflect the opinions of the firm. The author is not responsible or liable for any claim, loss or damage resulting from the use of this information, including any errors or omissions by the author.
Table of Contents

1. How Does Indiana Long Term Care Insurance Partnership Operate? (Page 4)
2. History of Indiana Long Term Insurance Partnership (Page 8)
3. Purpose of Indiana Long Term Insurance Partnership (Page 9)
4. Participating Insurance Companies (Page 10)
1. How does the Indiana Long Term Health Care Partnership Operate

The Indiana Long Term Care Insurance Program is a partnership between Indiana State government and private insurance companies. Insurance companies voluntarily agree to participate in the Program by offering long term care insurance policies that meet more stringent State requirements than other policies. Policies approved under the Program are better known as “Partnership policies.”

Since May 1993, Indiana residents have had a choice between traditional long term care policies or Indiana Partnership policies. Partnership policies protect assets through a feature which places their purchasers under different, more favorable Medicaid eligibility rules. Indiana is one of the first four states (along with California, Connecticut and New York) to offer such an innovative long term care financing program.

Since 2006 with the passage of Federal legislation (Deficit Reduction Act of 2005), additional states have implemented Partnership Programs. Taking and keeping control of your financial independence and emotional peace-of-mind has never been easier.

Partnership policies contain a special State-added feature known as “Medicaid Asset Protection.” With this feature, Partnership policies offer Indiana residents a way to provide for their long term care needs without the fear of having to spend down their life savings. These policies guarantee that the buyer will receive asset protection from Medicaid eligibility spend down and from Medicaid estate recovery at least equal to the amount of benefits used.

**Medicaid Asset Protection**

Medicaid asset protection is a feature found in Indiana Long Term Care Insurance Program insurance policies (better known as “Indiana Partnership policies”). Medicaid asset protection allows you, the policyholder, to keep more assets than is normally allowed when, and if, you need help with long term care from the Indiana Medicaid Program. *Only assets---not income---are protected.*

There are two types of asset protection—**Total** and **Dollar-for-Dollar**.

**“Total asset protection”** means all of your assets will be disregarded during the Indiana Medicaid eligibility process, should you choose to apply for help from Indiana Medicaid.

**“Dollar-for-dollar asset protection”** means that you will be allowed to retain one dollar of your assets for every one dollar of benefits used in your Partnership policy. However, any remaining assets will be considered (unless otherwise protected by law) during the Indiana Medicaid eligibility process.

Whether you receive total or dollar-for-dollar asset protection depends on:

• The amount of Partnership insurance you initially bought, and
• The amount of benefits you use under your policy, and
• The inflation feature in your policy.

If you initially purchase a Partnership policy with less than the State-set dollar amount* in benefits, one dollar of assets (dollar-for-dollar) is protected for each dollar of Partnership policy benefits paid out. If you initially purchase a Partnership policy with at least the State-set dollar amount* and have a 5% compound inflation factor, all of your assets (total asset) are protected once the policy has paid out all benefits.

For example, if you bought a Partnership policy with a maximum benefit pay-out of $150,800, you could protect $150,800 of your assets. If you want to protect more or less of your assets, you may select a policy with a higher or lower benefit pay-out. If you want to protect all of your assets, you would need to purchase, at a minimum, the State-set dollar amount of Partnership policy benefits. For married couples, each spouse would need to purchase his/her own policy for the greatest overall protection.

*Amount of Coverage Initially Purchased. Turn to the schedule page in your policy. The schedule page shows the policyholder’s name, the policy’s effective date, the policy number, and the specific amount of benefits you purchased.

- If the maximum benefit (total amount of dollars your policy will pay out) when you first bought your Partnership policy equals or exceeds the State-set dollar amount for the calendar year of your policy’s effective date (see chart below), you may earn total asset protection.
- If the maximum benefit you initially purchased is less than the State-set dollar amount for the calendar year of your policy’s effective date (see chart below), you will earn dollar-for-dollar asset protection.

• **Chart for State-Set Dollar Amount**

<table>
<thead>
<tr>
<th>Year</th>
<th>State-set Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998 or before</td>
<td>$140,000</td>
</tr>
<tr>
<td>1999</td>
<td>$147,000</td>
</tr>
<tr>
<td>2000</td>
<td>$154,350</td>
</tr>
<tr>
<td>2001</td>
<td>$162,068</td>
</tr>
<tr>
<td>2002</td>
<td>$170,171</td>
</tr>
<tr>
<td>2003</td>
<td>$178,679</td>
</tr>
<tr>
<td>2004</td>
<td>$187,613</td>
</tr>
<tr>
<td>2005</td>
<td>$196,994</td>
</tr>
<tr>
<td>2006</td>
<td>$206,844</td>
</tr>
<tr>
<td>2007</td>
<td>$217,186</td>
</tr>
<tr>
<td>2008</td>
<td>$228,045</td>
</tr>
<tr>
<td>2009</td>
<td>$239,447</td>
</tr>
<tr>
<td>2010</td>
<td>$251,419</td>
</tr>
<tr>
<td>2011</td>
<td>$263,990</td>
</tr>
<tr>
<td>2012</td>
<td>$277,190</td>
</tr>
<tr>
<td>2013</td>
<td>$291,050</td>
</tr>
<tr>
<td>2014</td>
<td>$305,603</td>
</tr>
</tbody>
</table>
**Policy Benefits Used.** If you purchased coverage that equals or exceeds the State-set dollar amount (see above) and used All of the coverage to which you had access, you may earn total asset protection.

**Notes:** (1) If you bought an unlimited maximum benefit, you will earn dollar-for-dollar asset protection because you will not use all the policy benefits as it will continue to pay benefits as long as you need care. (With an unlimited maximum benefit, your odds of ever needing Medicaid assistance are reduced.)

(2) A policy that begins as total asset protection could turn into one earning dollar-for-dollar asset protection in the following situations:

(a) Reduction in Benefits. If you choose to reduce your policy benefits to an amount less than the State-set dollar amount for the calendar year of your reduction’s effective date, you will earn dollar-for-dollar asset protection. (If you used policy benefits, subtract this amount from the State-set dollar amount when calculating.)

(b) Sharing Benefits. If you and your spouse purchased Partnership coverage that allows you to share your maximum benefit (through one policy that you both own jointly or through two individual policies with a rider that allows you to access each other’s benefits):

(1) One spouse may use all of the benefits, leaving no coverage or asset protection for the other spouse.

(2) If one spouse uses benefits (but not all of them), and the amount of remaining benefits for the second spouse is less than the State-set dollar amount for the year when the first spouse stopped using benefits, the second spouse will earn dollar-for-dollar asset protection. (If the second spouse used policy benefits, subtract this amount from the State-set dollar amount when calculating.)

**Inflation Feature.** The inflation factor in your policy also determines the type of asset protection.

(1) Total Asset policies must have a 5% compound inflation factor.

(2) Dollar For Dollar policies could have 5% compound, CPI, or 5% simple inflation (only for purchasers age 75 or older at time of purchase).

**What happens if you use all of your Indiana Partnership policy benefits and still need long term care services?**

If you continue to need care after you have used your policy benefits, you may choose to apply for help from Indiana Medicaid. During the eligibility process, Indiana Medicaid will disregard
(not consider) your asset amount equal to the amount of asset protection you have earned. By using an Indiana Partnership policy, you have earned asset protection, not income protection.

What is Indiana Medicaid?

Medicaid is a federal and state-funded medical assistance program. It pays for long term care services for persons who meet certain guidelines.

Eligibility
Eligibility for Medicaid is not automatic. You, or someone on your behalf, must apply for Medicaid. You must be living in Indiana at the time you apply for help from Indiana Medicaid. You must also meet Indiana Medicaid eligibility criteria in effect at that time. You will need your Service Summary Report when you apply. This report will indicate the amount of asset protection you have earned by using your Indiana Partnership policy.

Once You Are Eligible
Once you are eligible to receive Indiana Medicaid benefits, you must continue to live in Indiana while receiving this assistance. The types of services you receive under Indiana Medicaid may be different from the services you received under your Partnership policy.

You may receive more services under Indiana Medicaid than you did under your Partnership policy (example: coverage for prescriptions). However, there may be some services you received under your Partnership policy which are not available under Indiana Medicaid. Medicaid may require that part of your income be used toward your care. Medicaid determines the amount of your income contribution based upon your individual circumstances (i.e. living in your own home or a nursing home, single or married, etc…).

Important Information

- Premiums paid for Indiana Long Term Care Insurance Program (Partnership) policies may be deducted on your Indiana tax return. Please read your Indiana Tax Return Instruction Booklet for more details or consult with your tax advisor.
- A reciprocity agreement exists between Indiana and Connecticut Medicaid programs. This means that each of these states’ Medicaid programs can honor the asset protection earned under the other state’s Partnership policies. Asset protection honored under a reciprocal agreement will be on a dollar-for-dollar basis only.
- Indiana may have reciprocity with other states’ Medicaid programs in the future.

Indiana residents can call 1-866-234-4582 to request a free information packet. Or visit www.longtermcareinsurance.in.gov.

*Chart for State-set dollar amounts is posted on the website (www.longtermcareinsurance.IN.gov) and in the table above.
2. History of the Indiana Long Term Care Insurance Partnership

State legislation for the Indiana Long Term Care Insurance Program (ILTCIP) referred to as Partnership was passed in 1987. Federal approval was received in December 1991 with the first Indiana Partnership policies available for sale in May 1993.

The statute was modified in 1994 to allow a Partnership facility-only policy. In 1997, additional legislation provided funding for the Partnership program, moved the program to the Office of Medicaid Policy and Planning (OMPP), and allowed OMPP to establish reciprocity with other states' LTC Partnership programs.

Other legislation in 1998 expanded the asset protection feature to include both dollar-for-dollar and total asset protection. Tax legislation was passed in 1999 providing a state tax deduction for premiums paid for Partnership policies beginning with tax year 2000.

Identified below are the significant activities and legislation that was implemented to create the Indiana Long Term Care Insurance Program Partnership:

1987 - Bi-partisan State legislation establishing the Indiana Long Term Care Insurance Program

1991 - Federal approval received in December for Indiana's Medicaid State Plan Amendment

1993 - Adoption of final rules for Program policies; Governor Bayh held a press conference on May 17, 1993 announcing the availability of Indiana Long Term Care Insurance Program policies

1994 - Program statute was amended to allow facility-only policies

1997 - Legislation moved the Indiana Long Term Care Insurance Program to the Office of Medicaid Policy and Planning with state funding provided for the program. (Funding for the Program until 1998 was primarily through grants from the Robert Wood Johnson Foundation)

1998 - Asset protection under the Program was expanded to include both dollar-for-dollar and total asset protection

1999 - Legislation passed providing a state tax deduction for premiums paid for Indiana Long Term Care Insurance Program policies beginning with tax year 2000

2006 - Federal Deficit Reduction Act of 2005 (DRA 2005) passed allowing additional states to implement Long Term Care Partnership Programs

2006 - The Indiana Long Term Care Insurance Program was moved to the Department of Insurance

2009 - April 1 - Indiana approved to join the National Reciprocity Compact for states with Partnership LTC programs
Concerns:

- Rapidly increasing Medicaid expenditures for nursing home care
- Rapidly growing elderly population in the state, especially in the number of persons age 85+, the heaviest users of long term care services
- Limited extent to which people were using private insurance to protect against the high cost of long term care
- Variability in the quality of long term care insurance policies and benefits provided under these policies
- Medicaid as the only public program providing significant financial relief to seniors that requires financial spend down to qualify

Goals:

- To stimulate the availability of high quality, affordable long term care insurance
- To provide a means by which Hoosiers could plan to finance their own long term care needs without the fear of impoverishment
- To contain the growth of Medicaid expenditures for long term care by encouraging purchase of private insurance
- To improve public understanding of long term care financing and provide counseling services to persons in planning for their long term care needs

3. Purpose of the Indiana Long Term Care Insurance Partnership

Long term care refers to a wide range of services and supports designed to help individuals who are unable to care for themselves because of a prolonged illness, disability, frailty or mental deterioration. Care is provided to assist individuals with everyday activities we take for granted such as bathing, continence, dressing, eating, toileting, and transferring (moving about). This care can be provided on different levels such as in-home care, adult day care, assisted living, or nursing home and may be provided on a short-term basis or for several years.

Your likelihood of needing long term care increases as you get older, if you live alone, and if you’re a woman. Your family and individual medical history also play a major role in determining whether or not you will need long term care.

General population statistics are very informative. Approximately 70 percent of Americans over the age of 65 will need some level of long term care services in their lifetime with 40 percent needing care in a nursing home.\(^1\) The average length of stay in a nursing home is 2.6 years.\(^2\) Older persons aren’t the only ones needing long term care. Over 40% of Americans receiving long term care are between the ages of 18 and 64.\(^1\) No one really knows at what age he or she may experience a paralyzing accident, suffer a stroke, or be diagnosed with Parkinson’s or Alzheimer’s disease or some other debilitating condition.

Long term care can be very expensive. The average cost of nursing home care in Indiana is more than $70,000 a year (costs will vary by geographical area). Assisted living facility care costs an
average of $40,000 a year. In-home care can be costly too, with the annual price of five home 
health aide visits a week, providing care for five hours each day, costing $30,000. Plus, the cost 
of long term care has been rising approximately 5% each year.\footnote{C2}

The purpose of the Indiana Long Term Care Insurance Partnership is to:

- Provide incentives for the purchase of private long term care (LTC) insurance policies through a 
  partnership between the Medicaid program and insurance companies
- Help Hoosiers plan for their LTC needs without fear of impoverishment
- Assist the State with containing the growth of Medicaid expenditures
- Increase public understanding of LTC risks, costs, and financing

To identify a Partnership policy, look for the following box on the front page of the policy, the 
outline of coverage, and the application: \footnote{C4}

\footnote{C1} “Who Needs Long Term Care”, National Clearing House for Long Term 
Care Information. \url{www.longtermcare.gov}
\footnote{C2} “2010 MetLife Market Survey of Nursing Home, Assisted Living, Adult 
Day Services & Home Care Costs”, MetLife Mature Market Institute.
\footnote{C3} “Who will pay for the baby boomers’ long-term care needs?” American 
\footnote{C4} This policy [CERTIFICATE] qualifies under the Indiana Long Term Care insurance Program for Medicaid Asset 
Protection. This policy [CERTIFICATE] may provide benefits in excess of the asset protection provided in the 
Indiana Long Term Care insurance Program.

4. Participating Insurance Companies

<table>
<thead>
<tr>
<th>INSURANCE COMPANIES</th>
<th>Telephone Number</th>
<th>*Policy Types</th>
</tr>
</thead>
</table>
| Bankers Life and Casuality Co. | 888-282-8252 | TQ Comprehensive  
TQ Facility Only |
| Genworth Life Insurance Company | 800-456-7766 | TQ Comprehensive, (Individual/Group)  
Facility Only |
| John Hancock Life Insurance Co. (USA) | 800-377-7311 | TQ Comprehensive |
| Massachusetts Mutual Insurance Company | 800-272-2216 | TQ Comprehensive,  
TQ Facility Only |
| TransAmerica Life Insurance | 800-227-3740 | TQ Comprehensive |
* TQ = Meets standards for federal tax breaks

* Comprehensive = Includes coverage for nursing facility, home, and community care