TESTIMONY BEFORE THE SENATE HUMAN SERVICES COMMITTEE

REGARDING HOUSE BILL 1217

MARCH 2, 2005

Chairman Lee, members of the committee, I am David Zentner, Director of Medical Services for the Department of Human Services. I appear before you to provide information about this bill.

This proposed legislation would exempt the assets for the purposes of determining eligibility for the Medicaid program, for individuals who purchased adequate long-term care insurance coverage as defined in Section 1.

At the present time there are four states with partnership programs similar to this proposed legislation. They are New York, California, Indiana, and Connecticut. Congress authorized this program, but later rescinded the law because of concern that wealthy individuals would manipulate the system by using the plans to protect their large asset base, and then use Medicaid funds that should be reserved for low-income households. At that time only the four states listed above had received approval, and they were allowed to continue the program while all other states were unable to begin a similar program.

Congress has been asked to revisit this issue, and a bill was introduced in the last session to permit other states to administer the partnership program. The proposal was prompted by the fact that the experience in the four states that have the program did not show that individuals with large asset bases were using the program. Congress did not act on the proposal; but it is likely it will again be considered in the new session of Congress. The Bush administration also proposed to allow states to implement the partnership program as part of their proposed initiative to reduce the cost of the Medicaid program.

Indiana currently sponsors a plan similar to the one proposed in this bill. It allows a dollar for dollar asset offset for policies that provide protection at less than the maximum prescribed benefit, and full asset protection for policies that meet or exceed the maximum benefit. If you purchase long-term care insurance in 2005, you would need a policy that provided $196,994 in coverage indexed forward at least at a 5% compounded rate. The maximum insurance amount increases for each year. For example, if the insurance is purchased in 2006, the maximum required coverage is raised to $206,844 in order to account for increased costs.

The Department would submit a state plan amendment as required in Section 2 of this bill, only if Congress authorizes states to implement this partnership program.

I would be happy to respond to any questions you may have.