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December 28, 2011

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker of the House of Delegates
State House, H-101
Annapolis, MD 21401-1991

Re: Long-Term Care Partnership Program
2011 Annual Report

Dear President Miller and Speaker Busch:

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 under the Program.

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, 11 insurers have been certified to sell this coverage, but one insurer has stopped selling this coverage.¹ These 11 insurers have received approval to sell 28 different individual long-term care policies as Program policies. One insurer is selling this coverage in the group market, as well as in the individual market.²

While long-term care insurance can be sold as a stand-alone policy, it also may be sold as an additional benefit to a life insurance or an annuity contract in Maryland. To date, no insurer

¹ Assurity Life Insurance Company withdrew from the market on 3-11-11.

² Genworth Life Insurance Company

has applied for certification to enroll Maryland residents in the Program in Maryland through an additional benefit to a life insurance or an annuity contract. Instead, all of the Program policies are being marketed as stand-alone long-term care insurance policies.

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 partnership policies that are offered in Maryland under the Program, and the number of licensed insurance producers that have met the Maryland training requirements for the sale of long-term care insurance.

The following chart 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, 2011, the number of Program policies the insurer has issued or delivered in Maryland for the 12-month period ending on July 1, 2011, the number of Program policies approved to be offered in Maryland, and the number of insurance producers that had met the training requirements for the sale of long-term care insurance for each insurer participating in the Program during the reporting period of July 1, 2010—June 30, 2011.

Insurer	Date Insurer Certified to Sell Program Policies in Maryland	Number of Program Enrollees as of July 1, 2011	Number of Program Policies Issued in 12-Month Period Ending July 1, 2011	Number of Program Policies Approved	Number of Licensed Producers Who Met Training Requirements July 1, 2010—June 30, 2011
American General Life Insurance Company	6/7/2010	1	1	1	12
Assurity Life Insurance Company	12/7/2009	12	6	1	3
Bankers Life and Casualty Company	9/17/2010	0	0	3	114
Berkshire Life Insurance Company	12/7/2009	56	25	1	85
Genworth Life Insurance Company	6/16/2010	3,377	1,508	5	299
Massachusetts Mutual Life Insurance Company	12/10/2009	203	166	4	186

Insurer	Date Insurer Certified to Sell Program Policies in Maryland	Number of Program Enrollees as of July 1, 2011	Number of Program Policies Issued in 12-Month Period Ending July 1, 2011	Number of Program Policies Approved	Number of Licensed Producers Who Met Training Requirements July 1, 2010—June 30, 2011
Mutual of Omaha Insurance Company	8/12/2010	46	56 ³	4	178
New York Life Insurance Company	6/10/2010	85	100	2	371
The Prudential Insurance Company of America	1/14/2011	128	126	2	343
Transamerica Life Insurance Company	2/5/2010	46	46	2	44
United of Omaha Life Insurance Company	8/12/2010	42	45	4	182
Total		3,996	2,079	29	1817

The above table, compared to similar data shown in the prior report dated December 15, 2010, shows that the Program is growing. By July 1, 2010, 7 insurers had been certified to participate in the Program, but only 57 policies were sold, covering 65 individuals. In comparison, by July 1, 2011, the Program had grown to cover 3,996 individuals under 2,079 policies.

Insurer interest in the Program has remained steady. One requirement for participation in the Program is that the long-term care insurance policy offered by the insurer meets the requirements for a *qualified long-term care insurance policy*. The requirements for a qualified long-term care insurance policy are set forth in federal law and Maryland regulations. There are 24 insurers that sell qualified individual long-term care insurance policies and 7 insurers that sell group qualified long-term care insurance policies in Maryland. In 2010, 10 insurers were certified to participate in the Program. One additional insurer was certified to participate in the Program in 2011, but this new certification was offset by the one insurer that withdrew from this market.

³ When the number of policies issued is greater than the number of enrollees covered, the difference is due to policyholders changing their minds after issue, resulting in lapsed policies or policies returned during the initial right to review period.

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. It is expected that individuals who purchase long-term care insurance will have protection under the long-term care insurance 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 long-term care costs is 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,



Therese M. Goldsmith
Commissioner
Maryland Insurance Administration



Joshua M. Sharfstein, M.D.
Secretary
Department of Health and Mental Hygiene

cc: . The Honorable Thomas M. Middleton, Chairman, Senate Finance Committee
The Honorable Peter A. Hammen, Chairman, Health & Government Operations Cmte.
Patrick Carlson, Committee Staff, Senate Finance Committee
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