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December 19, 2012

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate  
State House, H-107  
Annapolis, MD 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 2012 Annual Report- MSAR#8834

Dear President Miller and Speaker Busch:

In accordance with § 15-407(3) of the Health-General Article of the Annotated Code of Maryland, the Department of Health and Mental Hygiene (DHMH) and the Maryland Insurance Administration (MIA) hereby submit this annual report on the Long-Term Care Partnership Program (Program). Specifically, this report addresses, as of July 1, 2012: (i) the effectiveness of the Program; (ii) the impact of the Program on State expenditures for medical assistance; (iii) the number of enrollees in the Program; and (iv) the number of long-term care policies offered in the State under the Program.

The Program permits Maryland residents to purchase certain long-term care insurance policies that not only pay for expenses associated with the costs of long-term care, but also are taken into account when the insured applies for Medicaid. Each dollar that the long-term care policy pays for an insured is subtracted from the insured's assets at the time of application for Medicaid for determining eligibility for Medicaid. For example, if a Partnership policy pays \$100,000 of benefits for an insured, when that insured applies for Medicaid, \$100,000 of the insured's assets will not be counted. This is attractive to insureds who are interested in passing these assets on to heirs.

The Program is still in its early stages. The first companies certified to sell Program policies in Maryland began selling such policies in 2010. Since the inception of the Program, 12 insurers have been certified to sell this coverage, but three of these insurers have since

withdrawn from Maryland's long-term care market and the long-term care market nationwide.<sup>1</sup> These market withdrawals do not impact those individuals who purchased Program policies from the withdrawing insurer. Program policies are guaranteed renewable for life and will continue to provide Program benefits to the insureds covered under the policies.

Insurers have received approval to sell 31 different long-term care policies as Program policies in Maryland's non-group (or "individual") market. One insurer is selling this coverage in the group market, as well as in the individual market.<sup>2</sup> 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 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.

Table 1 on page 3 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, 2012, the number of Program policies the insurer has issued or delivered in Maryland for the 12-month period ending on July 1, 2012, the number of Program policy forms available in Maryland as of July 1, 2012, 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, 2011—June 30, 2012.

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<sup>1</sup> Assurity Life Insurance Company withdrew from the Maryland market effective March 11, 2011; Berkshire Life Insurance Company of America withdrew from the Maryland market effective December 30, 2011; and Prudential Insurance Company of America withdrew from the Maryland market effective March 31, 2012.

<sup>2</sup> Genworth Life Insurance Company

TABLE 1

<b>Insurer</b>	<b>Date Insurer Certified to Sell Program Policies in Maryland</b>	<b>Number of Program Enrollees as of July 1, 2012<sup>3</sup></b>	<b>Number of Program Policies Issued in 12-Month Period Ending July 1, 2012</b>	<b>Number of Program Policy Forms Available for Sale on July 1, 2012</b>	<b>Number of Licensed Producers Who Met Training Requirements July 1, 2011—June 30, 2012</b>
American General Life Insurance Company	6/7/2010	7	7	1	16
Assurity Life Insurance Company	12/7/2009 (withdrew 3/11/2011)	12	0	0	0
Bankers Life and Casualty Company	9/17/2010	155	108	3	197
Berkshire Life Insurance Company	12/7/2009 (withdrew 12/30/2011)	99	26	0	173
Genworth Life Insurance Company	6/16/2010	4,860	2,159	5	400
Massachusetts Mutual Life Insurance Company	12/10/2009	447	243	4	165
Mutual of Omaha Insurance Company	8/12/2010	310	300	4	496
New York Life Insurance Company	6/10/2010	268	245	2	310
The Prudential Insurance Company of America	1/14/2011 (withdrew 3/31/2012)	375	227	0	120
Thrivent Financial for Lutherans <sup>4</sup>	8/30/2012	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Transamerica Life Insurance Company	2/5/2010	138	138	1	87
United of Omaha Life Insurance Company	8/12/2010	159	137	4	509
<b>Total</b>		<b>6,830</b>	<b>3,590</b>	<b>24</b>	<b>2473</b>

<sup>3</sup> The number of enrollees exceeds the number of policies for two reasons: (1) the number of enrollees represents the enrollees who have purchased coverage since the beginning of the Program and who still have the coverage as of July 1, 2012, while the number of policies issued represents policies issued for a 12-month period ending on July 1, 2012; and (2) many insurers issue one policy to cover both spouses.

<sup>4</sup> No data was reported for Thrivent Financial for Lutherans because this insurer became certified for the Program after the end of the reporting period.

Table 2, which is based on data included in Table 1 and on similar data included in prior reports dated December 15, 2010 and December 28, 2011, demonstrates that the Program is growing. By July 1, 2010, seven insurers had been certified to participate in the Program, but only 57 policies were sold, covering 65 individuals. In comparison, by July 1, 2012, the Program had grown to cover 6,830 individuals. While three insurers have withdrawn from the Program since inception, others continue to join. For example, Thrivent Financial for Lutherans was certified for the Program in late 2012.

TABLE 2

<b>Year</b>	<b>Number of Insurers Certified to Participate in Program as of July 1<sup>5</sup></b>	<b>Number of Insurers Selling Partnership Policies as of July 1<sup>6</sup></b>	<b>Number of Program Enrollees as of July 1</b>
2010	7	7	65
2011	11	10	3,996
2012	11	8	6,830

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. In Maryland, there are 19 insurers that sell qualified long-term care insurance policies in the individual market and five insurers that sell qualified long-term care insurance policies in the group market (down from 24 insurers selling qualified policies in the individual market and 7 selling qualified policies in the group market in 2011).

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 an individual who purchases 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 Medicaid until a later date than an individual of the same means who has not

<sup>5</sup> Includes all insurers who have been certified to participate in the Program, even if the insurer has since withdrawn from the Maryland long-term care insurance market.

<sup>6</sup> Represents the number of insurers who have been certified to participate in the Program and have not withdrawn from the long-term care insurance market.

purchased this coverage. As a result, Medicaid costs for long-term care may be substantially reduced. However, the extent of savings to the Medicaid program is expected to occur in the distant future.

Sincerely,

*Signature on original*

Therese M. Goldsmith  
Commissioner  
Maryland Insurance Administration

*Signature on original*

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

cc: Sarah T. Albert, Library Associate, Department of Legislative Services (5 copies)  
MSAR#8834  
Brenda A. Wilson, Associate Commissioner  
Marie Grant, Director of Government Affairs, Department of Health and Mental Hygiene