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November 15, 2015

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 2015 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, 2015: (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inception of the Program, 14 insurers have been certified to sell this coverage, but four of these insurers have since withdrawn from Maryland's long-term care market and the long-term care market nationwide.<sup>1</sup> Additionally, one carrier<sup>2</sup> ceased offering long-term care insurance in Maryland as of August 1, 2012, but has not withdrawn the contracts from use, in

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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; Prudential Insurance Company of America withdrew from the Maryland market effective March 31, 2012, and United of Omaha Life Insurance Company withdrew from the Maryland market effective December 1, 2013.

<sup>2</sup> American General Life Insurance Company.

anticipation a more favorable future market. These market withdrawals and cessation of sales 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 48 different long-term care policies as Program policies in Maryland's non-group (or "individual") market.<sup>3</sup> One insurer was selling this coverage in both the group and individual markets, but stopped selling in the group market in 2013.<sup>4</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, 2015, the number of Program policies the insurer has issued or delivered in Maryland for the 12-month period ending on July 1, 2015, the number of Program policy forms available in Maryland as of July 1, 2015, 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, 2014—June 30, 2015.

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<sup>3</sup> The number of the policies listed is higher than the number found in Table 1 due to two factors: (1) four carriers have withdrawn from the Program; and (2) a number of the carriers in the Program have developed new policies since the Program began and have ceased selling the older policies.

<sup>4</sup> Genworth Life Insurance Company.

TABLE 1

Insurer	Date Insurer Certified to Sell Program Policies in Maryland	Number of Program Enrollees as of July 1, 2015 <sup>5</sup>	Number of Program Policies Issued in 12-Month Period Ending July 1, 2015	Number of Program Policy Forms Available for Sale on July 1, 2015	Number of Licensed Producers Who Met Training Requirements July 1, 2014—June 30, 2015
American General Life Insurance Company <sup>6</sup>	6/7/2010	7	0	0	0
Assurity Life Insurance Company	12/7/2009 (withdrew 3/11/2011)	8	0	0	0
Bankers Life and Casualty Company	9/17/2010	200	17	3	123
Berkshire Life Insurance Company	12/7/2009 (withdrew 12/30/2011)	92	0	0	0
Genworth Life Insurance Company	6/16/2010	10,454	800	1	508
LifeSecure Insurance Company	12/10/2014	155	57	2	19
Massachusetts Mutual Life Insurance Company	12/10/2009	586	61	2	608
Mutual of Omaha Insurance Company	8/12/2010	665	128	2	537
New York Life Insurance Company	6/10/2010	338	64	2	179
The Prudential Insurance Company of America	1/14/2011 (withdrew 3/31/2012)	311	0	0	0
Thrivent Financial for Lutherans	8/30/2012	66	27	1	260
Transamerica Life Insurance Company	2/5/2010	510	105	2	28
United of Omaha Life Insurance Company	8/12/2010 (withdrew (12/1/2013))	221	0	0	0
United Security Assurance Company of Pennsylvania	5/22/2014	0	0	2	19
Total		13,613	1,259	17	2,281

5 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, 2015, while the number of policies issued represents policies issued for a 12-month period ending on July 1, 2015; and (2) many insurers issue one policy to cover both spouses.

6 American General Life Insurance Company did not formally withdraw from the Program, but temporarily ceased selling long-term care insurance in Maryland on August 1, 2012.

Table 2, which is based on data included in Table 1 and on similar data included in prior reports dated December 15, 2010, December 28, 2011, December 19, 2012, December 4, 2013, and December 18, 2014 demonstrates that the Program is growing slowly. By July 1, 2010, the first year that Program policies were available in Maryland, seven insurers had been certified to participate in the Program, but only 57 policies were sold, covering 65 individuals. In comparison, by July 1, 2015, the Program had grown to cover 13, 613 individuals through 14 different insurers.

TABLE 2

Year	Number of Insurers Certified to Participate in Program as of July 17	Number of Insurers Selling Partnership Policies as of July 18	Number of Program Enrollees as of July 1
2010	7	7	65
2011	11	10	3,996
2012	11	8	6,830
2013	12	8	9,238
2014	13	9	11,127
2015	14	9	13, 613

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 22 insurers that sell qualified long-term care insurance policies in the individual market and four insurers that sell qualified long-term care insurance policies in the group market.

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 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,



Al Redmer, Jr.  
Commissioner  
Maryland Insurance Administration

Sincerely,



Van T. Mitchell  
Secretary  
Department of Health and Mental Hygiene

7 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.

8 Represents the number of insurers who have been certified to participate in the Program and have not withdrawn from the Maryland long-term care insurance market or ceased to sell Program policies in Maryland.

cc: Sarah T. Albert, Library Associate, Department of Legislative Services (5 copies)  
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