LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor

MARYLAND
INSURANCE
ADMINISTRATION

AL REDMER, JR.
Commissioner

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November 22, 2016

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 2016 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 and the Maryland Insurance Administration hereby submit the enclosed annual report on the Long-Term Care Partnership Program.

Sincerely,

Al Redmer, Jr.
Commissioner
Maryland Insurance Administration

Van T. Mitchell
Secretary
Department of Health and Mental Hygiene

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

MARYLAND

INSURANCE ADMINISTRATION

Long-Term Care Partnership Program 2016 Annual Report

MSAR # 8834

Al Redmer, Jr.
Commissioner

November 22, 2016

The Department of Health and Mental Hygiene and the Maryland Insurance Administration are required to annually report certain information specified in §15-407 of the Health-General Article on the effectiveness of the Long-Term Care Partnership Program ("Program"). This report addresses, as of July 1, 2016: (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.[1] Additionally, one carrier[2] ceased offering long-term care insurance in Maryland as of August 1, 2012, but has not withdrawn the contracts from use in anticipation of 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 50 different long-term care policies as Program policies in Maryland's non-group (or "individual") market.[3] One insurer is selling this coverage in both the group and individual markets.[4] 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.

The Maryland regulations governing Program polices were amended, effective June 6, 2016, to reduce the minimum inflation protection benefit that is required to be purchased by an applicant who is younger than 61 years of age in order for the policy to meet the requirements of a long-term care partnership policy.[5] Under the amended regulations, an individual who is younger than 61 years of age is required to purchase an inflation protection benefit of at least 1% compounded annually, reduced from the prior requirement of at least 3% compounded annually. This change will reduce the premium for a long-

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[1] 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.
[2] American General Life Insurance Company.
[3] 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.
[4] Genworth Life Insurance Company.
[5] *See* 43:11 Md.R. 635 (May 27, 2016); COMAR 31.14.03.05F

term care partnership policy for individuals under the age of 61 and may permit more individuals to purchase a long-term care partnership policy.

In order for the State to ascertain the effectiveness of the Program, insurers are required to file annual reports with the Maryland Insurance Administration reporting several metrics associated with 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 illustrates the following:

- 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, 2016,
- the number of Program policies the insurer has issued or delivered in Maryland for the 12-month period ending on July 1, 2016,
- the number of Program policy forms available in Maryland as of July 1, 2016, 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, 2015—June 30, 2016.

TABLE 1

Insurer	Date Insurer Certified to Sell Program Policies in Maryland	Number of Program Enrollees as of July 1, 2016[6]	Number of Program Policies Issued in 12-Month Period Ending July 1, 2016	Number of Program Policy Forms Available for Sale on July 1, 2016	Number of Licensed Producers Who Met Training Requirements July 1, 2015—June 30, 2016
American General Life Insurance Company[7]	6/7/2010	7	0	0	0
Assurity Life Insurance Company	12/7/2009 (withdrew 3/11/2011)	6	0	0	0
Bankers Life and Casualty Company	9/17/2010	217	8	3	172
Berkshire Life Insurance Company	12/7/2009 (withdrew 12/30/2011)	90	0	0	0
Genworth Life Insurance Company	6/16/2010	9244	362	2	199
LifeSecure Insurance Company	12/10/2014	415	268	2	58
Massachusetts Mutual Life Insurance Company	12/10/2009	669	89	2	649
Mutual of Omaha Insurance Company	8/12/2010	928	311	2	653
New York Life Insurance Company	6/10/2010	398	70	1	154
The Prudential Insurance Company of America	1/14/2011 (withdrew 3/31/2012)	304	0	0	0
Thrivent Financial for Lutherans	8/30/2012	91	30	1	297
Transamerica Life Insurance Company	2/5/2010	615	114	2	71
United of Omaha Life Insurance Company	8/12/2010 (withdrew (12/1/2013)	218	0	0	0
United Security Assurance Company of Pennsylvania	5/22/2014	0	0	2	56
Total		13,202	1,252	17	2,309

[6] 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.

[7] 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 annual reports, demonstrates that the Program grew slowly and steadily during the first six years of existence. 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. By July 1, 2016, however, the number of Program enrollees had decreased slightly to 13,202. This decrease was due almost entirely to the decline in enrollment of a single carrier.[8]

TABLE 2

Year	Number of Insurers Certified to Participate in Program as of July 1[9]	Number of Insurers Selling Partnership Policies as of July 1[10]	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
2016	14	9	13,202

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 21 insurers that are currently approved to sell qualified long-term care insurance policies in the individual market and four insurers that are currently approved to sell qualified long-term care insurance policies in the group market.

Currently, 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.

[8] Genworth Life Insurance Company, which is the largest carrier in the Program based on the number of Program enrollees, covered 1,210 fewer Program enrollees on July 1, 2016 than on July 1, 2015. This decline was due to an increase in the number of enrollees who allowed their policies to lapse during the reporting period, combined with a decrease in the number of new Program policies issued during the reporting period.

[9] 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.

[10] 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.