



Using Long Term Care Insurance to Shelter Assets from Medicaid

by Laurie A. Watson

Since 1992, four states (California, Connecticut, Indiana and New York) have been piloting long-term care partnerships between the public and private sectors. The concept behind the partnerships was to encourage consumers to purchase private long term care insurance, instead of relying on Medicaid to finance long term care needs. Under these partnerships, if a consumer exhausted his or her benefits under a long term care insurance policy and still required institutional care, the Medicaid agency, when determining eligibility for public benefits, would disregard the amount of the consumer's assets equal to the amount of benefits paid under the private long term care policy. In other words, an individual who purchased long term care insurance could protect his or her assets, dollar-for-dollar, from Medicaid.

The Deficit Reduction Act of 2005 (which made sweeping reforms to the Medicaid system) authorized all states to pass legislation encouraging public-private partnerships for long-term care. Since then, approximately one-third of the states have passed legislation implementing these public-private partnerships. Ohio's partnership for long-term care insurance became effective on September 1, 2007.

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Ohio residents who purchase a qualified long term care policy (QLTCP) after that date will be eligible to shelter or disregard assets when applying for Medicaid in an amount equivalent to the benefits paid under the QLTCP. The asset disregard applies at the time of the application for benefits, and the disregarded assets will also be exempt from the estate recovery program.

However, not every long term care insurance policy will qualify an insured for the asset disregard under the partnership program -- the policy must be "qualified." A policy will be a qualified long term care policy only when it meets the following criteria.

- The policy must have been issued after September 1, 2007 (Ohio policies only);
- The policy meets the definition of a qualified long term care policy for federal income tax purposes under Internal Revenue Code Section 7702B(b);
- The policy includes some measure of inflation protection;
- The policy meets all other applicable Ohio Department of Insurance requirements.

For an individual who purchased a long term care policy outside of Ohio, the policy may still meet the definition of a QLTCP if the policy was issued in a state with a partnership program then in place, provided the policy met the definition of a QLTCP in the issuing state at the time the policy was issued.

For more information, visit <http://www.ltc4me.ohio.gov> or contact Ms. Watson at our Toledo office (419-241-6000).



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