## The Rhode Island Partnership for Long-Term Care

Recently, the State of Rhode Island joined 33 other states in making the Long-Term Care Partnership program available to its residents. The primary purpose of the program is to **encourage** residents to purchase long-term care insurance with the incentive being a special **asset disregard provision** which allows participants to "immunize" assets from Medicaid spend down. This is a Partnership between the State of Rhode Island, the insured, and certain insurance companies (such as John Hancock) who have instituted consumer protection enhancements and reporting requirements.

Medicaid qualification rules for long-term care are complicated. RetirementGuard does not provide legal advice; what follows is a high level overview.

There are two standards for Medicaid qualification, one for people living alone and one for married individuals. 80% of Medicaid qualification impacts people living alone.

For a single individual to qualify for Medicaid, he or she must spend non-exempt assets down to $4,000. Certain assets are exempt, including a burial plot, an automobile, term life insurance, and some personal jewelry. Non-exempt assets include savings and other assets such as real estate. . Thus, if an individual has $250,000 of assets in a 403(b) and needs long-term care, those assets must be spent down to become eligible for Medicaid qualification. In addition to spending down, it is now required that a lien be placed on the home of an individual living alone, as Medicaid will try to recover the money it has paid for care upon the individual's death (termed: estate recovery)

With a Partnership approved policy, under the **asset disregard** provision, assets equal to what a policy paid out in benefits will be **disregarded** for the purpose of determining Medicaid eligibility. For example: with a modest insurance policy that pays out a $6,000 monthly benefit for a minimum 3 year duration, an initial pool of $216,000 is created ($6,000/month X 36 months). The Partnership mandates that benefits increase automatically for inflation, but for our purposes

let’s assume the insured goes on claim in the first policy year and slightly over $216,000 is paid out over the 3 year period.

When the policy is depleted, this $216,000 will be disregarded for spend down purposes. Though this is a simplified overview, the insured will be able to keep about $220,000 and still qualify for Medicaid. He/she would have been able to keep $4,000 without long-term care insurance, but an additional $216,000 can now be kept because a Partnership policy had been purchased.

Many insureds will be able to pay smaller premiums with a Partnership program because they can confidently obtain smaller benefit durations due to the additional levels of protection the Partnership affords.

The Partnership should also provide value to higher net worth individuals. As an example, Medicaid will allow married individuals to shelter a maximum of $108,000 from spend down. This assumes jointly held non exempt assets of $216,000 or **more**. While the “well” spouse is allowed to stay in the home, home equity in excess of $500,000 may be in jeopardy under new special rules. Long-term care insurance, in tandem with the disregard provision, would allow for significant asset protection for higher net worth individuals.

It is important to note that a Partnership approved policy will pay benefits anywhere in the United States. In addition, 32 states have reciprocity arrangements by which they too will recognize, and shelter, assets from spent down should a policy acquired in Rhode Island be depleted.

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