What You Need To Know About the SC Partnership for Long Term Care

An informational pamphlet provided by: **State Benefits Services**

Why should you plan?

Because, at least 70 percent of people over age 65 will require some long-term care services at some point in their lives. And, contrary to what many people believe, Medicare and private health insurance programs do not pay for the majority of long-term care services that most people need - help with personal care such as dressing or using the bathroom independently. Planning is essential for you to be able to get the care you might need.

With the Deficit Reduction Act of 2005, the federal government sent a clear message to Americans — paying for long-term care is your responsibility. The Act made it more difficult to qualify for Medicaid paid long-term care. It also expanded the Partnership Program.

A Partnership Program is a collaboration or "partnership" among a state government, the private insurance companies selling long-term care insurance in that state, and state residents who buy long-term care Partnership policies. The purpose of the South Carolina Long-Term Care Insurance Partnership program is to make the purchase of shorter term more comprehensive long-term care insurance meaningful by linking these special policies (called Partnership qualified policies) with Medicaid for those who continue to require care.

Partnership qualified policies must meet special requirements that can differ somewhat from state to state. Most states require Partnership policies to offer comprehensive benefits (cover institutional and home services), be Tax Qualified, provide certain specific consumer protections, and include state specific provisions for inflation protection. Often the only difference between a partnership qualified policy and other long-term care insurance policies sold in a state is the amount and type of inflation protection required by the state.

NOTE: The state does not have a separate office in the government for Partnership that you can contact. The state government simply amended the Medicaid laws to allow for the Partnership and the state department of insurance regulates the policies.

Income & Asset Protection

A South Carolina Partnership for Long-Term Care qualified policy provides you, as the purchaser, with the right to apply for Medicaid under modified eligibility rules that include a special feature called an 'Asset disregard'. This allows you to keep assets that would otherwise not be allowed if you need to apply, and qualify, for Medicaid in order to receive additional long-term care services. The amount of assets Medicaid will disregard is equal to the amount of the benefits you actually receive under your long term care Partnership qualified policy.

Since these policies must include inflation protection, the amount of the benefits you receive can be higher than the amount of insurance protection you originally purchased. If you have a Partnership-qualified long term care insurance policy and receive $200,000 in benefits, you can apply for Medicaid and, if eligible, retain $200,000 worth of assets over and above the State's Medicaid asset threshold. In most states the asset threshold is $2,000 for a single person. Asset thresholds for married couples are typically more generous.

Years ago you could protect your assets by creating a trust, but today only an irrevocable trust would be exempt and it would still be subject to the 60-month "look back" period. To be exempt, assets must be transferred 60 months before you apply for Medicaid. (We won't know with 100% certainty what will happen 60 seconds from now let alone 60 months.)Under a qualified partnership policy, personal assets in the amount of the total benefits paid are disregarded when Medicaid asset eligibility is calculated. For each dollar of benefits paid, one dollar of assets is not counted toward the eligibility limit. This means you get to keep those assets and don't have to spend them before qualifying for Medicaid.

It also means that the state will not seek to recover those amounts from your estate. Estate recovery means that the state can require repayment from your estate for any costs paid by Medicaid. Thirty states have "filial laws" that give the state the right to require your children to reimburse Medicaid for your expenses.

The following is an example of how a South Carolina Partnership for Long-Term Care Qualified policy works. Let's say John purchases a South Carolina Partnership for Long-Term Care policy with a value of $200,000. Some years later he receives benefits under that policy up to the policy's lifetime maximum coverage (adjusted for inflation) equaling $250,000. John eventually requires more long-term care services, and applies for Medicaid. If John's policy was not a Partnership-qualified policy, in order to qualify for Medicaid, he would be entitled to keep only $2,000 in assets. He would have to spend down any assets over and above this amount. However, because John bought a Partnership-qualified policy, if he needs to apply for Medicaid and is deemed eligible, he can keep $252,000 in assets and the State will not recover those funds after his death. However, any assets John has over and above the $252,000 would have to be spent in order for him to be eligible for Medicaid. For a couple the exempt amounts would be more.

Unfunded Liability

Long-term care is one of the largest unfunded liabilities facing families and our government today. Recent legislative underscores the government's support for the idea that private insurance must assume the lead in providing for Americans' long-term care. Yet, many of the 78 million Baby Boomers who are fast heading into retirement have not planned for their future long-term care. In addition, many retirees who once thought they could afford to self-insure long-term care expenses are facing the need to protect their shrinking assets in a down market making it much more difficult to self-insure these expenses.

Long-Term Care Partnership Policies

South Carolina Partnership for Long-Term Care qualified policies are designed to preserve your independence, quality of life and protect assets. Partnership long-term care policies offer the same benefits and options as non-Partnership policies and cost the same as non-Partnership policies.

South Carolina Partnership for Long-Term Care policy benefits include:

• Daily or monthly benefit
• choice of elimination period or deductible
• comprehensive coverage including home, adult day care and facility coverage
• benefit period (pool of money)
• discounts

One factor that distinguishes a partnership policy from a non-partnership policy is the mandatory age appropriate inflation protection. This automatically increases your benefits to keep up with the increased cost of care. Partnership policies must provide inflation protection at issue as follows:

60 and younger: automatic compound inflation
61–75: any inflation protection (compound, simple, CPI)
76 and older: inflation protection is discretionary

The Guaranteed Purchase Option or Future Purchase Option inflation benefit offered by many carriers, also referred to as GPO or FPO, does not qualify as a inflation option under Partnership as this type of inflation protection is considered optional since the insured can opt not to exercise it.

Policy Underwriting

You must qualify medically for a South Carolina Partnership for Long-Term Care policy just as you would for traditional long-term care insurance. The younger you are, the better the chance to qualify at favorable rates and lower premium.

We offer South Carolina Partnership for Long-Term Care Insurance Policies with state approved insurance companies.

Contact Derick Guyton, CLTC
800-434-0321 or
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to discuss all your options

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