STATES PITCH PRIVATE INSURANCE PLANS

LONG-TERM CARE POLICIES SEEN AS SOLUTION TO STATES' FISCAL BURDENS

By

DENISE ROTH BARBER

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833 NORTH LAST CHANCE GULCH, SECOND FLOOR • HELENA, MT • 59601
PHONE 406-449-2480 • FAX 406-457-2091 • E-MAIL institute@statemoney.org
www.followthemoney.org

With nearly half of the nation's spending on long-term care paid for by the Medicaid program, some states are entering into partnerships with private insurance companies to encourage individuals to take out private long-term care insurance in an effort to reduce the state's share of Medicaid expenses.

The federal Deficit Reduction Act (DRA), signed into law by President Bush in 2006, lifted a decade-long ban on states partnering with insurance companies to promote long-term care insurance. In response, the insurance industry is currently "collaborating efforts to develop model language that will mirror the federal provisions and move forward with progress on partnership implementation."[1]

Fifteen states now promote long-term care insurance through partnership with private insurance companies, with a dozen more moving in that direction.[2]

Although a recent study by the Government Accountability Office (GAO) raised doubts that these public-private partnerships will in fact reduce the states' Medicaid bills,[3] what is not debatable is the appeal these partnerships hold for the private insurance industry. "State endorsements are the single best thing that has happened to the long-term care industry," says James Slome, executive director of the American Association for Long-Term Care Insurance (AALTCI). [4]

The insurance industry, which has given nearly $205 million in state-level campaign contributions since 2000, is already a strong presence around the nation. Further, nine of AALTCI's leading long-term care providers[5] together have given more than $2.5 million in 41 state elections since 2000. Metropolitan Life Insurance Company, or MetLife, was the largest AALTCI contributor, with $1.2 million given since 2000. The company spread its contributions to 26 states, but devoted almost half of their campaign cash — more than $600,000 — to New York alone.

Genworth Financial, a global insurance company dating back to 1871, did not make any contributions prior to 2006, when the ban on public-private partnerships was lifted. During the 2006 elections, however, the company doled out $156,500 in 13 states. Genworth Financial gave $94,050, more than half of the company's total, to state committees in Virginia, where it is one of just a few carriers in the state to sell long-term care partnership policies.[6]

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[1] "NAHU Action Plan," *National Association of Health Underwriters*, available from http://www.nahu.org/legislative/LTC/partnerships.cfm, accessed March 3, 2008.

[2] Jennifer Levitz and Kelly Greene, "States Pitch Long-Term Care Policies," *Wall Street Journal*, Feb. 26, 2008, p.1.

[3] "Long-Term Care Insurance, Partnership Programs Include Benefts That Protect Policyholders and Are Unlikely to Result in Medicaid Savings," *Government Accountability Office*, May 2007, GAO-07-231.

[4] Jennifer Levitz and Kelly Greene, "States Pitch Long-Term Care Policies," *Wall Street Journal*, Feb. 26, 2008, p.1.

[5] "Provider Directory for Long-Term Care Insurance," *American Association for Long-Term Care Insurance*, available from http://www.aaltci.org/subpages/sponsors/index.html, accessed March 3, 2008.

[6] "Virginia Long-Term Care (LTC)Partnership Program," *Virginia LTC Partnership Only*, available from http://www.virginialtcpartnershiponly.com/, accessed March 4, 2008.

CONTRIBUTIONS FROM LEADING AALTCI COMPANIES, 2000 – 2006

COMPANY	2000	2002	2004	2006	TOTAL
Metropolitan Life Insurance Co.	$353,630	$348,425	$231,245	$284,875	$1,218,175
Prudential*	$87,550	$232,657	$249,545	$222,990	$792,742
Genworth Financial	$0	$0	$0	$156,500	$156,500
Mass Mutual**	$0	$7,606	$73,800	$47,000	$128,406
Mutual Of Omaha	$5,350	$69,285	$6,225	$20,775	$101,635
John Hancock***	$9,200	$52,600	$7,672	$600	$69,072
Conseco	$20,000	$12,250	$2,500	$3,000	$37,750
MedAmerica Insurance Co.	$0	$0	$10,450	$2,680	$13,130
Allianz Life Insurance Co.	$0	$0	$1,000	$2,000	$3,000
TOTAL	**$475,730**	**$722,823**	**$582,437**	**$740,420**	**$2,521,310**

*Prudential's totals include money given by both Prudential Financial and Prudential Insurance companies.

** Mass Mutual totals include money given by both Mass Mutual Financial Group and Mass Mutual Life Insurance Company.

*** John Hancock's totals include money given by both John Hancock Financial Services and John Hancock Life Insurance Company.

Nearly two-thirds of $2.5 million given by AALTCI's leading nine insurance companies, or $1.5 million, went to three states — New York, Florida and California. New York and California are two of four states that had been exempted from the ban that was lifted in 2006 with the passage of the DRA. Connecticut and Indiana were the other two states grandfathered from the ban — though they were not targeted by these companies, receiving just $9,000 collectively.

TOP RECIPIENT STATES OF AALTCI'S LEADING LONG-TERM CARE INSURANCE COMPANIES, 2000-2006

STATE	TOTAL
New York	$786,496
Florida	$378,750
California	$411,890
New Jersey	$222,350
Virginia	$115,750
Nebraska	$100,135
Texas	$94,540
Pennsylvania	$82,700
Illinois	$64,900
Massachusetts	$61,800

As more states enter into partnerships with insurance companies to promote long-term care insurance, the companies stand to enjoy the profits to be made with an increase in policies. What remains to be seen is whether or not the states will enjoy similar economic benefits.