Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4836 (as reported without amendment)
Sponsor: Representative Lisa Posthumus Lyons
House Committee: Insurance
Senate Committee: Insurance

CONTENT

The bill would add Chapter 39A (Long-Term Care Partnership Program Insurance) to the Insurance Code to do the following:

-- Prescribe the criteria for a Long-Term Care Partnership program policy, including inflation protection features.
-- Require an insurer or agent selling a Partnership policy to give the prospective applicant a notice of the provisions of such a policy as they related to Medicaid eligibility.
-- Prohibit the delivery or issue for delivery of a Partnership policy in Michigan unless it was filed with the Department of Insurance and Financial Services and approved by the DIFS Director.
-- Require an insurer that issued a Partnership policy to give the Department of Health and Human Services copies of certain reports required under Federal regulations pertaining to qualified state Long-Term Care Insurance Partnerships.

The bill would also would amend the Code to do the following:

-- Allow long-term care insurance that was delivered or issued for delivery in Michigan after December 31, 2007, and before Long-Term Care Partnership policies were approved for sale in Michigan to be converted or replaced with a Partnership policy.
-- Revise the training requirements for an insurance producer who sells long-term care insurance, and specify that satisfaction of the requirements in any state would satisfy them in Michigan.

The bill would take effect 90 days after it was enacted.

MCL 500.1204f et al. Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would likely have a negligible to minor positive fiscal impact on the Department of Health and Human Services and no fiscal impact on local government. Although other states began implementing Long-Term Care Partnership programs in the early 1990s, there are insufficient data to draw a conclusion, as many of the insureds enrolled in the pilot programs have not yet reached an age at which they would be Medicaid-eligible.

The impact of implementing the program would depend on two hypothetical scenarios: The purchasers of the Partnership insurance would not have bought traditional long-term care insurance in the absence of the bill, or the purchasers of the Partnership insurance would have bought traditional long-term care insurance in the absence of the bill.

In the first scenario, there would be a minor positive fiscal impact on the Department of Health and Human Services resulting from the individual's delaying Medicaid eligibility by purchasing a Long-Term Care Partnership policy. Under current law, this purchaser would have to spend down his or her assets in order to qualify for Medicaid, resulting in a cost to the State.

In the second scenario, there would be no fiscal impact on the Department of Health and Human Services resulting from the individual's switching to a Long-Term Care Partnership policy from an equivalent traditional long-term care insurance policy. The insured would need to exhaust the benefits of both policies before being eligible for Medicaid.

The bill would not have a significant fiscal impact on the Department of Insurance and Financial Services.

Date Completed: 10-29-15

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