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# Long-Term Care Partnership Policies

Long-Term Care (LTC) Partnership Policies are special types of long-term care insurance designed to encourage individuals to plan ahead for potential care needs while helping reduce the burden on state Medicaid programs. These policies combine private insurance coverage with Medicaid asset protection benefits, allowing individuals to preserve more of their assets if they eventually need Medicaid assistance.

## Purpose of Partnership Policies

The cost of long-term care continues to rise, placing financial strain on individuals, families, and state Medicaid programs. To help address this issue, **LTC Partnership Programs** were developed to motivate more people to purchase private LTC insurance. These programs allow qualifying policyholders who exhaust their LTC benefits to qualify for Medicaid **without having to spend down all their remaining assets**.

Partnership policies provide consumers with: - Protection of personal assets equal to the amount of insurance benefits paid. - Required inflation protection to ensure benefits keep pace with care costs. - Medicaid qualification advantages that traditional LTC insurance does not provide.

## Background

The first LTC Partnership Programs began as demonstration projects in California, Connecticut, Indiana, and New York in the early 1990s. Federal law temporarily paused expansion in 1993, but the **Deficit Reduction Act (DRA) of 2005** reopened the opportunity for all states to create similar programs. Today, **most U.S. states** participate in the Partnership Program, offering residents access to approved LTC Partnership policies.

These policies are primarily targeted toward individuals with **moderate income and assets**—those who can afford LTC premiums but could be at risk of depleting their savings if long-term care is needed. Wealthier individuals may not require Medicaid, while those with limited means will likely qualify for Medicaid without needing such a policy.

## Key Features of Partnership Policies

While similar to traditional LTC insurance, Partnership Policies must meet specific federal and state requirements to qualify under the DRA.

These include:

1. **Medicaid Asset Protection (Dollar-for-Dollar Model)**
   The defining feature of Partnership policies is the **dollar-for-dollar asset protection**. For every dollar the policy pays in benefits, one dollar of the policyholder's assets is protected from Medicaid spend-down requirements.

   Example:
   If a policy pays $200,000 in LTC benefits, the policyholder may retain $200,000 in personal assets and still qualify for Medicaid (assuming all other eligibility criteria are met).

   Protected assets are **exempt from Medicaid estate recovery**, meaning the state cannot reclaim them after the policyholder's death.

   **Note:** Asset protection applies only to assets—not income. Individuals must still use available income to cover care expenses before Medicaid coverage begins.

2. **Inflation Protection**
   To ensure coverage keeps pace with rising LTC costs, all Partnership policies must include inflation protection based on the buyers age at purchase:

   - **Under age 61:** Must include **compound annual inflation protection**.
   - **Ages 61-75:** Must include **some form of inflation protection**.
   - **Age 76 or older:** Not required, but often available as an option.

   Inflation protection can significantly increase premiums but ensures that benefits maintain real value over time. Many policies offer **3%–5% compound inflation protection** options in 2025.

3. **Tax Qualification**
   Partnership policies must be **tax-qualified** under the **Health Insurance Portability and Accountability Act (HIPAA)**. Tax-qualified LTC policies offer important advantages:

   - Premiums may be **deductible** as a medical expense if total medical expenses exceed 7.5% of adjusted gross income (AGI) in 2025.
   - Benefits received are **not taxable** as income when used for qualified long-term care expenses.
   - Many states also provide additional **tax credits or deductions** for LTC insurance premiums.

4. **NAIC Consumer Protections**
   All Partnership policies must comply with consumer safeguards set by the **National Association of Insurance Commissioners (NAIC)** Long-Term Care Insurance Model Act, ensuring standardized disclosures, benefit triggers, and claims handling.

## Portability and Reciprocity

A major consideration for policyholders is **portability**—what happens if you move to another state. While LTC Partnership insurance coverage remains valid nationwide, **asset protection may vary** by state.

Fortunately, as of 2025, most participating states are part of the **National Reciprocity Agreement**, which allows individuals to retain their dollar-for-dollar asset protection when relocating to another participating state. However, because states can choose to opt out of reciprocity, it's essential to check both your current and potential future state's participation before purchasing.

## Eligibility and Purchase Guidelines

- **Residency:** You must be a resident of the state where the policy is sold at the time of purchase.
- **Underwriting:** Partnership policies are medically underwritten, similar to traditional LTC insurance. Applicants must meet insurer health standards.
- **Conversion:** Existing non-Partnership LTC policies cannot automatically be converted into Partnership policies, although some states may allow exchanges under specific conditions.

## Impact on Medicaid Planning

LTC Partnership policies can play a key role in Medicaid planning. By allowing individuals to preserve assets equal to the amount of benefits paid, these policies bridge the gap between private coverage and public assistance.

**Example:**
Linda purchases an LTC Partnership policy that pays $250,000 in benefits. After her benefits are exhausted, she applies for Medicaid. Normally, her state allows only $2,000 in countable assets for eligibility, but under Partnership rules, Linda can retain $252,000 ($250,000 protected + $2,000 standard limit) and still qualify for Medicaid coverage.

This structure helps reduce long-term reliance on Medicaid while rewarding those who invest in their own care planning.

## Key Advantages of LTC Partnership Policies

- Protect personal assets from Medicaid spend-down.
- Maintain eligibility for Medicaid after policy benefits are used.
- Benefit from inflation protection to offset rising care costs.
- Gain potential federal and state tax advantages.
- Access robust consumer protections under NAIC standards.

## Key Takeaways

- **Partnership policies** encourage private funding for long-term care while offering valuable Medicaid asset protection.
- **Most U.S. states** now participate in the program as of 2025.
- **Dollar-for-dollar protection** ensures your savings are safeguarded up to the total amount of insurance benefits paid.
- **Inflation and tax protections** make these policies a strong planning tool for middle-income families.

Planning ahead with an LTC Partnership policy can help individuals preserve their assets, maintain independence, and reduce financial pressure on family members.

**IMPORTANT DISCLOSURES**

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Prepared in 2025 for educational purposes. Information reflects current data from the U.S. Department of Health and Human Services (HHS), Centers for Medicare & Medicaid Services (CMS), and the National Association of Insurance Commissioners (NAIC).

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