

# **Fiscal Services Division Legislative Services Agency Fiscal Note**

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SF 2183 - Long Term Care (LSB 6099 SV)

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Fiscal Note Version - New

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## **Description**

Senate File 2183 creates a Long-term Care Asset Disregard Incentive Program to provide incentives for individuals to purchase long-term care insurance. The Program provides a mechanism for individuals who purchase qualified long-term care insurance policies to qualify for the Medical Assistance (Medicaid) Program without substantially exhausting their financial resources. A person who purchases a qualified long-term care insurance plan would be allowed an "asset disregard" equal to the amount of benefit paid by the plan. The dollar value of the benefits paid under the plan would be deducted from the individual's total resources in qualifying for Medicaid, and the individual would be able to retain that amount of resources.

Senate File 2183 requires the Insurance Division within the Department of Commerce to develop and coordinate a plan to provide counseling to individuals in understanding long-term care insurance options and to provide information about the Asset Disregard Program to interested individuals.

## **Assumptions**

1. The Insurance Division will incur additional costs of approximately \$265,000 for developing a counseling program and providing staff support to the Program. This estimate is based on a similar program in Indiana. The increased costs include \$240,000 in salary funds for four additional FTE Positions: two program planner FTE positions, one public information officer, and one administrative assistant. In addition, the cost of publishing and distributing promotional and educational materials is estimated at \$25,000. This cost would be lower in the second year and is estimated at \$15,000.
2. One of the goals of the Program stated in the Bill is to encourage individuals to purchase long-term care insurance to prevent or delay eligibility for the State Medicaid Program. The current average payment for nursing home services is approximately \$100,000 based on a statewide average cost of nursing home services of \$3,180 per month and an average length of stay of 2.5 years. The current savings to the State for each person covered by this Program rather than Medicaid is \$100,000 and will increase over time. Persons purchasing insurance through this Program are likely at least 10 years from needing to use the coverage. As a result, any savings from preventing or delaying Medicaid eligibility would be in the long term.
3. How many individuals will participate in the Program, and of the participants, how many otherwise would have been served in the Medicaid Program cannot be determined. Therefore, there is the potential for long-term savings; however the amount of the savings cannot be determined.

## **Fiscal Impact**

Senate File 2183 will result in increased General Fund expenditures to the Insurance Division of \$265,000 in FY 2005 and \$255,000 in FY 2006. There are potential long-term savings to the

Medical Assistance (Medicaid) Program within the Department of Human Services (DHS); however, due to insufficient information, the amount of savings cannot be determined.

**Sources**

Insurance Division, Department of Commerce  
Department of Human Services

Dennis C Prouty

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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