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SENATE FILE 412  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 407)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to asset disregard under the medical assistance  
2 program for the purchase of a certified long-term care  
3 insurance policy, providing for a repeal, providing a  
4 contingent effective date, and providing an appropriation.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 412

1 Section 1. NEW SECTION. 249A.35 PURCHASE OF CERTIFIED  
2 LONG-TERM CARE INSURANCE POLICY -- COMPUTATION UNDER MEDICAL  
3 ASSISTANCE PROGRAM.

4 A computation for the purposes of determining eligibility  
5 under this chapter concerning an individual who is the  
6 beneficiary of a certified long-term care insurance policy  
7 under chapter 514H shall include consideration of the asset  
8 disregard provided in section 514H.5.

9 Sec. 2. NEW SECTION. 514H.1 DEFINITIONS.

10 As used in this chapter, unless the context otherwise  
11 requires:

12 1. "Certified long-term care insurance policy" means a  
13 long-term care insurance contract that is issued by an insurer  
14 or other person who complies with section 514H.4.

15 2. "Long-term care facility" means a facility licensed  
16 under chapter 135C or an assisted living program certified  
17 under chapter 231C.

18 3. "Long-term care insurance" means long-term care  
19 insurance as defined in section 514G.4 and regulated in  
20 section 514G.7.

21 4. "Qualified long-term care services" means qualified  
22 long-term care services as defined in section 7702B(c) of the  
23 Internal Revenue Code.

24 Sec. 3. NEW SECTION. 514H.2 IOWA LONG-TERM CARE ASSET  
25 DISREGARD INCENTIVE PROGRAM -- ESTABLISHMENT AND  
26 ADMINISTRATION.

27 1. The Iowa long-term care asset disregard incentive  
28 program is established to do all of the following:

29 a. Provide incentives for individuals to insure against  
30 the costs of providing for their long-term care needs.

31 b. Provide a mechanism for individuals to qualify for  
32 coverage of the costs of their long-term care needs under the  
33 medical assistance program without first being required to  
34 substantially exhaust all their resources.

35 c. Assist in developing methods for increasing access to

1 and the affordability of long-term care insurance.

2 d. Alleviate the financial burden on the state's medical  
3 assistance program by encouraging the pursuit of private  
4 initiatives.

5 2. The insurance division of the department of commerce  
6 shall administer the program in cooperation with the division  
7 responsible for medical services within the department of  
8 human services. Each agency shall take appropriate action to  
9 maintain the waiver granted by the centers for Medicare and  
10 Medicaid services of the United States department of health  
11 and human services under 42 U.S.C. § 1396 relating to  
12 providing medical assistance under chapter 249A, in effect  
13 prior to the effective date of this Act.

14 Sec. 4. NEW SECTION. 514H.3 ELIGIBILITY.

15 An individual who is the beneficiary of a certified long-  
16 term care insurance policy approved by the insurance division  
17 may be eligible for assistance under the medical assistance  
18 program using the asset disregard provisions pursuant to  
19 section 514H.5.

20 Sec. 5. NEW SECTION. 514H.4 INSURER REQUIREMENTS.

21 1. An insurer or other person who wishes to issue a  
22 certified long-term care insurance policy meeting the  
23 requirements of this chapter shall, at a minimum, offer to  
24 each policyholder or prospective policyholder a policy that  
25 provides both of the following:

26 a. Facility coverage, including but not limited to long-  
27 term care facility coverage.

28 b. Nonfacility coverage, including but not limited to home  
29 and community-based care coverage.

30 2. An insurer or other person who complies with subsection  
31 1 may also elect to offer a certified long-term care insurance  
32 policy that provides only facility coverage.

33 Sec. 6. NEW SECTION. 514H.5 ASSET DISREGARD ADJUSTMENT.

34 1. As used in this section, "asset disregard" means a one  
35 dollar increase in the amount of assets an individual who is

1 the beneficiary of a certified long-term care insurance policy  
2 and meets the requirements of section 514H.3 may retain under  
3 section 249A.35 for each one dollar of benefit paid out under  
4 the individual's certified long-term care insurance policy for  
5 qualified long-term care services if the policy meets all of  
6 the following criteria:

7 a. If purchased prior to January 1, 2005, provides  
8 benefits in an amount equal to at least seventy thousand  
9 dollars as computed on January 1, 2005.

10 b. If purchased on or after January 1, 2005, provides  
11 benefits in an amount equal to at least seventy thousand  
12 dollars as computed on January 1, 2005, compounded annually by  
13 at least five percent, or an amount equal to at least the  
14 minimum face amount specified by the commissioner of insurance  
15 pursuant to subsection 3, whichever amount is greater.

16 c. Includes a provision under which the total amount of  
17 the benefit increases by at least five percent, compounded  
18 annually.

19 2. When the division responsible for medical services  
20 within the department of human services determines whether an  
21 individual is eligible for medical assistance under chapter  
22 249A, the division shall make an asset disregard adjustment  
23 for any individual who meets the requirements of section  
24 514H.3. The asset disregard shall be available after benefits  
25 of the certified long-term care insurance policy have been  
26 applied to the cost of qualified long-term care services as  
27 required under this chapter.

28 3. Beginning September 1, 2006, or one year after the  
29 effective date of this Act, whichever is later, the  
30 commissioner of insurance shall issue a bulletin annually on  
31 that date, declaring the minimum face amount for policies to  
32 qualify for the Iowa long-term care asset disregard incentive  
33 program for the following calendar year. In making this  
34 determination, the commissioner shall consult with the  
35 division responsible for collecting data on average nursing

1 home costs in Iowa. Additionally, in making this  
2 determination, the commissioner shall consider the current  
3 average daily cost for three years of nursing home care and  
4 other relevant information.

5 Sec. 7. NEW SECTION. 514H.6 APPLICATION OF ASSET  
6 DISREGARD TO DETERMINATION OF INDIVIDUAL'S ASSETS.

7 A public program administered by the state that provides  
8 long-term care services and bases eligibility upon the amount  
9 of the individual's assets shall apply the asset disregard  
10 under section 514H.5 in determining the amount of the  
11 individual's assets.

12 Sec. 8. NEW SECTION. 514H.7 PRIOR PROGRAM --  
13 DISCONTINUATION OF PROGRAM.

14 1. If the Iowa long-term care asset disregard incentive  
15 program is discontinued, an individual who is covered by a  
16 certified long-term care insurance policy prior to the date  
17 the program is discontinued is eligible to continue to receive  
18 an asset disregard as defined under section 514H.5.

19 2. An individual who is covered by a long-term care  
20 insurance policy under the long-term care asset preservation  
21 program established pursuant to chapter 249G, Code 2005, on or  
22 before the effective date of this Act, is eligible to continue  
23 to receive the asset adjustment as defined under that chapter.

24 3. The insurance division, in cooperation with the  
25 department of human services, shall adopt rules to provide an  
26 asset disregard to individuals who are covered by a long-term  
27 care insurance policy prior to the effective date of this Act,  
28 consistent with the Iowa long-term care asset disregard  
29 incentive program.

30 Sec. 9. NEW SECTION. 514H.8 RECIPROCAL AGREEMENTS TO  
31 EXTEND ASSET DISREGARD.

32 The division responsible for medical services within the  
33 department of human services may enter into reciprocal  
34 agreements with other states to extend the asset disregard  
35 under section 514H.5 to Iowa residents who had purchased or

1 were covered by certified long-term care insurance policies in  
2 other states.

3 Sec. 10. NEW SECTION. 514H.9 RULES.

4 The insurance division of the department of commerce in  
5 cooperation with the department of human services shall adopt  
6 rules pursuant to chapter 17A as necessary to administer this  
7 chapter. The insurance division shall consult with  
8 representatives of the insurance industry in adopting such  
9 rules. This delegation of rulemaking authority shall be  
10 construed narrowly.

11 Sec. 11. Chapter 249G, Code 2005, is repealed.

12 Sec. 12. MEDICAL ASSISTANCE STATE PLAN AMENDMENT -- WAIVER  
13 -- IOWA LONG-TERM CARE ASSET DISREGARD INCENTIVE PROGRAM.

14 1. The department of human services shall amend the  
15 medical assistance state plan to provide that all amounts paid  
16 for qualified long-term care services under a certified long-  
17 term care insurance policy pursuant to chapter 514H, as  
18 enacted in this Act, shall be considered in determining the  
19 amount of the asset disregard.

20 2. The department of human services shall seek approval of  
21 a medical assistance state plan amendment or make application  
22 to the United States department of health and human services  
23 for any waiver necessary to implement chapter 514H, as enacted  
24 in this Act.

25 Sec. 13. CONTINGENT EFFECTIVE DATE -- IOWA LONG-TERM CARE  
26 ASSET DISREGARD INCENTIVE PROGRAM.

27 1. This Act shall not take effect until all medical  
28 assistance state plan amendments and waivers necessary to  
29 implement chapter 514H, as enacted in this Act, are approved  
30 by the United States department of health and human services.  
31 The department of human services shall notify the Code editor  
32 if such approval is received.

33 2. If the requirement of subsection 1 is met, the program  
34 shall begin no sooner than six months following the date that  
35 the requirement is met.

1     Sec. 14. APPROPRIATION. There is appropriated from the  
2 general fund of the state to the division of insurance of the  
3 department of commerce for the fiscal year beginning July 1,  
4 2005, and ending June 30, 2006, the following amount, or so  
5 much thereof as is necessary, to establish an educational  
6 program to inform Iowans regarding the Iowa long-term care  
7 asset disregard incentive program and for up to the following  
8 full-time equivalent positions:

9 .....	\$	300,000
10 .....	FTEs	2.00

11                                   EXPLANATION

12     This bill establishes an Iowa long-term care asset  
13 disregard incentive program to provide incentives for  
14 individuals to insure against the costs of their long-term  
15 care needs, provide a mechanism for individuals to qualify for  
16 coverage of the costs of their long-term care needs under the  
17 medical assistance program without first being required to  
18 substantially exhaust all their resources, increase access to  
19 and the affordability of long-term care insurance, and  
20 alleviate the financial burden on the state's medical  
21 assistance program by encouraging the pursuit of private  
22 initiatives. The bill directs the insurance division of the  
23 department of commerce to administer the program in  
24 cooperation with the division responsible for medical services  
25 within the department of human services. The bill directs the  
26 department of human services and the division of insurance to  
27 each take appropriate action to maintain the waiver granted by  
28 the centers for Medicare and Medicaid services of the United  
29 States department of health and human services under 42 U.S.C.  
30 § 1396 relating to providing assistance under Code chapter  
31 249A, in effect prior to the effective date of the bill.

32     The bill requires insurers who wish to issue certified  
33 long-term care insurance policies that meet the requirements  
34 of the bill to offer, at a minimum, a policy that provides  
35 both facility coverage and nonfacility coverage. If the

1 insurer provides both types of coverage, the insurer may also  
2 offer a policy that provides only facility coverage.

3 Under the bill, an individual who purchases or is covered  
4 by a certified long-term care insurance policy would be  
5 allowed an asset disregard under the medical assistance  
6 program. The asset disregard is a \$1 increase in the amount  
7 of assets the individual may retain under the medical  
8 assistance program for each \$1 of benefits paid out under the  
9 individual's certified long-term care insurance policy for  
10 qualified long-term care services if the benefits meet minimum  
11 amounts established in the bill.

12 The bill also provides that beginning September 1, 2006, or  
13 one year after the effective date of the bill, whichever is  
14 later, the commissioner of insurance is to issue a bulletin on  
15 September 1 of each year, declaring the minimum face amount  
16 for policies to qualify for the asset disregard program for  
17 the following calendar year. In making this determination,  
18 the commissioner is to consult with the division responsible  
19 for collecting data on average nursing home costs in Iowa.  
20 Additionally, in making this determination, the commissioner  
21 is to consider the current average daily cost for three years  
22 of nursing home care and other relevant information.

23 The bill provides that if the Iowa long-term care asset  
24 disregard incentive program is discontinued, an individual who  
25 purchased or is covered under a certified long-term care  
26 insurance policy prior to the date the program is discontinued  
27 is eligible to continue to receive an asset disregard under  
28 the bill. The bill allows an individual participating in the  
29 asset preservation program existing on the effective date of  
30 the bill to continue to receive that asset adjustment and  
31 directs the department to adopt rules to allow an individual  
32 who purchased long-term care insurance prior to the effective  
33 date of the bill to receive an asset disregard incentive. The  
34 bill allows for reciprocal agreements to extend the asset  
35 disregard program to Iowa residents who have purchased or are

1 covered under certified long-term care insurance policies in  
2 other states.

3 The bill authorizes the department of human services and  
4 the insurance division to adopt rules to administer this new  
5 Code chapter, but this authority is to be construed narrowly.  
6 The insurance division is directed to consult with  
7 representatives of the insurance industry in adopting such  
8 rules.

9 The bill directs the department of human services to amend  
10 the medical assistance state plan to allow for disregard of  
11 all amounts paid out under a certified long-term care  
12 insurance policy and to seek approval of a state plan  
13 amendment or any waiver necessary from the federal government  
14 to implement the bill.

15 The bill repeals Code chapter 249G, the current long-term  
16 care asset preservation program.

17 The bill provides that the long-term care asset disregard  
18 incentive program and other provisions of the bill take effect  
19 only if all necessary medical assistance state plan amendments  
20 and waivers are approved, and then no sooner than six months  
21 after such requirement is met.

22 The bill appropriates \$300,000 from the general fund of the  
23 state to the division of insurance of the department of  
24 commerce for the fiscal year beginning July 1, 2005, and  
25 ending June 30, 2006, to establish an educational program to  
26 inform Iowans regarding the Iowa long-term care asset  
27 disregard incentive program and for up to two full-time  
28 equivalent positions.

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