



NEW YORK STATE SENATOR

Jeffrey D. Klein

## IDC: State Insurance Department Can Help Redesign Medicaid Now

JEFFREY D. KLEIN July 7, 2011

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### *Independent Dems Call for Action on Klein law that will save \$61 Million*

The Independent Democratic Conference today called on the State Insurance Department to take the first steps to streamline the Medicaid system by quickly completing regulations to implement a new law that is projected to create more than \$61 million in savings.

The IDC also issued a report detailing more recommendations to reform Medicaid spending for Long Term Health in New York.

The measure was sponsored by Senator Jeffrey D. Klein, (D-Bronx/ Westchester), and signed into law on Dec. 20, 2010. It allowed health insurance companies to offer life insurance policies in which a portion of the benefit can be used to cover long term care costs. Specifically, it allows an accelerated life insurance payout to go toward long term care if a person is confined to a nursing home for three months and was expected to remain in such a facility for the the rest of their lives.

The State Insurance Department needs to draft and issue guidelines governing these new long term care policies in order for them to be implemented.

“Having this law in full effect now will start the process of redirecting long term care costs away from

New York's Medicaid system and, in just a few years, create more than \$61 million in savings,” **Senator Klein said.** “The Governor's Medicaid Redesign Team has made it clear that they want to further expand insurance options in order to reign in Medicaid spending. I urge the State Insurance Department to do everything in their power to get the ball

rolling now.”

The intent of the law, which brings New York in line with every other state in the country, is to ease the burden on the Medicaid system, where long term care costs frequently fall, by encouraging the use of long term care insurance.

Medicaid spending on long term care was at least \$12.4 billion and accounted for 27 percent of all Medicaid spending in 2009. During that same time period, there were only 321,011 private long term care policies written in New York State, which has a population of 19 million. By contrast there were roughly 9 million life insurance policies.

The table below shows projected savings under Senator Klein's measure (S.7196), which became Chapter 563 of the laws of 2010.

Year	# individual diverted from Medicaid	Average annual Medicaid costs to State & Localities	Savings
2015	2,177	\$28,299.71	\$61,603,438.16
2016	2,595	\$29,431.70	\$76,360,608.15
2017	3,007	\$30,608.97	\$92,052,153.10
2018	3,415	\$31,833.32	\$108,721,770.81
2019	3,818	\$33,106.66	\$126,414,784.92
2020	4,217	\$34,430.92	\$145,178,186.10

“This law is a good first step that will help not only streamline, but also strengthen New York's long term care system,” said **Senator Diane Savino, (D-Staten Island/ Brooklyn)**, who was a co-sponsor of this legislation. “I, and the other members of the Independent Democratic Conference are committed to making improving the efficiency of the system, while ensuring that the most vulnerable receive the help that they need.”

**The IDC has made further recommendations to the State Insurance Department, including that they:**

- Investigate allowing additional forms of hybrid life insurance/long term care insurance policies to be written and sold in New York State. *This step was also recommended by the Governor's Medicaid Redesign Team.*

- Explore joining the interstate compact allowing reciprocity between New York and other states participating in Partnership for Long Term Care programs.
- Find ways to expand the New York Public Employee and Retirement Long Term Care Insurance Plan in order to build a large and effective pool of participants that have long term care insurance policies. This might include accepting Health Department recommendations to allow state employees to use sick time to buy long term care insurance policies and allowing for broader intervals of open enrollment to subscribe to long term care insurance.
- Examine ways to help self-employed workers and private companies and unions to create pools of long term care insurance as a way to give more individuals access to group long term care insurance.

“The Medicaid system has grown to the size that it has after years of doing the same old thing in government,” **said Senator David Carlucci, (D-Rockland/ Orange)**. “We are going to need to think outside the box to fix Medicaid and put New York back on the right track.”

The Independent Democratic Conference also recommended changes to the Medicaid Long Term Care system that would make it more efficient and less costly. These changes include:

- Creating a uniform standard to determine what long term care services are needed. Currently, no such standard exists.
- Streamlining the current Medicaid long term care program, which is currently made up of many different programs, many of them having very similar demographics.
- Expanding already successful and less costly Medicaid managed long term care programs.
- Find ways to better integrate informal caregivers with the long term care system and increase the support they receive. One way may be to implement a tax credit program for these caregivers.

Many of these have also been recommended by the Governor's Medicaid Redesign Team.

“We believe these to be important and vital reforms,” **said Senator David J. Valesky, (D-Oneida)**. “I, and my fellow members of the Independent Democratic Conference, are looking forward to working with our partners in government to move our Medicaid system into the 21<sup>st</sup> Century.”

**Scott Amrhein, President of the Continuing Care Leadership Coalition, said:** “Senator Klein has consistently been a leader on issues of long term care reform in New York State. His bill, S.7196, which allows the use of accelerated life insurance benefits to pay for long term care costs, is an example of his creative and forward-thinking approach to promoting quality, cost-effective long term care in our State. Today, I am pleased to congratulate Senator Klein and his colleagues for again advancing thoughtful, balanced long term care reform ideas that will improve efficiency while expanding options for the chronically ill, frail and elderly in our State.” **Neil Heyman, President of the Southern NY Association, an organization that represents more than 60 residential health care facilities in the New York metro area, said:** “I commend the Independent Democratic Conference for advancing creative and commonsense solutions that help New York and help us help those who need care the most.”

**John M. Kissoon Vice President of the Life Insurance Council of New York, Inc., said:** "The Life Insurance Council of New York, Inc. (LICONY) agrees with the public policy goal of encouraging New Yorkers to purchase private long term care insurance and urges the State to consider carefully two bills being advanced as part of LICONY's legislative program that furthers that goal. LICONY stands ready to analyze, and support if possible, any other initiatives identified by the State that are consistent with encouraging New Yorkers to purchase private long term care insurance.