

MARYLAND REGISTER

Proposed Action on Regulations

Comparison to Federal Standards Submission and Response

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In accordance with Executive Order 01.01.1996.03 and memo dated July 26, 1996, the attached document is submitted to the Department of Business and Economic Development for review.

The Proposed Action is not more restrictive or stringent than corresponding federal standards.

COMAR Codification: 31.14.03.05

Corresponding Federal Standard:

Section 6021 of the Deficit Reduction Act of 2005. This section requires that for a State to be a Long-Term Care Partnership State it must do a number of things. Maryland already met these requirements around 2007-2008. One such requirement was to require an individual who has not attained age 61 as of the date of purchase, to require the policy to contain a compound annual inflation protection.

Discussion/Justification:

Maryland is continuing to require an individual who has not attained the age of 61 to purchase compound annual inflation protection. The amount required to be purchased is being reduced from 3% compound inflation to 1% compound inflation. This will reduce the cost for some Maryland residents who find the 3% protection to be more expensive. The federal requirement is silent as to the level of the required compound inflation protection.

TO BE COMPLETED BY DBED

- Agree

-Disagree

Comments:

Commerce does not have subject matter expertise in this matter. However, we believe the Maryland Insurance Administration does and trust their assertion that the regulation is not more restrictive or more stringent than corresponding federal standards.

Name: Jennifer Cox

Date: 2/12/2016

-Submit to Governor's Office

Governor's Office Response

Comments:

Transmittal Sheet PROPOSED OR REPROPOSED Actions on Regulations	Date Filed with AELR Committee	TO BE COMPLETED BY DSD
	02/12/2016	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

1. Desired date of publication in Maryland Register: 3/18/2016

2. COMAR Codification

Title Subtitle Chapter Regulation

31 14 03 05

3. Name of Promulgating Authority

Maryland Insurance Administration

4. Name of Regulations Coordinator

Catherine E Grason

Telephone Number

410-468-2201

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200 St. Paul Place, Suite 2700

City State Zip Code

Baltimore MD 21202

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Catherine.Grason@maryland.gov

5. Name of Person to Call About this Document

Catherine Grason

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410-468-2201

Email Address

catherine.grason@maryland.gov

6. Check applicable items:

New Regulations

Amendments to Existing Regulations

Date when existing text was downloaded from COMAR online: January 19, 2016.

Repeal of Existing Regulations

Recodification

Incorporation by Reference of Documents Requiring DSD Approval

Reproposal of Substantively Different Text:

: Md. R
(vol.) (issue) (page nos) (date)

Under Maryland Register docket no.: --P.

7. Is there emergency text which is identical to this proposal:

Yes No

8. Incorporation by Reference

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

9. Public Body - Open Meeting

OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to General Provisions Article, §3-302(c), Annotated Code of Maryland.

OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

10. Children's Environmental Health and Protection

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

11. Certificate of Authorized Officer

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by J. Van Dorsey, Assistant Attorney General, (telephone #410-468-2023) on 2/1/16. A written copy of the approval is on file at this agency.

Name of Authorized Officer

Alfred W. Redmer, Jr.

Title

Insurance Commissioner

Telephone No.

410-468-2090

Date

2/12/16

Title 31
MARYLAND INSURANCE ADMINISTRATION

Subtitle 14 LONG-TERM CARE

31.14.03 Long-Term Care Partnership

Authority: Insurance Article, §§18-102 and 18-106—18-107; Health-General Article, §15-407; Annotated Code of Maryland

Notice of Proposed Action

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The Insurance Commissioner proposes to amend Regulation .05 under COMAR 31.14.03 Long Term Care Partnership.

Statement of Purpose

The purpose of this action is to reduce the minimum inflation protection benefit that is required to be purchased by an applicant who is younger than 61 years of age in order for the policy to meet the requirements of a long-term care partnership policy. Under these amended regulations, an individual who is younger than 61 years of age is required to purchase an inflation protection of at least 1% compounded annually, reduced from the prior requirement of at least 3% compounded annually. This will reduce the premium for a long-term care partnership policy for individuals under the age of 61 and will permit more individuals to purchase a long-term care partnership policy.

Comparison to Federal Standards

There is a corresponding federal standard to this proposed action, but the proposed action is not more restrictive or stringent.

Estimate of Economic Impact

I. Summary of Economic Impact.

The proposed amendments to the regulations will have a minimal impact on the Maryland Insurance Administration, the Department of Health and Mental Hygiene, insurers who sell long-term care partnership insurance policies and to individuals who may be interested in buying a long-term care insurance partnership policy, but could not afford a 3% annually compounded inflation protection benefit.

Revenue (R+/R-)

II. Types of Economic Impact.

Expenditure (E+/E-) Magnitude

A. On issuing agency:		
(1) Form Filing Fees	(R+)	Minimal
(2) Form Review Expenditures	(E+)	Minimal
B. On other State agencies:		
DHMH	(E-)	Unknown/Minimal
C. On local governments:		
	NONE	

Benefit (+)	Magnitude
Cost (-)	

D. On regulated industries or trade groups:		
Insurers and Insurance Producers	(+)	Unknown
E. On other industries or trade groups:		
	NONE	
F. Direct and indirect effects on public:		
Consumer Benefit	(+)	Unknown

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

A(1). The Maryland Insurance Administration will receive a filing fee of \$125 for each form filed by an insurer to offer an inflation protection benefit to a long-term care partnership policy that is less than the current minimum requirement of 3%. This may include amended inflation protection riders and amended applications for long-term care partnership policies. Staff from the Maryland Insurance Administration will be required to review the forms for approval. It is unknown how many forms will be filed, but very few insurers offer long-term care insurance in Maryland, so the expectation is that the revenue received will be minimal.

A(2). Staff from the Maryland Insurance Administration will be required to review amended forms for approval. It is unknown how many forms will be filed, but very few insurers offer long-term care insurance in Maryland, so the expectation is that the increase in expenditures will be minimal.

B. The Department of Health and Mental Hygiene may benefit if more individuals purchase long-term care insurance policies, as these individuals will be less likely to exhaust their assets and qualify for Medicaid since the long-term care insurance policy will initially pay the expenses for long-term care. However, if an individual who purchased a long-term care partnership policy under this amended regulation ends up applying for Medicaid for coverage of long-term care expenses, the amounts that were payable under the long-term care partnership contract will be shielded from the “spend-down” requirements of Medicaid, which may offset any savings.

D. Insurers and insurance producers that sell long-term care partnership insurance policies may be able to sell more policies under these amended regulations, as the cost of the required inflation protection benefit under the amended regulations will be less

for consumers under the age of 61 who decide to purchase the minimum level of inflation protection.

F. Consumers will benefit from these amended regulations in that more consumers can afford to purchase a long-term care partnership policy. The long-term care partnership policy will benefit the consumer (as opposed to a long-term care non-partnership policy) because the amounts payable under the long-term care partnership policy can be used to shield assets from the spend-down requirements of Medicaid, if the individual needs to apply for Medicaid.

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Catherine Grason, Director of Regulatory Affairs, Maryland Insurance Administration, 200 Saint Paul Place, Ste. 2700 Baltimore, MD 21202, or call 410-468-2201, or email to insuranceregreview.mia@maryland.gov, or fax to 410-468-2020. Comments will be accepted through April 18, 2016. A public hearing has not been scheduled.

Economic Impact Statement Part C

A. Fiscal Year in which regulations will become effective: FY 16

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

No funds are needed to implement the proposed amendments to these regulations.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

These regulations do not apply to small businesses. They apply to insurers and impact individuals who are interested in purchasing long-term care partnership policies.

G. Small Business Worksheet:

Attached Document:

Title 31 MARYLAND INSURANCE ADMINISTRATION

Subtitle 14 LONG-TERM CARE

Chapter 03 Long-Term Care Partnership

Authority: Insurance Article, §§18-102 and 18-106—18-107; Health-General Article, §15-407; Annotated Code of Maryland

.05 Long-Term Care Insurance Policy Requirements for Partnership Policies.

A.—E. (text unchanged)

F. Inflation Protection.

(1) Each partnership policy issued to an individual who is younger than 76 years old shall contain the following minimum inflation protection benefit:

(a) If the applicant, at the time the partnership policy is issued, is younger than 61 years old, the partnership policy shall provide, at a minimum, one of the following:

(i) A [3] *I* percent compound annual inflation protection benefit; or

(ii) A compound annual inflation protection benefit at an interest rate equal to the annual increase in the Consumer Price Index—All Urban Consumers, U.S. City Average, All Items; and

(b) (text unchanged)

(2)—(5) (text unchanged)