



Center for Medicaid and State Operations

July 27, 2006

SMDL #06-019

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Deficit Reduction Act of 2005 (DRA), Pub. L. 109-171. The legislation made a number of changes in the Medicaid rules on eligibility and benefits. This letter provides information for States regarding implementation of section 6021 of the DRA. Section 6021 amends section 1917(b) of the Social Security Act (the Act) to provide for Qualified State Long-Term Care (LTC) Insurance Partnership programs, and permits an exception to estate recovery provisions with respect to individuals who receive benefits under LTC insurance policies sold in States that implement a Partnership program. These changes are described briefly below and are discussed in detail in the enclosure to this letter.

Qualified Partnerships

A Qualified State LTC Insurance Partnership (Qualified Partnership) means an approved State plan amendment (SPA) that provides an exemption from estate recovery in an amount equal to the benefits paid by certain LTC insurance policies, where those benefits were disregarded in determining an individual's Medicaid eligibility. Policies must meet specific conditions and the State Insurance Commissioner, or appropriate State official, must certify that a policy meets those conditions, in order for the State to apply the exemption from estate recovery. The term "Qualified Partnership" refers to Partnership SPAs, other than those approved as of May 14, 1993. However, those States that had approved Partnership SPAs as of May 14, 1993, continue to be "Partnership States," as long as they have not relaxed the consumer protection standards that were applied under their State plans as of December 31, 2005.

Effective Dates

A State plan amendment that provides for a Qualified Partnership under section 1917(b)(1)(C)(iii) of the Act can specify that policies issued after a certain date will be subject to the amendment, as long as that date is not earlier than the first day of the first calendar quarter in which the SPA is submitted for approval.

I am enclosing a more detailed explanation of the above DRA provisions. If you have any questions about this letter, or the enclosure, please feel free to contact Gale Arden, Director, Disabled & Elderly Health Programs Group at (410)786-6810, or by e-mail at Gale.Arden@cms.hhs.gov . We look forward to working with you as you implement this legislation.

Sincerely,

/s/

Dennis G. Smith
Director

Enclosure

cc:

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