

# Long Term Care Insurance

Everything You Need to Know



# Objectives

- Why Do You Need Long-Term Care Insurance?
- What is Long-Term Care Insurance
- Coverage and Benefit Choices
- What Does Long-Term Care Insurance Cost?
- Designing Coverage to Best Meet Your Needs
- Buying Long-Term Care Insurance
- State Partnership Long-Term Care Insurance Programs

# Why Do You Need Long-Term Care Insurance?

## **Most people will need long-term care at some point in their lives**

- About 9 million Americans over the age of 65 will need long-term care services this year, by 2020, that number will increase to 12 million
- 70% of individuals over age 65 will require at least some type of long-term care services during their lifetime
- 40 percent will need care in a nursing home for some period of time

## **Long-term care is expensive**

- Average cost for one year of care in a nursing home is over \$85,000 for a private room and \$78,000 for a semi-private room.
- Average cost for one year of home care is over \$22,000 a year
- Actual costs are often considerably greater

# Why Do You Need Long-Term Care Insurance? (cont'd)

**Most people who need long-term care end up paying for some or all of their care on their own**

- Medicare only pays for long-term care if you require skilled services or recuperative care for a short period of time. Medicare does not pay for what comprises the majority of long-term care services – non-skilled assistance with Activities of Daily Living
- Most forms of employer-sponsored/private health insurance follow the same general rules as Medicare.
- Medicaid and other federal programs only pay if you meet specific criteria

# What Is Long Term Care Insurance?

- Developed specifically to cover the costs of long-term care services
- Options include in-home services as well as facility and community settings
- Range of care options and benefits based on the services and settings you choose
- Those in poor health or already receiving long-term care services may not qualify, may only qualify for limited coverage, or may pay more

# What Is Long Term Care Insurance? (cont'd)

- **Cost** depends on:
  - Type and amount of services covered
  - Age at time of purchase
  - Additional optional benefits chosen
- Have a **benefit period** or **lifetime benefit maximum**—the total amount of time/dollars up to which benefits will be paid
  - Typically 2, 3, 4, and 5 years, or lifetime or unlimited coverage
  - Other options also available
  - Fewer companies willing to offer unlimited/lifetime policy

# Coverage and Benefit Choices

## *You choose:*

- **Daily benefit amount** (maximum daily amount of expenses for care the policy will pay)
- **Maximum lifetime benefit** (total lifetime amount)
- **Type of coverage**
  - *Comprehensive*: Most commonly offered. Wider range of settings and services, including in-home care, but more expensive.
  - *Facility care only*: Pays for care in a nursing home or assisted living facility only, but less expensive.
- **Additional Optional Benefits/Riders**
  - *Inflation Protection* helps protect you from the rising cost of care over time.

# Typical Long-Term Care Insurance Benefits

## In-home care including:

- Skilled nursing care
- Occupational, speech, physical and rehabilitation therapy
- Help with personal care
- Many policies also cover some homemaker services if in conjunction with personal care services.
- Adult day health care centers
- Hospice care
- Respite care
- Assisted living facilities
- Alzheimer's special care facilities
- Nursing homes

# Potential Additional Benefits

## **Services or devices to support people living at home:**

- Equipment
- Home modification
- Transportation to medical appointments
- Training for a friend or relative to learn to provide personal care
- Services of a care coordinator
- Some policies provide limited payments to family members or friends who provide caregiving services

# Costs NOT Covered

## Care or services:

- Provided by family member
- For which no charge is made in the absence of insurance
- Provided outside the United States of America
- That result from war or act of war
- That result from suicide attempt or intentionally self-inflicted injury
- For alcoholism or drug addiction
- Provided in a government facility
- Covered under another benefit
- In a non-qualified facility
- Unrelated to those needed to perform activities of daily living or support a cognitive impairment
- Homemaker services
- Comfort or convenience items

# When Are Long-Term Care Benefits Paid?

- Qualify for benefits based on a policy's benefit trigger
- Benefits begin to be paid after elimination period has ended
- Once eligible for benefits, most policies reimburse costs incurred for covered services up to a pre-set limit.
- Some policies pay a pre-set cash amount for each day that you meet the 'benefit trigger' whether you receive paid long-term care services or not

# What Does Long-Term Care Insurance Cost?

According to some estimates, long-term care policies cost Americans, on average:

- \$888 per year at age 50
- \$1,850 per year at age 65
- \$5,880 per year at age 75

On a national average, nursing home care costs more than \$51,000 a year. With costs rising with age, it is important for consumers to fully understand long-term care insurance and when it should be purchased to best prepare them for the future.

***Policy costs vary greatly based on your age at time of purchase, the policy, and the coverage you select***

# Designing Coverage to Meet Your Needs

- You can customize long-term care insurance coverage to match the amount you can afford
- Different coverage choices influence the monthly premium cost you pay, for example:
  - Elimination period
  - Lifetime maximum
  - Daily benefit amount
  - Optional benefits

# Paying for Long-Term Care Insurance

- Different policies offer different payment options
- Generally, you can choose a payment schedule that fits your needs
- A few companies offer a “Single Pay” option, in which you pay for the insurance in one lump sum payment (some states do not allow single-pay policies)
- Typically you pay premiums until you begin to receive benefits and premiums are waived while you receive benefits
- Most policies require you to pay premiums as long as you are not receiving benefits
- Some policies require you to pay premiums only for a specified period or only until age 65

# Can Everyone Buy Long-Term Care Insurance?

## **Certain conditions may disqualify you for long-term care insurance:**

- You currently use long-term care services
- You already need help with Activities of Daily Living
- You have AIDS or AIDS Related Complex (ARC)
- You have Alzheimer's disease or any form of dementia or cognitive dysfunction
- You have a progressive neurological condition
- You have had a stroke within the past 12 to 24 months or a history of strokes or multiple Transient Ischemic Attacks (TIAs)
- You have metastatic cancer

**However, once accepted for coverage, your coverage cannot be cancelled for any reason other than non-payment of premium or reaching your policy's maximum benefits**

# Consumer Protections

- Coverage cannot be cancelled or not renewed if your premiums are paid when due and you have not reached the maximum policy benefits
- You have 30 days after receiving the policy to return it for a full refund
- You have the right to designate another person (“third party designee”) to receive notice of premiums due and payments missed
- You have a grace period of up to 65 days after the date a premium payment is due to make payment
- Coverage cannot be cancelled for non-payment until after the grace period expires and until any “third party designee” has also been notified
- If coverage lapses for non-payment because you were “disabled” at the time, you can restore your coverage within five months of the missed premium due date

# Consumer Protections (cont'd)

- If you have a group policy you can continue that coverage, unchanged, if you leave the group but want to maintain the policy
- A spouse insured through an employer group plan may maintain coverage even after a divorce
- In most states, rate increases must be filed with and approved by the State Department of Insurance
- The insurer can change rates on a group (or class) basis, but has only a limited right to do so, and the change must apply to an entire group or class. You cannot be singled out for a rate increase.
- You typically have the right to decrease your coverage, without underwriting, if you find in the future that the current premium costs are beyond your financial means

# Things to Consider Before Buying Long-Term Care Insurance

- Don't buy out of fear or emotion
- Don't buy more insurance than you think you may need
- Don't buy too little insurance
- Look carefully at the policy you are considering
- Does the policy pay only for room and board in a facility? If so, plan for other expenses
- It costs less to buy coverage when you are younger
- Make sure that buying the long-term care insurance policy is a sound financial decision and affordable for you
- Look at different options and talk with a professional before making a decision

# Where to Buy Long-Term Care Insurance

- **Insurance agent, financial planner or broker**
  - States regulate the sale of long-term care insurance—contact your state’s Department of Insurance at [www.consumeraction.gov/insurance.shtml](http://www.consumeraction.gov/insurance.shtml)
- **Private and public employers** may offer group long-term care programs as a voluntary benefit
  - Check with your benefit or pensions office
- **The Federal Long-Term Insurance program** provides long-term care insurance to public employees, public retirees, and their families

*Source: [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc)*

# Partnership Programs

- Link special long-term care insurance policies with Medicaid
- Allow policy holders who need long-term care beyond the policy maximum to continue to receive the care they need
- Partnership policy owners are subject to “asset disregard” —modified eligibility rules that allow them to keep assets that they would otherwise not be allowed to keep in order to apply and qualify for Medicaid
- Partnership qualified policies must meet special requirements that differ from state to state and must be certified by the state

# Partnership Policy Considerations

- Make certain the long-term care insurance policy you buy is a certified Partnership qualified policy. ***Only Partnership policy holders are eligible for asset disregard when they apply for Medicaid***
- Policies issued prior to a state Partnership Program’s effective date are not considered Partnership-qualified
- Eligibility for Medicaid is not automatic—partnership policy holders must still apply and meet Medicaid requirements in their state
- The long-term care services provided by Medicaid vary by state and may not be the same as the services provided by the private Partnership long-term care insurance policy
- States that have Partnership programs automatically have “reciprocity” with other Partnership program states and must honor the asset disregard in a Partnership policy purchased in a different state; however States can “opt out” of this requirement at any time

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