

SHIBA



Senior

Health

Insurance

Benefits

Assistance

Section 8

Long-Term Care

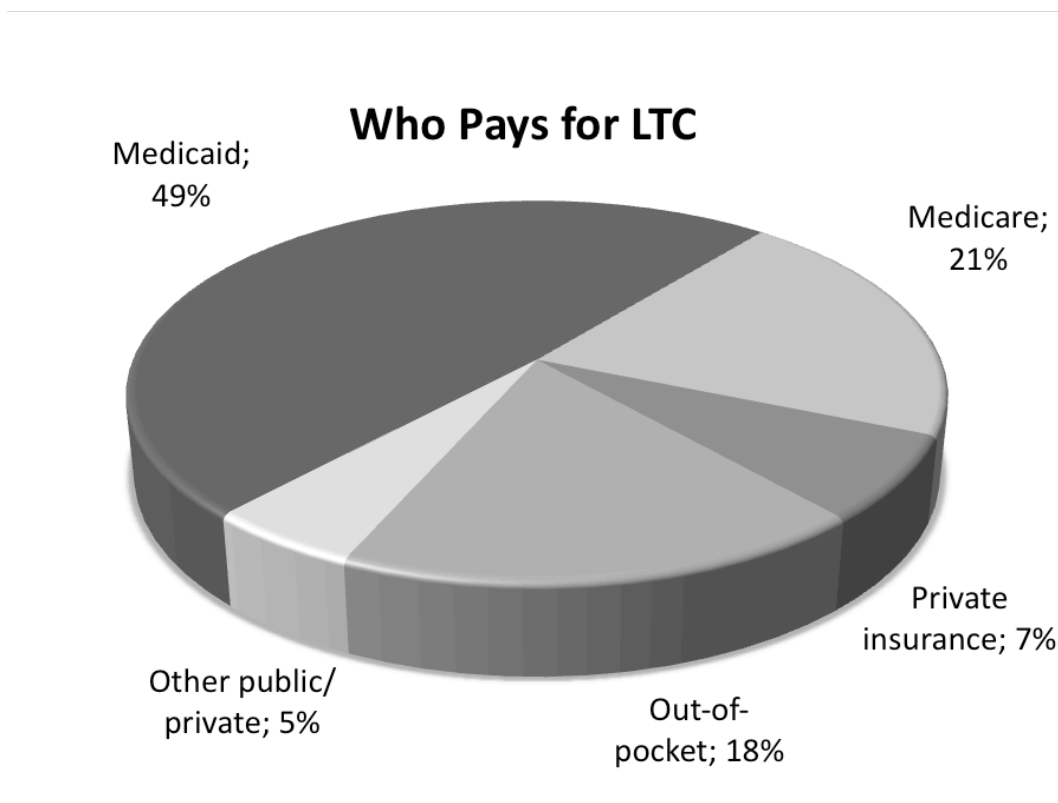
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Long-Term Care Costs 2009

Long-Term Care Costs				
	Portland	Rest of state	State average	National average
Avg. Daily nursing home rate: private	\$222	\$193	\$208	\$209
Avg. Daily nursing home rate: semi-private	\$201	\$179	\$190	\$187
Avg. Monthly Cost in Assisted Living Facility	\$2,797	\$3,430	\$3,114	\$3,008
Home health aide average hourly rate	\$33	\$33	\$33	\$29
Homemaker services average hourly rate	\$20	\$19	\$20	\$18
Adult day services daily rate	\$63	\$102	\$83	\$59

Sources: 2008 Cost of Care Survey, Genworth Financial, March 2008, and <http://www.longtermcare.gov>



Long-Term Care

Learning Objectives

Participants will acquire a basic knowledge about how to compare long-term care insurance policies along with a basic understanding of some common insurance terms. Participants will learn how to help people decide whether long-term care insurance may or may not be appropriate for them. On completion of this module, the SHIBA counselor trainee will be able to:

- ◆ Define long-term care and long-term care insurance.
- ◆ Identify some of the issues that can help SHIBA clients determine whether the purchase of long-term care insurance is appropriate.
- ◆ Refer beneficiaries to the appropriate agencies for the resolution of long-term care insurance-related problems.

Note: In Oregon, SHIBA maintains a relationship with the Oregon Insurance Division (OID) Consumer Advocates. SHIBA counselors are encouraged to refer technical questions about LTC insurance to the consumer advocates.

Important Contacts

Oregon Insurance Division Consumer Advocates

P.O. Box 14480

Salem, OR 97309-0405

1-888-877-4894 or 503-947-7984

<http://www.insurance.oregon.gov>

cp.ins@state.or.us

Long-Term Care Ombudsman

800-522-2602

DHS Seniors & People with Disabilities

800-232-3020

What is Long-Term Care?

Long-term care (LTC) is a range of medical, personal, and social services designed to meet the needs of people with disabilities, chronic illnesses, or a cognitive impairment. Long-term care is primarily for people who need custodial care, that is, help with the normal activities of daily living (ADLs) which could also include instrumental activities of daily living (IADLs - managing money, telephoning, grocery shopping, etc.). It can also assist people with cognitive impairment, which is a deterioration or loss of intellectual capacity (examples are dementia and Alzheimer's). The duration of the care is typically over 90 days. A family member often provides long-term care. Other long-term care providers can supplement or replace the care provided by a family member. Medicare does not cover custodial care.

Activities of Daily Living are:

- ◆ Bathing – getting in and out of the tub or shower; washing oneself in the tub or shower by sponge or bed bath
- ◆ Dressing – getting, putting on, and taking off all necessary clothing, including braces and splints
- ◆ Toileting – getting to and from and on and off the toilet; caring for clothing and performing related personal hygiene
- ◆ Transferring – moving between a bed and a chair
- ◆ Continence – voluntary control of bowel and bladder function or being able to use devices such as a catheter or continence pad and all associated personal hygiene
- ◆ Eating – getting food into the body by any means once it has been prepared and made available (includes medication management)

Most people think of long-term care as nursing home care. However, Oregonians have access to a broad range of services, from homemaker to skilled nursing facility care. Long-term care is not limited to the elderly; older adults, children, and people with disabilities may also require long-term care.

Levels of Long-Term Care

The National Association of Insurance Commissioners (NAIC) defines the three levels of long-term care as follows:

- ◆ Skilled Nursing Care
 - Nursing and rehabilitative services provided by skilled health personnel on a *daily basis*, under orders of a physician
- ◆ Intermediate Care
 - Same as skilled nursing care, except that procedures may be provided on an *occasional basis*
- ◆ Custodial/Personal Care
 - Assistance in ADLs that can be provided by persons *without medical skills*

Where is LTC Provided?

LTC is provided in the following settings:

- ◆ At-home health care
- ◆ Adult Day Service Centers
- ◆ Nursing homes
- ◆ Assisted Living Facilities

Types of LTC Services

- ◆ Unpaid caregivers (often family members)
- ◆ Assisted Living
- ◆ Home Health care
- ◆ Adult foster homes
- ◆ Hospice care
- ◆ Adult day care
- ◆ Nursing Home
- ◆ Respite care
- ◆ Homemaker services
- ◆ Social services/case managers

Long-Term Care Settings

Institutional care

Usually provided in a nursing home, institutional care is a broad term that has come to mean any care provided on an inpatient or residential basis. The resident lives on the premises 24 hours a day, whether for a short stay of just a few days or for an indefinite stay. The care associated with nursing homes ranges from skilled nursing care to custodial care providing assistance with ADLs such as eating, bathing, transferring and other non-medical services.

Community-based services

For those who prefer to maintain their independence and avoid unnecessary nursing home stays, long-term care can mean a combination of services designed to fit their needs at different times. Skilled care and unskilled service providers in the patient's home can provide a variety of services.

Community-based services include nutrition programs (such as Meals on Wheels), transportation programs, housing programs, information and referral, health services, and senior centers.

Oregon Medicaid Beneficiaries

When the Medicaid program pays for long-term care, a Medicaid caseworker will help choose the most appropriate care setting for the beneficiary based on the beneficiary's choices, individual needs, and abilities. In other states, Medicaid beneficiaries may have access only to nursing facility care, but in Oregon, those needing long-term care may stay at home, use adult day care services, live in a foster home, assisted living facility, or residential care facility, or live in a nursing home. The individual's health, behavior, and ability to perform the activities of daily living, as well as personal community support, determine which of these settings is most appropriate.

Aging in place

The state of Oregon also believes that care should be as little disruptive as possible. Every effort is made to allow individuals to *age in place* even as that person's health changes. Services available may be medical or social/personal services. *Home health care*, for example, is medical in nature, while *home care* is designed to support people in their homes with non-medical or personal services like chores and other IADLs. Providence's PACE (Program of All-inclusive Care) program allows for aging in place in the Portland area. Oregon Project Independence (OPI) has a variety of programs statewide at a county level; contact the local SPD office for information.



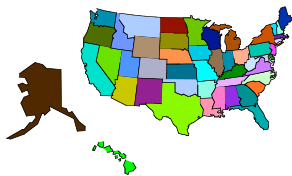
Oregon's Philosophy — Oregon's legislature and senior advocates believe that beneficiaries have a right to the most independent living situation possible, even when a chronic health condition makes self-care more difficult.

Finding A Nursing Home or Home Health Agency

The Medicare Web site at <http://www.Medicare.gov> offers Nursing Home and Home Health Agency comparison tools.

Paying for Long-Term Care

Long-term care can be very expensive, especially if the duration of care is long. The cost of nursing home care is increasing by five to ten percent per year, and the average stay in a nursing home is 90 days. This is why so many concerned Medicare beneficiaries seek ways to finance care. Other family members may contribute toward the cost of care. Veterans may have service-related care covered by the Department of Veterans Affairs. Finally, private insurance may cover some of the expenses related to LTC.



Note: LTC costs vary by geographic region.

Medicare/Medigap Coverage

Medicare, Medicare supplement policies (Medigaps), or any other regular health insurance do not pay for most long-term care. **Medicare pays only for skilled nursing care following an approved hospital stay.** (See Section 1, Medicare Part A.) SHIBA counselors should be familiar with Medicare's long-term care coverage and help their clients understand its limits.

Medicaid

Medicaid pays for a large percentage of long-term care costs. Some beneficiaries may qualify for Medicaid due to high medical expenses that deplete their savings and other assets or they may qualify for Medicaid immediately because of low income and assets. Review the Medicaid training materials (Section 7) for information about Medicaid eligibility and benefits. Have the beneficiaries contact their local Seniors and People with Disabilities or Area Agency on Aging office to apply. People eligible for Medicaid should probably not buy LTC insurance. Many people become eligible for Medicaid after they have used up their own financial resources by paying for long-term care services.

When Medicaid pays a beneficiary's spouse's nursing home bills, the "surviving spouse" keeps the house and furniture, a living allowance, and some of the joint assets under spousal impoverishment protection laws. Choice of long-term care service and facilities may be limited if receiving Medicaid. To learn more about Medicaid, see Section 7 *Medicaid, Fraud & Abuse*.

Qualified Partnership Policies

Oregonians can benefit from the federal Long-Term Care Insurance Partnership. This recent legislation permits those who purchase eligible "partnership" long-term care insurance policies to access Medicaid services, once policy benefits are exhausted, without having to spend down their assets. This type of policy, called a Qualified Partnership Policy (QPP), must meet certain state and federal requirements. After receiving long-term care payments from the QPP, if beneficiaries need to apply for Medicaid, an amount of their assets equal to the amount of QPP payments received will not count for Medicaid eligibility. Also, if they still have the assets when they die, this same amount will not be collected from their estate.

For example, if you receive \$80,000 in QPP payments and then make an application for Medicaid, \$80,000 in assets will not be counted in determining whether you are eligible for Medicaid. In other words, you will get to keep \$80,000 more in assets than other Medicaid clients and still be eligible. Also, if you still have the \$80,000 when you die, it will not be collected from your estate. This asset protection does not apply to home equity when it exceeds the limit in Oregon Administrative Rule 461-145-0220.

Clients who are interested in purchasing a QPP should tell their insurance agent. For other questions on Medicaid eligibility, contact a local DHS office.

Private pay

Savings accounts can be used to set aside money that otherwise would have been used to pay premiums on a long-term care policy. A careful program of savings and investments may be set up to provide financial resources for future medical expenses. A personal savings plan is subject to the risks of inflation and requires self-discipline, but

allows individuals to retain use of their funds independent of the limitations and exclusions of an insurance policy.

Good financial and estate planning can help alleviate the cost of long-term care. Consult a financial planner or attorney well versed in the problems, issues, and needs of the older person.

Annuities may be an option. Be sure to contact a reputable agent, banker, attorney, broker, or financial planner before entering into any agreement. Be wary of individuals or sales agents who promote investment schemes.

Home equity conversions, reverse mortgages, or sale-leasebacks are ways to convert home equity into cash to finance long-term care. There are some reverse mortgage brokers in Oregon. Have the beneficiary ask a local financial institution.

Accelerated death benefit is included in some life insurance policies. It is a payment of all or part of the policy's death benefit if the policyholder has a terminal illness, a medical condition requiring extraordinary medical intervention, or permanent institutional confinement. A life insurance policy with accelerated benefits may or may not include LTC insurance, depending on whether the policy includes benefits or eligibility for benefits that are conditioned on the receipt of LTC.

Who Pays For LTC?

Long-Term Care Service	Medicare	Medigap	Medicaid	Beneficiary – may be paid from personal assets or LTC insurance
Nursing Home	Pays in full for days 0-20 if in a Skilled Nursing Facility (SNF) following a recent inpatient hospital stay. For days 21-100 the Part A copay applies, no coverage after day 100. Does not pay for custodial care.	May cover the Part A copay for days 21-100	May pay for care in a Medicaid-certified nursing home if the functional and financial criteria are met	Pays only if personal or supervisory care in a nursing home is needed, and there is not a prior inpatient hospital stay, or if the nursing home chosen does not participate in Medicaid or is not Medicare-certified.
Assisted Living Facility	Does not pay	Does not pay	May pay care-related costs, but not room and board	Unless Medicaid eligible
Continuing Care Retirement Community	Does not pay	Does not pay	Does not pay	Pays in full
Adult Day Services	Not covered.	Not covered	Depends on financial and functional eligibility requirements	Unless Medicaid eligible
Home Health Care	Limited to reasonable necessary part-time or intermittent SNF and Home Health aid services, and some therapies that are ordered by the doctor and provided by Medicare-certified Home Health Agency. Does not pay for on-going personal or custodial care needs.	Not covered	Will pay for care, but may limit some services such as therapy	Pays for own personal or custodial care, except as noted under Medicaid, if eligible

Long-Term Care Insurance

Long-term care insurance is insurance designed to fund the cost of a long-term care stay. It is sold on both an **individual** and a **group** basis. Policies typically pay a flat rate for each day that the policyholder receives qualifying long-term care services. Some policies pay a percentage of the actual charges for care, up to a maximum amount per day. Long-term care insurance policies pay for a limited range of care services provided in a setting other than the acute care unit of a hospital.



Effective January 1, 1992, Oregon long-term care insurance policies are required to be comprehensive and pay for nursing home care, home care, assisted living, and adult foster care.

Provisions of the law allow companies to offer limited benefit policies that may pay only for *community-based* care settings such as foster homes or home health care. These are not considered true long-term care policies.

Long-term care insurance has evolved since 1966, when Medicare first covered nursing services. In the late 1970s, a few nursing home insurance policies provided limited custodial coverage. In the mid-1980s, long-term care insurance coverage became comprehensive and competitive. Because people purchase LTC insurance policies well before there are any claims, the modern policies did not have a great deal of information on how well the policies pay claims. Consumers must compare and carefully review long-term care policies.

A long-term care insurance policy may pay most of the costs for care in a nursing home. Many policies also pay for care at home or other community settings. Since policies vary in coverage, beneficiaries should read this policy and make sure they understand the coverage before purchasing.

Beneficiaries should not buy an insurance policy unless they can afford to pay the premiums every year. Keep in mind that the insurance company can increase premiums in the future. See “SHIBA Counseling on LTC Insurance”, included in this section, to help determine if LTC insurance is a suitable choice.

Oregon Law

Oregon's Insurance Code contains important laws governing long-term care insurance. The most significant provision requires insurance policies to pay for a comprehensive range of benefits. Please refer the beneficiary to the Oregon Insurance Division if he or she wishes further information about current laws and regulations.

Other important aspects of the law include the following provisions:

Effective January 1, 1990:

- ◆ Policies must pay for the treatment of Alzheimer's disease and other organic dementias such as those resulting from Parkinson's or inoperable tumors.
- ◆ Policies cannot require that a policyholder go to a hospital before benefits will be paid for other long-term care settings.
- ◆ Policies cannot require that a policyholder receive a higher level of institutional care before benefits will be paid for a lower level of care.
- ◆ Pre-existing conditions must be covered after six months.

Effective January 1, 1992:

- ◆ Benefits must be payable based on the policyholder's inability to perform the activities of daily living.
- ◆ Qualifying for home benefits must be easier than qualifying for nursing home benefits.

Factors To Consider

Various studies indicate that **each of us has about a 40 percent chance** of needing some form of long-term care during our lifetime, if we live to age 65. And, about 70 percent of all Americans over 65 are expected to spend some time in a nursing home or need some other type of long-term care. Some long-term care facility residents are not aged, but are there because of disabling accidents, strokes, heart disease, or other chronic diseases. As each person ages, the likelihood that he or she will need some form of long-term care increases.

Whether a person can remain at home is often **dependent on support systems**. Since many older people no longer live near their children, who used to be the traditional support system, now they must rely on neighbors and friends who may not always be available. The trend toward smaller families also reduces the pool of children available to provide care to aging parents.

The need for long-term care services is further **affected by the changing role of women**. Susan Palla and Barry Elridge, in their book, *The Insider's Guide to Long-Term Care*, wrote that an average woman spends 17 years raising her children and an additional 18 years helping aged parents. However, more women work outside their homes now and are unavailable to provide this care.

For the beneficiary who appears to want to explore these issues in greater depth, here are some additional things to consider:

- ◆ Age
 - The older people are, the more likely they are to need some form of long-term care services.
- ◆ Living circumstances
 - People who live alone are more likely to need some form of *formal* long-term care services.
 - In married couples, a husband typically predeceases his wife.
- ◆ General health
 - Most long-term care is related to a chronic illness like heart disease or arthritis.
- ◆ Medications
 - The more medications an individual uses, the more likely long-term care services will be needed in the future.
- ◆ Type of home
 - Does the floor plan allow a mobility-impaired individual to get around?
 - Some homes present a lot of barriers; however, a person can live independently in a well-designed barrier-free home even when severely impaired.

- In some housing situations (apartments or mobile home courts), neighbors are more likely to keep an eye on a frail person, assuring their safety and health.
- ◆ Age of parents and other relatives
 - Long-lived parents generally have long-lived children.
- ◆ Lifestyle
 - Individuals who maintain better exercise and diet habits are less likely to need extended long-term care.
- ◆ Length of stay
 - Not everyone needs extended care; almost half of nursing home residents either enter a nursing home for a short recuperative stay following hospitalization or die within three months.

LTC Insurance Benefits and Features

Long-term care insurance is usually indemnity insurance, meaning that it pays a fixed dollar amount of the cost: as in other health insurance, the higher the daily benefit, the higher the premium. Some policies pay based on actual expenses up to a daily or monthly limit, while older policies pay when care is medically necessary. Oregon law requires new policies to pay when the policyholder is unable to perform certain activities of daily living, or when care is functionally necessary.

Length of benefit

Most plans are purchased for a specific period of time. For example, policies can be purchased for one, two, five, or ten years of coverage. This means that the insurance company will pay its daily benefits for up to the number of years the individual chooses for any period of confinement. Some policies provide *lifetime* benefits. **In Oregon, true long-term care insurance must pay for at least two years of benefits.**

Often a policy's benefits are also limited by a total dollar amount payable, known as a *lifetime maximum*. Some policies also offer a *restoration of benefits* clause, which allows total benefits payable to be restored once the policyholder has not been receiving benefits for a stated period of time.

Elimination/waiting period

This term applies to the number of days an individual must be receiving eligible care before the policy will pay benefits. Plans offer specific **elimination or waiting periods**, including zero days, 20 days or 100 days.

A plan with a zero-day elimination period will begin paying benefits on the first day of eligible care. A plan with a 20-day elimination period will begin paying on the twenty-first day of eligible care. A plan with a 100-day elimination period will begin paying the one hundred first day of eligible care.



Note: The elimination period amounts to the same as a deductible and must be met before the plan will pay. This is important to understand because the policyholder will need to have resources available to cover the costs of the care received during the elimination period.

Remember, more than half of nursing home residents stay in a nursing home less than 90 days. If a consumer buys a plan with a 100-day elimination period, he or she may be out of the nursing home before the insurance company has to pay benefits. The policyholder will have to pay the entire cost of that care.

Underwriting and health questions

Because long-term care poses a potential for great expense, insurance companies rely on answers to health questions when underwriting policies. Before a policy will be issued, the applicant must be in relatively good health. Companies look for conditions like heart disease, forgetfulness, arthritis, Parkinson's disease, and Alzheimer's. People with such health problems will probably be denied a policy. Insurance companies use the underwriting process to avoid policyholders who present a great risk of needing long-term care. It's important that applicants complete health questionnaires accurately. If a questionnaire is falsified, the insurance company can cancel the policy, leaving the policyholder without coverage.

Policy exclusions

Long-term care insurance policies may not cover non-organic mental or nervous conditions. Many will not pay for losses associated with drug or alcohol use or abuse (not including prescription drugs taken according to a doctor's orders) or losses covered by other insurance (like workers' compensation). Have the beneficiary read the exclusions section of the policy carefully.

Renewability

Individual long-term care insurance policies sold in Oregon must be **guaranteed renewable**. As long as the policyholder pays the premium, the coverage cannot be cancelled.

Group plans are subject to different requirements. Employer-provided group long-term care insurance may be cancelled, depending on the contract provisions.



Note: Even though long-term care insurance is guaranteed renewable, premiums may still increase.

Waiver of premium

Most long-term care policies include a ***waiver of premium*** feature. Typically, after the policyholder is confined to a nursing facility (or other covered facility) for 90 days, no additional premium is payable until the policyholder is discharged from the facility.

Inflation Protection

A policy that pays \$50 a day will not go very far ten years from now. Some policies offer inflation protection to protect the policyholder from the rising cost of care. In many cases, this option must be chosen at the time the policy is purchased and the cost is included in the premium. In other cases, inflation protection can be purchased at stated intervals during the life of the policy. The right to purchase more benefits in the future, however, may actually cost more than buying a larger daily benefit in the first place. For example, an \$80 daily benefit that increases by a simple five percent a year will provide \$160 a day in 20 years, and if it's compounded it will provide \$212 a day.

Portability

Consumers should inquire about the portability of a policy if they plan to move to another state, since individual states have differing regulations. Clients should determine whether they will have coverage if they move and what that coverage will include.

Free look

Beneficiaries who purchase LTC insurance have 30 days to return the policy for any reason and get a refund for any premiums they have paid.

Covered Services

It is difficult to compare the many long-term care insurance policies available today because the specific coverage and the exact use of terms vary considerably between policies and insurance companies. It is very important to have the client read the **actual policy** for coverage definitions and benefits. Even the outline of coverage provided by the company can be incomplete.



Note: Beneficiaries should check into the cost of care in their own community to determine whether a daily benefit will be adequate. You may use the NAIC *A Shopper's Guide to LTC Insurance* worksheet to compare costs.

An important aspect of the design of most long-term care policies is that the daily benefit amount for nursing facility care is often greater than the daily benefit for community-based care settings.

Qualifying for benefits – functional impairment

Oregon law requires insurers to pay when an individual has an inability to perform two of the six Activities of Daily Living (ADLs): bathing, continence, dressing, eating, toileting, and transferring, for a period of 90 days. Each company may develop its own definitions, which can be no more stringent than the state's definition. That's why consumers must compare policies very carefully.

Nursing home

Skilled, intermediate, and custodial care in a licensed nursing facility is covered by all long-term care policies. Most policies require that institutional care be under the direction of a physician or nurse. As long as the policyholder qualifies for benefits by being functionally impaired, benefits may be payable while the policyholder is in a nursing facility.

Assisted living

For qualifying beneficiaries, assisted living services provided by a licensed facility are covered. An assisted living facility provides home and community services in a

more homelike and comfortable environment than the typical nursing home setting. Services are designed around the residents' needs. They encourage decision-making and social interaction, and provide more privacy than other types of institutions. Residents have their own apartments with their own personal belongings. Assisted living facility medical staff provides medical services, allowing beneficiaries to age in place.

Adult foster care

Policies must pay for adult foster care when provided by a licensed foster home and when the policyholder is functionally impaired. Adult foster homes provide care for elderly and disabled persons in a homelike environment. The setting can be any licensed family home or other facility in which residential care is provided to five or fewer elderly or physically disabled adults who are not related to the facility owner by blood or marriage.



Note: Group policies, such as Metropolitan/AARP, may be more restrictive than Oregon's adult foster care licensing requirements. Please refer to your policy coverage documentation to determine your coverage.

Home care and home health care

Home care, which includes home health care, must also be covered by long-term care insurance policies issued in Oregon. Home care services can help seniors to stay in the most independent of all long-term care settings. At the same time, advances in medical technology mean that very ill and frail people can receive skilled medical care at home.

Home care may include:

- ◆ Personal hygiene/bathing
- ◆ Personal care
- ◆ Housekeeping
- ◆ In-home skilled nursing care
- ◆ Meal preparation
- ◆ Nutrition and feeding
- ◆ Dressing
- ◆ Assistance with self-administered medication
- ◆ Social/emotional support
- ◆ Shopping
- ◆ Laundry
- ◆ Mobility and activity assistance
- ◆ Money management

Personal care is care provided by a certified nurse assistant under a plan prescribed by a doctor. Personal care services may include bowel and bladder care, first aid, emergency care, and assistance with feeding, bathing, and dressing.

Adult day care

These facilities provide temporary daytime care for frail and isolated people who seldom leave their homes. Day care includes social contact and health monitoring.

Respite care

Full or part-time caregivers can become emotionally and physically exhausted. Respite care provides a needed break to assure that care will continue to be of high quality. Respite care can mean admitting the patient to a hospital or other institutional setting or sending a substitute caregiver into the patient's home for a specified period of time. Respite care allows caregivers personal business and relaxation time.

Evaluating LTC Insurance

The best method for comparing most policies is outlining their benefits on a comparison chart like the one on page 42 in the NAIC brochure, *A Shopper's Guide to Long-Term Care Insurance*. However, long-term care policies are diverse and difficult to compare.

As with any insurance policy, the evaluation of a LTC policy should proceed in the context of these questions: **How much coverage does the beneficiary need and how much can he or she afford?** SHIBA counselors are not expected to be a technical expert on LTC insurance, but they can help a consumer recognize critical differences between policies by assessing policy definitions and other features and requirements with the beneficiary's needs in mind. The OID Consumer Advocates are our go-to resource for technical support; they are available to counsel clients directly on LTC insurance.

Premium

Unfortunately, most consumers base their decision on the premium alone. However, many factors affect the amount of the premium. A consumer should not buy a policy simply because it's affordable. The consumer's age and health can influence the prices he or she pays. More importantly, the provisions of the policy itself determine the premium.

The type of policy, the deductible period, inflation protection, the daily benefit amount, and the maximum benefit all affect the premium.

Insurers do not have perfect information

Insurers base their premiums on their experience. A company that has a lot of losses will have higher premiums than a company that has paid few claims. Because long-term care insurance is a relatively new product, insurers do not have a lot of experience. Moreover, statistics on the use of community-based care settings are incomplete.

Therefore, there is no guarantee that long-term care insurance premiums will remain stable until insurance companies have more experience and information.

Laws and insurance contracts change

Long-term care insurance laws are changing all the time. Benefits available today were not on the market last year. As a result, premiums are unstable.

Affordability

If purchasing long-term care insurance burdens the beneficiary's budget, it should not be considered.

Age affects the premium

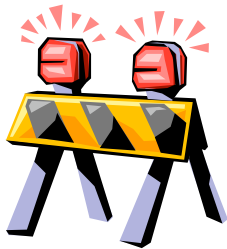
The younger an individual is at the time a policy is purchased, the lower the premium.

Coverage options

The longer the benefit period, the larger the daily benefits, and the shorter the elimination period, the higher the premium.

Replacement

Because long-term care insurance is rapidly evolving, new policies are on the market every year. Some insurance agents may contact their beneficiaries every year to *update* their coverage. The factors affecting premiums come into play here. The better the benefits and the older the applicant, the higher the premium.



Caution: In many cases, the agent will also be receiving a new sales commission for *updating* a policy. For this reason, replacing a long-term care insurance policy may not always be in the policyholder's best interest.

If a policy is replaced the consumer will not face a new pre-existing condition waiting period. However, because long-term care insurance is subject to strict underwriting, **the**

applicant should make sure a new policy has been issued before canceling the old one.

Outline of Coverage

At the time of application for long-term care insurance, the consumer must be given an **outline of coverage**. The outline should include:

- ◆ A description of the principal benefits
- ◆ A statement of the principal exclusions, reductions, and limitations
- ◆ A statement of the terms under which the policy may be discontinued or the premiums modified (renewability)

Type of Policy

LTC insurance is sold as group policies through employers, through certain associations, and also on an individual basis.

LTC insurance is most frequently sold on an individual basis. These types of policies offer a great deal of flexibility and must be guaranteed renewable under Oregon law. The policies are filed with the Oregon Department of Consumer and Business Services and are subject to review and approval by the Insurance Division's Rates and Forms Section. A list of the policies currently approved for sale is available at the Oregon Insurance Division.

Tax Incentives

In January of 1997, federal health insurance legislation was passed giving certain long-term care expenses tax-preferred or tax-exempt status. The Health Insurance Portability and Accountability Act (HIPAA) provides for annual tax deductions for individuals and employers on the purchase of **qualified** long-term care insurance. These deductions are subject to limitations. Please refer to a tax consultant or <http://www.irs.gov> for the most up-to-date information.

The 1999 Oregon Legislature passed a law effective for tax years 2000 and after that provides an Oregon tax credit for long-term care insurance premiums paid. Policyholders may qualify to claim a tax credit for qualified long-term care premiums. Employers also may qualify for a credit if they provide this insurance for their Oregon employees. For more information see <http://www.oregon.gov/DOR/> or ask a tax consultant.

In addition, benefits may be excluded from taxable income subject to limitations. Finally, qualified LTC expenses not covered by insurance may be deductible for those taxpayers who itemize.



Tip: Before choosing a qualified plan over a non-qualified plan, it's a good idea to calculate how much would actually be saved. Are the savings worth potential lost value due to the stricter, more limited benefit triggers of qualified plans? For many people, it may not amount to much. LTC insurance premiums may be deductible as a medical expense for those who itemize, but often the limitations are too restrictive to allow for the deduction. Have your client see a financial advisor to determine possible tax benefits.

Qualified plans

The special tax treatment outline above applies only to expenses and premiums from *qualified* LTC insurance policies. The benefit triggers that qualify an LTC plan for this tax treatment are one of the following:

- ◆ Certification by a licensed health care practitioner that the patient is unable to perform at least two activities of daily living for a period of at least 90 days due to a loss of functional capacity, or
- ◆ Certification by a licensed health care practitioner that the patient requires *substantial supervision* for protection from threats to health and safety, due to severe cognitive impairment
 - The U.S. Treasury's interim definition for *substantial supervision* is: continual supervision by another person that is necessary to protect the insured from threats to his or her health or safety

Under the current law, LTC insurance plans must coordinate benefits with Medicare (in those limited instances in which Medicare covers LTC). In such cases, Medicare would be primary and LTC insurance would be secondary.



Note: The effect of HIPAA on LTC is based on tax law, not insurance law. It is enforced by the U.S. Treasury Department.

SHIBA Counseling on LTC Insurance

As discussed, there are several ways to pay for long-term care should an individual need it. **The SHIBA volunteer helps consumers understand long-term care insurance and its role.**

There is a great deal of controversy surrounding the sale of long-term care insurance. Many people can't keep up with premium payments. These individuals drop their policies after having paid premiums for several years, receiving nothing for those years of premiums. That's why it's important for SHIBA volunteers to help beneficiaries make the best decisions possible.

The National Association of Insurance Commissioners (NAIC) has developed model laws and regulations for long-term care insurance. Oregon statutes and rules don't yet include all the NAIC recommendations; however, the state recognizes the importance of the work done by the NAIC. One of the most important efforts of the NAIC is the development of *suitability* standards for long-term care insurance. The NAIC provides a worksheet to help insurance companies and consumers determine whether or not an individual should buy a policy. This worksheet is included in the Appendix of this training material.

Medicare beneficiaries may not want to disclose this personal information to a volunteer. The beneficiary may make the choice to take the form home to complete. As a SHIBA counselor, you should assure those who do share financial information with you that it will remain confidential.

Shopper's Guide & Counseling

Make sure the beneficiary gets a copy of a book called the National Association of Insurance Commissioner's (NAIC) "*Shopper's Guide to Long-Term Care Insurance.*" Have the beneficiary read it carefully. To get a free copy of the Shoppers Guide contact the Oregon Insurance Division. Contact information is on page 4.

Free counseling and additional information about long-term care insurance, available insurance policies, and insurance agents are available through the Oregon Insurance Division Consumer Advocacy Unit.

Make sure the beneficiary knows the following:

- ◆ You have the right to control your health care.
- ◆ You can state your wishes for care by completing an Advance Directive and a POLST form on which you write down what medical treatments you would want if unable to speak for yourself. See Appendix B of Section 1, “Introduction to Medicare Part A” for information on patient self-determination.

Who is a good candidate for a long-term care policy?

A long-term care insurance policy may be right for a person who:

- ◆ Has assets to protect or leave to others
- ◆ Is able to afford monthly premiums
- ◆ Would be unable to pay out-of-pocket for a long duration of long-term care if the need arose
- ◆ Has a family health history of disabling disease, such as heart disease or arthritis
- ◆ Wants to protect family members from the burdens of being a caregiver
- ◆ Doesn't wish to use the Medicaid system



Tip: The beneficiary who is a good candidate for a long-term care policy will pay less by buying the policy sooner rather than later, and may avoid being denied due to underwriting.

Who should not buy a LTC policy?

A policy is probably not the right option for a person who:

- ◆ Has few or no assets to protect
- ◆ Is unable to afford the premiums
- ◆ Is already disabled or has a serious health problem

- ◆ May meet Medicaid eligibility requirements
- ◆ Is currently on Medicaid

Questions for a beneficiary to consider:

- ◆ What is your attitude about your adult children or other relatives caring for you?
- ◆ What is your attitude about living with your adult children or other relatives?
- ◆ What is your attitude about receiving financial assistance from your children or other relatives?
- ◆ What is the availability of your adult children or others to provide care for you?
- ◆ What is your attitude about receiving Medicaid?
- ◆ What is your attitude about leaving your estate to your children or others?
- ◆ Are you comfortable with the state or others making decisions regarding your health care?
 - If so, who?
 - Have you given someone power of attorney for your healthcare?
 - Have you completed an Advance Directive and a POLST?

Expectations

Many long-term care insurance beneficiaries have unrealistic expectations of insurance products. Some believe that by purchasing one, they will never have to go to a nursing home. Somehow they believe that owning a long-term care insurance policy will mean that they can stay at home forever. The important thing to remember is that **individuals' health determines** what kind of long-term care they may need. The insurance policy does not determine what kind of care a policyholder needs!

Dealing with Agents, Companies and Complaints

Consumers should always compare several policies before deciding to buy. SHIBA counselors should provide the following advice:

- ◆ Do not submit to high pressure.

- Ask the agent to leave at any time, maybe with the promise to call the agent to reschedule.
- ◆ Do not rely solely on information the agent tells you.
- ◆ All promises should be in writing.
- ◆ If you decide to cancel the policy, return it to the company, not the agent.
 - Do it in writing and send it certified mail, return receipt requested.
 - Keep a copy of policy name, number and address for reference.
- ◆ Pay with a check to the company, not to the agent.
- ◆ Always write down the agent's name, phone number, and address, or keep the agent's business card.
- ◆ Contact the Oregon Insurance Division to:
 - Make sure the policy is approved for sale in Oregon.
 - Find out about the company's complaint record.

LTC Facility Complaints

Issues and concerns about care received in a LTC facility should be referred to the Long-Term Care Ombudsman, see page 3 for contact information.

Appendix A

Long-Term Care Insurance Personal Worksheet

What is your annual income?

- Under \$10,000 \$10,000 to \$20,000 \$20,000 to \$30,000
 \$30,000 to \$50,000 Over \$50,000

It may not be a good idea to buy a policy if the premiums will be more than seven percent of your income.

How do you expect your income to change over the next 10 years?

- No change Increase Decrease

Where will you get the money to pay each year's premium?

- Income Savings Other family members will help pay

Could you afford to keep this policy if the company raised your premiums by 25 percent?

- Yes No Don't know

Not counting your home, what is the approximate value of all of your assets (savings and investments)?

- \$0 to \$20,000 \$20,000 to \$30,000 \$30,000 to \$50,000
 Over \$50,000

It may not be a good idea to buy this policy if your assets are less than \$30,000.

How do you expect your assets to change over the next 10 years?

- Increase Decrease Stay about the same