

Long Term Care Basics

What is Long Term Care?

Care and services for an individual with a chronic health problem – such as assistance in performing activities of daily living (bathing, dressing, eating...) – or supervision for a cognitive impairment. May include:

- Home Health Care
- Adult Day Care
- Assisted Living
- Nursing Facility
- And other supportive services

What do Long Term Care services cost?

- ◆ Home Health Care needs can vary greatly.
Averages about \$18,000/yr. for 2/3visits/wk.
24-hour/day HHC, 7 days a week would cost \$2500+/wk.
- ◆ Assisted Living, generally \$1800 - \$2400/mo.
(Upscale AL could cost more than nursing facility.)
- ◆ Adult Day Care ranges \$8,000 - \$12,000/yr.
- ◆ Nursing Facility averages \$155 - \$160/day; approx.
\$58,000 per year.
- ◆ Expected LTC inflation: Minimum 5% per year.

Who will need Long Term Care?

Most of us will need some type of long term care at some point in our lives according to government estimates. It could be home health care or assisted living or nursing facility care – but eventually most of us will need some form of long term care.

- Seven out of ten people will need home health care.
- One-in-two women and one-in-three men will need nursing facility care during their lifetimes.
- Over 40% of Americans receiving long term care are between the ages of 18 and 64.

Comparative Risks*

- ❖ One in 1,200 people will use their fire insurance
- ❖ One in 240 will use their automobile insurance
- ❖ One of three will use their long term care insurance policy [statistic is for nursing home care only]

*Source: Suze Orman, "You've Earned It, Don't Lose It," Chapter: "Mistakes You Can't Afford to Make When you Retire", 1999

What *doesn't* pay for Long Term Care?

- Medical/Health Insurance
- Disability Insurance
- Medicare
- Medicare Supplement

Medical / Health Insurance

Typically, standard medical / health insurance whether owned individually or through an employer provide limited benefits for home health and nursing home care.

Frequently, only skilled care is covered. In addition, the care received must result in the improvement of the individual's health condition.

Disability Insurance

Disability insurance replaces income should the individual become disabled and is no longer able to work. This type of insurance does **not** pay for care/services that are needed.

Medicare - www.Medicare.gov

Nursing home care: Pays only if certain criteria are met. These include a requirement of a 3-day hospital stay prior to nursing home admission and the need for skilled care on a daily basis while in the nursing home.

If the criteria are met, Medicare pays the first 20 days at 100%. Days 21-100, Medicare pays all but \$114 a day (this is the individual's co-payment for 2005). After day 100, Medicare stops. It was never intended to pay for long nursing home stays.

Home health care: Pays only if certain criteria are met. These include a requirement of being homebound and

needing skilled care. If the criteria are met, Medicare pays 100% , except for durable medical equipment.

Medicare Supplement

Medicare Supplement insurance fills the gaps of Medicare by paying the Medicare deductibles and co-insurance. If Medicare does not cover the care or service then the supplement policy also won't cover it.

Two Payment Choices for Long Term Care

1. Individuals / families pay for care out-of-pocket, possibly spending down to Medicaid requirements. (Medicaid is a government health care program funded by both state and federal dollars for individuals with low income and assets.)
2. Long Term Care Insurance

Note: "Not making a choice" is still making one.

At what age should LTC insurance be purchased?

- Everyone has a risk of needing long term care at any age.
- There is **no** premium-savings advantage to waiting. (Premium is less expensive the younger the age at time of purchase.)
- An individual might become uninsurable if he/she waits "too long".

What benefits should be purchased?

LTC insurance provides many choices of benefits. Coverage should be tailor-made to the individual's needs, priorities and financial position.

An inflation protection benefit is essential to increase the value of benefits (without causing a future increase in premiums) to address expected future costs of care.

In addition, in Indiana, an individual has a choice between traditional LTC insurance or an Indiana Partnership policy.

Indiana Partnership LTC Insurance Policies

Q. What is the “Indiana Partnership”?

A. The Program name is the Indiana Long Term Care Insurance Program. It is more commonly known as the Indiana Partnership. It is a ***public-private partnership***—pairing State government with private long term care insurance companies.

- Indiana was the first state in the country to pass enabling legislation for this Program (1987).
- Indiana is one of four states to have developed this Program—the others are CA, CT, and NY.

Q. Why was the Indiana Partnership created?

A. The State saw the population was getting older and living longer, resulting in more individuals who were going to need long term care. The State couldn't afford to pay for the long term care for everyone (through the Medicaid program). Long term care insurance varied in quality and was difficult to understand.

Q. Who are the Partners?

A. On the State side, the partners are the Indiana Department of Insurance and Indiana Medicaid. On the private side, the partners are the insurance companies and their agents. Together, the partners created a high quality long term care insurance product that Hoosiers could purchase to finance their future long term care needs.

- State's role: Educating the public, monitoring the insurance companies
- Private Insurance Company's role: Develop and market policies, pay claims

Q. How is an Indiana Partnership LTC policy different from a traditional LTC policy?

- Agents who market these policies must receive additional education prior to marketing them.
- The applicant must have an Indiana address to purchase a policy.
- The policies contain, at ***no additional cost to the purchaser***, the State-added benefit of Medicaid Asset Protection. Medicaid Asset Protection is protection from Medicaid spend-down requirements, should the policyholder (a) use all the insurance policy benefits and continue to need long term care and (b) then choose to receive Medicaid assistance. The result is the policyholder could receive Indiana Medicaid assistance while retaining assets. Again, after the insurance coverage is exhausted, it is the individual's choice as to whether to utilize Medicaid assistance or his/her own personal funds.
- The ***insurance benefits are portable***, meaning benefits will be paid for services received in any state. The asset protection benefit is state specific. As a result, at the time the insurance benefits are exhausted and the individual continues to need care,

the individual chooses whether to return to Indiana to receive Indiana Medicaid assistance and have his/her asset protection honored; or, remain in a different state and use his/her own funds to pay for care.

Exception: There is a reciprocity agreement between Indiana and Connecticut. These two states' Medicaid programs can honor the asset protection earned under the other state's Partnership policies. However, asset protection honored under a reciprocal agreement is on a dollar-for-dollar basis only.

- Participating insurance companies have the requirement of “pooling” their experience should they ever request a rate increase. “Pooling” makes it more difficult for the companies' to prove the need, to the Indiana Department of Insurance, for a rate increase.
- Premiums paid for Indiana Partnership policies are eligible for an Indiana tax deduction (within federal guidelines).
- When compared to a traditional insurance policy with similar benefits, the price of the Partnership policy is the same. The consumer protection features and asset protection feature do **not** add to the price.

The State of Indiana views the Indiana Partnership Program is a Win-Win-Win for all involved!

Hoosier consumers win.

- a. Purchasers of Indiana Partnership policies receive high quality long term care insurance. This gives them purchasing power by providing them with choices about the types and providers of their LTC when they need it.
- b. Indiana Partnership policies include additional consumer protections not found in traditional LTC insurance policies.

- c. Policies include the state-added benefit of Medicaid asset protection—to be used if LTC is needed beyond the limits of the insurance coverage. Medicaid acts as a backup safety net to the private insurance. The asset protection feature is “free”—the insurance companies cannot charge for it, since it is a state-added benefit. It is the state’s way of saying “thanks for using private insurance before turning to Medicaid.”
- d. Purchasers can have the security of knowing more State oversight is conducted with the participating insurance companies.
- e. Purchasers may deduct the premiums from their Indiana taxes.

The State of Indiana wins.

- a. For every year that Medicaid eligibility is delayed or prevented (through the use of private LTC insurance) Indiana Medicaid and the federal government save approximately \$35,000 in nursing home, prescription drug, and other medical services costs.
- b. Saving costs to Indiana Medicaid also saves dollars for Hoosier taxpayers.

The Insurance Industry wins.

- a. The insurance companies develop the products. Their agents market the products. The agents & companies earn commission from product sales. The State of Indiana receives none of the commission from the sale of these policies.

For more information, visit the Indiana Long Term Care Insurance Program’s website at www.longtermcareinsurance.in.gov