NAIC National Association of Insurance Commissioners Consumer ALERT

LONG–TERM CARE INSURANCE: What You Should Know

The median age of the United States population is at an all–time high. Adults over the age of 65 have surpassed the number of teenagers, and people in their 50s and 60s can expect to live longer than previous generations. As life expectancy continues to rise in the U.S., more and more Americans between the ages of 40 and 84, especially those in their mid 50s, are preparing for their golden years by purchasing long–term care insurance.

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, and $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.

What is Long–term Care?

Long–term care refers to a wide range of medical, personal and social services. You may need this type of care if you have a prolonged illness or disability. This care may include help with daily activities, as well as home health care, adult daycare, nursing home care or care in a group living facility. **Long–term care insurance** is one way to pay for long–term care. It is designed to cover all or some of the services provided by long–term care.

When will benefits be available?

Long–term care policies have an elimination period, which is the number of days you must need nursing home care or home health care before your policy pays benefits. A shorter elimination period will mean you pay a higher premium. Elimination periods may range from 0 to 180 days. In addition, a long–term care policy does not guarantee coverage unless you satisfy certain requirements. For example, most policies require that you be unable to perform a given number of daily living activities, such as dressing, bathing and eating without assistance. Also, most policies have a benefit trigger for cognitive impairment. For example: as a policyholder you can only qualify for these benefits if you are unable to pass a test assessing your mental functioning.

How much in benefits will the policy pay?

The benefit amount usually is a daily benefit

Do you qualify for Medicaid?

As an older adult, you may qualify for Medicaid, which pays almost half of the nation's long–term care bills. To qualify for Medicaid, your monthly income must be less than the federal poverty level, and your assets cannot exceed certain limits. Medicaid will cover you only in Medicaid-approved nursing homes that offer the level of care you need. Under certain circumstances, Medicaid will pay for home health care.

Some states have long–term care insurance programs designed to help people with the financial impact of spending down to meet Medicaid eligibility standards. Under these "partnership" programs, when you buy a federally qualified partnership policy, you will receive partial protection against the normal Medicaid requirement to spend down your assets to become eligible. Check with your state insurance department or a counseling program to see if these policies are available in your state.

Key points to remember

- Long–term care insurance policies cover a wide range of medical, personal and social services.
- Understand what must happen for a policy to begin paying benefits.
- Understand the elimination period.
- Understand the daily benefits provided.
- Understand your coverage and exclusions.
- Match your need for long–term care with your need to protect assets and your ability to pay premiums.

ranging from $50 to $250 per day. You may choose a benefit period that is a specific number of days, months or years. A maximum benefit period may range from one year to the remainder of your lifetime. It is important to ask the person selling the policy if the benefit amounts will increase with inflation and if that coverage increases your premium.

Are there exclusions?
Every policy has an exclusion section. Some states do not allow certain exclusions. Many long–term care policies exclude coverage for the following:

- Mental and nervous disorders or diseases (except organic brain disorders)
- Alcoholism and drug addiction
- Illnesses caused by an act of war
- Treatment already paid for by the government
- Attempted suicide or self inflicted injury

Considerations before buying long–term care insurance
Whether you should buy long–term care insurance depends on your age and life expectancy, gender, family situation, health status, income and assets.

- **Age and Life Expectancy:** The longer you live, the more likely it is that you will need long–term care. The younger you are when you buy the insurance, the lower your premiums will be.
- **Gender:** Women are more likely to need long–term care because they have longer life expectancies and often outlive their husbands.
- **Family Situation:** If you have a spouse or adult children, you may be more likely to receive care at home from family members. If family care is not available and you cannot care for yourself, paid care outside the home may be the only alternative. Different policies may cover different types of long–term care. It is important to buy a policy that will cover the type of care you expect to need and will be available in your area.
- **Health Status:** If chronic or debilitating health conditions run in your family, you could be at greater risk than another person of the same age and gender.
- **Income and Assets:** You may choose to

- Understand how much your premium will be and how often it must be paid.
- Your premium may increase after your purchase.

The Web site for the National Clearinghouse for Long–term Care Information features a number of resources to help individuals start the planning process, including interactive tools such as a savings calculator, contact information for a range of programs and services, and real-life examples of how individuals have planned successfully for long–term care.

The Clearinghouse was authorized by the Deficit Reduction Act of 2005, which mandates that they provide the following: objective information to help consumers decide whether to purchase long–term care insurance or to pursue other private market alternatives that pay for long–term care; information about states with long–term care insurance partnerships under the Medicaid program; and information about the availability and limitations of coverage for long–term care under the Medicaid program.

For more information, contact the Centers for Medicare and Medicaid Services.

buy a long–term care policy to protect assets you have accumulated. On the other hand, a long–term care policy is not a good choice if you have few assets or a limited income. Some experts recommend you spend no more than five percent of your income on a long–term care policy.