

# Long-Term Care Insurance

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# What is long – term care insurance?

- Provides at least 12 consecutive months of coverage for health services received in a place other than an acute care unit of a hospital or similar facility.
- Person has chronic physical or mental impairment.
- Pays for necessary expenses incurred in nursing, assisted living and retirement homes, community settings such as adult day care centers, in the insured's own home, and in hospices.
- Services must be given under a doctor's written plan of care.

# Some Long –Term Care Insurance Terms to Know

- ***Elimination Period:*** the number of days of care that you must pay out-of-pocket before the insurance company begins to pay.
- ***Benefit Period:*** how long your benefits will last. Benefit periods are usually stated in terms of a maximum number of days, months, or years, or for home health care, a maximum number of visits.
- ***Pre-Existing Conditions:*** a health problem you may have when you apply for a policy.
- ***Home Health Care:*** services received in your home that may include skilled nursing care, speech, respiratory, physical or occupational therapy, home health aide services, or assistance with personal hygiene, dressing or feeding.

# Some Long-Term Care Insurance Terms to Know - Part 2

- ***Adult Day Care:*** supervision for insured during the day when family members are not at home.
- ***Assisted Living Facility:*** ongoing care and related services to support needs resulting from a person's needing assistance with eating, dressing, continence issues etc.
- ***Respite Care:*** services to give family members a break from their caregiving responsibilities for a few hours or days. It can be provided in various settings including an individual's home or a nursing home.

# Some Long-Term Care Insurance Terms to Know - Part 3

- ***Hospice Care:*** a program of care and treatment, either in a hospice care facility or in the home, for persons who are terminally ill and have a life expectancy of six months or less.
- ***Medical Underwriting:*** the insurance company can refuse your application for a policy if you do not meet its guidelines. Individual long-term care insurance is medically underwritten.
- ***Nursing Home*** – a facility providing general nursing care.

# Basic Benefits of an LTC Policy

- Pays for covered expenses after you satisfy the elimination period up to the maximum amounts provided by the policy.
- May be a dollar amount such as \$120,000 or a formula amount such as \$200 per day for up to 600 days of nursing home benefit.
- Typically, the nursing home benefit is the maximum daily benefit (i.e. \$200) and care provided at home or in an assisted living facility may be a percentage of the maximum daily benefit like 50%.
- If the daily reimbursements of the policy are less than the maximum daily benefit, the benefits under a typical long-term care policy are extended until the overall maximum is reached.
- A portion of the overall maximum benefit may be reinstated if you recover for a specific period of time.

# Other Benefits

- The cost of long –term care is likely to increase.
- Some states (including Maine) require insurers to offer an option to increase the amount of policy benefits to address the growing cost of care.
- Options are usually available only when the policy is first bought.
- Options increase the overall and daily maximums in the policy.
- Types of options:
  - a built in percentage increase each year with no change in premium.
  - an periodic offer to increase benefits at the then current price for the increase in benefit.
  - an increase in the benefit that occurs only while you are disabled. This option is usually associated with one of the other two options.
- These options may be called different names like “guaranteed insurability,” “cost of living coverage,” “inflation protection,” etc.

# Other Benefits – Part 2

- **Nonforfeiture Benefit:** When you first buy your policy, you must be offered the opportunity to include a surrender benefit (sometimes called a nonforfeiture benefit). The surrender benefit gives you a benefit at a later date if you decide that you no longer want to continue by paying the premium. This benefit may be cash or some form of limited long-term care benefit and usually increases with the length of time that the policy is in force. The cost of this benefit can be very expensive.
- **Contingent Benefit Upon Lapse:** If you don't accept the offer of a nonforfeiture benefit when you first buy the policy, a company may be required to provide a "contingent benefit upon lapse." It kicks in when your premiums increase to a certain level.

# An Example of Contingent Benefit Upon Lapse

- If you're a certain age and have **not** accepted the insurance company's offer of a nonforfeiture benefit, when the premium rises to 50% more than the original premium you will be offered the opportunity to accept one of the following.
  - 1) a reduction in the benefits provided by the current policy so premium costs stay the same; or
  - 2) the policy becomes paid-up but now has a shorter benefit period.
- You may also choose to keep your policy and continue to pay the higher premium.

# Premiums

- An individual policy is renewable as long as premiums are paid. If premiums are not paid, the insurer can cancel the policy subject to any nonforfeiture benefit that the policy has.
- Premiums are lower the younger you buy.
- Although the policy is guaranteed renewable, premiums may increase when the policy renews.
- Premium increases are allowed only for the entire “class” of persons with the same coverage and only with the prior approval of the Maine Superintendent of Insurance.
- The insurer may offer a premium discount or additional benefit if you and your spouse are covered.

# Premiums – Part 2

- Some companies offer several options regarding how the premiums are paid:
  - The typical premium paying period is over your lifetime.
  - For those young enough, the premium paying period may be limited to 10 years or to age 65. These limited payment options dramatically increase the annual premium. However, they could save money over the long-term, especially if there are future rate increases that affect premiums that would have been paid after the paying period.

# Rate Increases

- Rate increases have become more common on long-term care policies primarily because when companies introduced this product there was no reliable data on which to base their rates and their assumptions were too optimistic.
- The potential for rate increases is still there.

# Suitability

- Whether you should buy a long-term care insurance policy will depend on age, health, goals, income and assets.
- If your income source is very limited, you probably should not buy long-term care insurance since you may not be able to afford the premium.
- If you have assets but do not want to use them to pay for long-term care, you may want to buy a long-term care insurance policy.
- Many people buy a policy because they don't want to rely on government or family help.
- You should not buy a policy if you can't afford the premium now or in the future.

# Things to Note:

- **Check with several companies and agents.**
- **Don't be misled by advertising.**
- **Make sure the insurance company is reputable.**
- **Review your contract carefully.**

# Long-Term Care Partnership Policies

- Intended to encourage people to purchase LTC insurance rather than rely exclusively on Medicaid.
- People who buy a long-term care partnership policy have their assets protected from Medicaid eligibility requirements and estate recovery equal to the amount of insurance benefits paid out.
- This is above the asset disregard otherwise allowed by Medicaid.
- It's a dollar-for-dollar offset.

# How Does a Partnership Policy Work?

Example:

If you receive \$200,000 of insurance benefits from a partnership policy, you will be able to retain \$200,000 of assets above the amount of assets normally permitted for Medicaid eligibility. The \$200,000 is also exempt from estate recovery.

# Requirements of a Long-Term Care Partnership Policy

1. Qualified under federal tax law.
2. Issued after effective date of state plan amendment.
3. Inflation protection for certain age groups.
4. Person must be a state resident when coverage first becomes effective.
5. Consumer protection requirements of NAIC Model Act/Model Regulation.  
e.g., guaranteed renewal, prohibitions on limitations and exclusions, unintentional policy lapse, prohibitions against post-claims underwriting.

# Inflation Protection

- Required by federal law for certain age groups:
  - Under 61: “compound annual inflation protection;”
  - 61 to 75 years old: “some level of inflation protection;”
  - 76 or older: may provide inflation protection but not required.

# Inflation Protection- Under 61:

For policies sold to consumers under age 61, subject to the compound inflation protection requirement, there are two standards currently in use in the market:

1. Annual benefit growth at a fixed percentage
2. The consumer price index

Either approach is acceptable.

# Inflation Protection – Under 61:

- 3% compounded annually
- CPI
- Other method if approved

# Inflation Protection- Ages 61-75:

- In addition to either of the compound inflation protection options described previously, simple interest at a rate of at least 3% is also an acceptable option.
- These are minimum requirements.

# Inflation Protection – 76 and Older:

- No inflation protection is required.
- But insurer must still *offer* inflation protection – Rule 425.

# Individual vs. Group Policies

- Individual policies can be partnership policies.
- Group policies can also be partnership policies (each certificate that meets the requirements is considered a partnership policy.)

# Individual vs. Group Policies – Part 2

- Partnership policies can cover more than one insured (i.e., a husband and wife can buy one policy).
- The policy is treated separately for each insured.
- The asset disregard for each insured equals the insured benefits received from the partnership policy.

# How does a Partnership Policy differ from a regular Long-Term Care Insurance Policy?

<b>Partnership Policy</b>	<b>Regular Policy</b>
Will pay for LTC in the policy benefit amount	Will pay for LTC in the policy benefit amount
Asset disregard – dollar-for-dollar offset	No asset disregard
Inflation protection required if insured is a certain age when they buy	Inflation protection not required
Qualified under federal tax law	Tax qualified status not required

# Moving to another state

- A policy purchased under a reciprocal state's long-term care insurance partnership will have the same asset disregard as a partnership policy covered directly by the reciprocal state's Long-Term Care Partnership Program.

# Moving to another state – Part 2

- Under Federal regulation, all recent Partnership states are deemed to be reciprocal unless they elect to be exempt.
- Call State Dept. of Insurance to check on reciprocity.

# Things to note:

- Buying a partnership policy does **NOT** mean that you are pre-approved for Medicaid. Medicaid eligibility requirements must still be met.
- Asset disregard does not include return of premium payments made upon cancellation of the policy or death of insured; those payments are not insurance benefits.

# More Information

- More information is available through:  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333  
(207) 624-8475  
(800) 300-5000 (Maine only)
- Or online at:  
**[www.maine.gov/insurance](http://www.maine.gov/insurance)**