

LONG TERM CARE INSURANCE

Among life's encounters, few are as burdensome as long term care. For most families, the questions are overwhelming: where can we find reliable information about long term care choices; what is the quality of providers; and, how do we pay the huge costs?

Long term care costs are high and rising. In 2005, the annual cost for a semi-private nursing home room averaged \$65,000 and average home health care costs totaled \$20,000 per year. By 2030, the annual costs for institutional and home health care are expected to rise to \$200,000 and \$75,000, respectively. (*Coronel, Susan, Presentation at the National Governors Association Policy Forum, America's Health Insurance Plans, May 2004.*)

Accumulating the resources necessary to pay for expensive long term care takes time, but the nation's 77 million baby-boomers—born between 1946 and 1964—are not planning sufficiently to meet their own long term care expenses. A recent study reports that 85 percent of Americans over the age of 45 have no public or private insurance protection against the costs of long term care. (*Long Term Financing Strategy Group Index of the uninsured, Washington DC, 2004*)

Frequently cited reasons why baby-boomers are not planning adequately to meet their long term care financing needs include:

- common misconceptions about Medicare coverage for long term care costs—in fact, Medicare covers only 100 days of skilled nursing care following a hospital discharge and does not contain a long term care component providing for extended community or institutional care;
- widespread lack of awareness regarding the high costs associated with long term care;
- wariness about paying long term care insurance premiums to cover services that may not be needed for decades;
- unaffordable long term care insurance premiums for lower-middle-income persons;
- lack of knowledge about the availability of other long term care financing vehicles such as reverse mortgages to pay for long term care costs;
- lack of knowledge regarding options for “spend down” into Medicaid; and
- lack of stigma or consequences for individuals choosing to spend down to Medicaid.

Long term care insurance might be the answer. Long term care insurance can help you:

- protect your family from the devastating costs of long term care;
- remain in control of your assets; and,
- maintain your own independence and dignity
- expands your choices for care when needed.

Private long term care insurance is a way to avoid spending all of your assets when long term care is needed.

Important points to remember:

Long term care insurance is not for everyone. Some people will not qualify. Some people do not need it. Some people do not have enough assets to protect. Some people simply do not have enough income to afford it. Like all insurance policies, the cost of long term care insurance depends on your age, the benefits you choose, the length of coverage and other factors.

Because coverage and premium costs vary widely it is important that when considering buying any long term care insurance policy you research your options. Don't be afraid to take your time in making your decision. Choosing a long term care plan and insurer is a major decision. You need to understand your choices, your responsibilities and the consequences of your decisions. Ask questions. You should get as much information as possible to be clear about the plans cost, coverage, and limitations.

No major life decision should be made without a FULL understanding of the benefits, costs, and consequences from a variety of perspectives.

Making long term care planning and insurance decisions can be a team effort. Included in the team might be family members, a MMAP counselor, a financial planner, an attorney, an insurance agent, an accountant and a tax specialist. These professionals can help you decide whether long term care insurance makes sound financial sense for achieving your goals -- usually protecting the life style of your spouse and/or family and protecting your assets for your heirs.

To help you become a knowledgeable consumer, MMAP's Long Term Care Insurance Comparison Guide is designed to help you understand long term care insurance. The information booklet will help you learn about long term care services and costs, the benefits and features of long term care insurance policies and more. (Click the words Long term Care Insurance Comparison Guide above to review the booklet)

Additional Information

What is long term care?

Long term care can mean many different things. A chronic or disabling condition that requires nursing care or constant supervision can bring on the need for long term care services. Long term care means not only care in a nursing home, it can also mean nursing care in your own home and help with activities of daily living, such as dressing, eating, bathing and taking medicine.

There are a variety of services that would fall under the definition of long term care. These services include institutional care that is provided in a nursing home, adult day care center, or assisted living facility. It can also mean skilled or personal care that is provided in your home by a home health care agency.

Who needs long term care services?

Long term care clients are individuals who need assistance from another person for an extended period of time in order to carry out everyday activities. The help may come from a family member, friend or from an employee of an agency that provides the services. Although it may be an uncomfortable thought, it makes sense to think ahead about your possible long term care needs. This includes your preferred setting for long term care.

Generally, an individual who needs long term care services is someone who had difficulty in performing day-to-day functions without the assistance of another person. Another person is needed because of the person's reduced physical or mental abilities or assistance is needed to maintain or improve their well-being. (Long term care is not the same as medical care.)

Who provides long term care?

Long term care services are provided in a wide variety of settings. The services can be provided at home (including another person's home), in the community, or in a residential setting (care is provided on-site and the person lives at the facility).

Nursing homes in Michigan are licensed under the Public Health Law as nursing facilities. The nursing home provides room and board, skilled or basic nursing care, assistance with activities of daily living, recreational and physical therapy.

Home health care consists of services received in your home, and can include skilled nursing care, speech, physical or occupational therapy or home health aide services.

Home care (personal care) consists of assistance with personal hygiene, dressing or feeding, nutritional or support functions and health-related tasks.

Adult day care (provided at a day-care center or person's residence) is for persons living at home, and provides supervision for elderly persons during the day when family members are not at home. It is a method of delivering a variety and range of services including social and recreational, and in some cases, health services, in a group setting.

Assisted living facilities provide ongoing care and related services to support those needs resulting from a person's inability to perform activities of daily living or a cognitive impairment.

Respite care includes services that can provide family members a rest or vacation from their caregiving responsibilities. It can be provided in a variety of settings including an individual's home or a nursing home.

Hospice care is 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.

Do I need insurance coverage for long term care?

Long term care is very expensive, and most people cannot afford to privately pay for long term care services for very long. In Michigan, skilled nursing facilities currently charge approximately \$65,000 per year or more.

Home health care is also expensive. In Michigan, if your home health care services are not covered by Medicare, three home health care visits per week by a registered nurse can cost over \$15,000 per year. Even custodial home care at three visits a week can cost over \$10,000 per year.

The chance of needing some type of long term care services is fairly high. It is estimated that over 40% of all persons who were 65 years old in 1990 will enter a nursing home during their lifetime.

Aren't long term care services covered by Medicare or other health insurance?

Medicare does NOT pay for most long term care services. Individuals should not rely on Medicare to meet their long term care service needs. For example, Medicare does not pay for custodial care when that is the only kind of care needed. Even skilled nursing facility care is covered by Medicare only on a very limited basis.

In order to obtain Medicare coverage of a skilled nursing facility stay, the following five conditions must be met:

- Your condition must require daily skilled care which, as a practical matter, can only be provided in a skilled nursing facility on an inpatient basis.
- You must have been in a hospital at least three days in a row (not counting the day of discharge) before you are admitted to a certified skilled nursing facility.
- You must be admitted to the facility within a short time (generally within 30 days) after you leave the hospital.
- You must have received treatment in a hospital for the condition for which you are receiving skilled nursing care.
- You must receive certification from a medical professional that you need skilled nursing care or skilled rehabilitation services on a daily basis.

If the skilled nursing facility stay continuously meets all of the above conditions, Medicare will provide benefits for up to 100 days of skilled care in a skilled nursing facility during a benefit period. For the first twenty days of care, all covered services are fully paid by Medicare. For the next 80 days of care, Medicare requires a co-payment (the amount you pay) of up to \$114 per day (2005 amount).

If you need skilled health care in your home for the treatment of an illness or injury, Medicare can pay for home health services furnished by a home health agency. You do not need a prior hospital stay to qualify for home health care. Medicare pays for home health visits only if all four of the following conditions are met:

- The care you need includes intermittent skilled nursing care provided by a registered nurse, physical therapist, or speech language pathologist;
- You can only leave your home with assistance (you are homebound);
- You are under the care of a physician who determines you need home health care and sets up a plan for you to receive care at home; and
- The home health agency providing services participates in Medicare.

Once all four of these conditions are met, Medicare will pay for covered services as long as they are medically reasonable and necessary. (The services must be provided either on a part-time or intermittent basis, not full-time.)

Medicare pays the full cost of medically necessary home health visits by a Medicare-approved home health agency. You do not have to pay a deductible or coinsurance for services; however, if you need durable medical equipment, you are responsible for 20% coinsurance payment for the equipment.

Medicare will not pay for full-time nursing care at home, drugs, meals delivered to your home, and homemaker services that are primarily to assist you in meeting personal care or housekeeping needs.

More information on Medicare and changes to the deductibles and co-payments under Medicare is available on the web site of the Centers for Medicare and Medicaid Services (CMS) at www.medicare.gov.

Medicare supplement insurance is designed to fill in some of the major gaps in Medicare coverage, but it does not cover most long term care services.

Other private health insurance that you might already have covers mainly acute conditions and probably does not cover custodial care.

Medicaid, a governmental program for low-income individuals and families, is currently the major source of funding for long term care services. In order to qualify for Medicaid coverage, persons must meet certain income and asset tests. Because of the high cost of nursing home care, more than half of those who enter nursing homes privately paying for their care reach this level in less than a year. For additional information regarding long term care under Medicaid see MMAP's booklet entitled *When My Spouse Is In A Nursing Home* or contact a MMAP volunteer counselor at 1-800-803-7174.

***How else can I pay for long term care services?**

There are other options that you should be aware of that may help you pay for long term care services:

- Savings and Investments – A savings or investment plan may help pay for long term care services. A retirement plan such as an IRA or 401K plan may also be available to you.
- Life Insurance – A life insurance policy may offer the opportunity for a loan or withdrawal of the cash value. In addition, a person who is terminally ill may arrange for an accelerated cash lump sum death benefit from his life insurance company or for a cash lump sum (called a viatical settlement) from an outside firm. (Note: not all life insurance companies offer an accelerated death benefit option). These cash lump sum benefits are paid in lieu of the policy's death benefit.
- Equity in Your Home – If you have built up equity in your home, you could use the profit from the sale of your home to fund long term care costs and move to less expensive accommodations. Another option is a "reverse mortgage," which is a loan based on the amount of equity you have built up in your home.

*These options should be reviewed carefully with consideration for Medicaid eligibility. See a Medicaid attorney or MMAP counselor for details.

What should I consider before purchasing insurance

- Are you eligible for Medicaid? If so, Medicaid will pay for nursing home and home health services.
- How much can you afford to pay out-of-pocket for long term care expenses?
- How much can you afford to pay for an insurance policy covering long term care services?
- If you are planning to retire, will your reduced income be adequate to meet the annual costs of the premium?
- All long term care policies are medically underwritten, i.e., your physical/mental

condition and health history will be evaluated, so if you intend to purchase a policy, don't wait until you have a medical condition that could make long term care coverage more expensive or unavailable to you. Some insurances offer a discount on your premium for "good health".

- In most cases, the premium for a policy will be lower when purchased at a younger age.
- What types of long term care services would best meet your own personal needs and preferences?
- What are the costs of these services in the locality where you would be receiving them?

It is very important to read the policies carefully and compare the benefits to determine which policy will best meet your own personal needs.

How can MMAP help?

MMAP -- the Michigan Medicare/Medicaid Assistance Program, Michigan's State Health Insurance Assistance Program -- can help you with your long term care insurance choices. For Michigan Medicare beneficiaries, their family members, and individuals shopping for long term care insurance call, 1-800-803-7174 to be connected to a MMAP counselor in your community Through the Area Agencies on Aging MMAP provides free, confidential, accurate and unbiased health insurance information, counseling and assistance. Trained counselors and staff explain the coverage, costs, comparisons and options of Medicare, Medicaid, private insurance, Medigap, long term care insurance, Medicare Advantage plans, and prescription drug coverage.