

## Long Term Care Insurance Basics

In November 2003, Consumer Reports reviewed 47 long term care insurance policies in California, and concluded:

...for most people, long-term-care insurance is too risky and too expensive. As with health insurance, you must keep paying to keep it in force. If premiums rise, you may have to drop the coverage, possibly losing everything that you've paid. The policy's benefits may cover only a portion of the total expense. Many policies are packed with catches that can keep you from collecting. Finally, there's no guarantee that long-term-care insurers, some of which have weak balance sheets, will be around 20, 30, or 40 years from now when you need them to pay.

This is discouraging because California offers what Bonnie Burns of California Health Advocates, calls the "gold standard for long term care insurance." It is highly regulated and a high quality product compared with most other states. But Burns adds that "that doesn't mean we don't have a long way to go. The right buyer can find a good product, but that's only half the problem."

Larry Ginsburg, a Certified Financial Planner and insurance agent in Oakland, CA says it's important to make sure you buy from a reputable company with a strong history of paying claims and a strong balance sheet. He notes, however, even that can't protect you fully. As with mortgages, companies often sell blocks of long term care policies to other companies, so you can't anticipate who will actually insure you.

San Francisco policyholder advocate and attorney Alice Wolfson worries that long term care insurers have underreserved their long term care products. That is, for many years, companies sold policies too cheaply in order to attract customers and gain a share of the long term care market. Once this customer population ages, she says, insurers will face large claims payouts and premiums will be raised dramatically. Some of this has already begun to occur with long term care policies.

The same scenario in disability insurance led some insurers to cut corners paying claims in order to make up the shortfall. Nevertheless, all parties quoted above believe that there can be benefits to long term care insurance.

## Hybrid Policies

<http://www.ocreger.com/articles/-679083-.html>

## Tax Qualified Policies

As a result of the federal Health Insurance Portability and Accountability Act of 1996, some insurance companies now offer “qualified policies.” Premiums for qualified policies are deductible on federal taxes if they exceed 7.5 percent of adjusted gross income. State tax policies vary.

Generally, qualified policies offer the same benefits as non-qualified long-term care policies, but the eligibility requirements may differ. For example, the insured must be chronically ill or unable to perform at least two activities of daily living, such as bathing or dressing, in order to receive benefits. All policies sold prior to January 1, 1997 are qualified.

For more information about qualified policies:

- Contact a trusted and reputable insurance agent, attorney, accountant or financial planner.
- Most state websites offer detailed comparisons of qualified and non-qualified policies— such as: [New York](#) and [California](#)
- [The New York Life Insurance website](#) offers a very thorough explanation.

## Partnership Project

In four states—California, Connecticut, Indiana, and New York—you can buy a “partnership” plan that protects some or all of your assets from being depleted before you become eligible for Medicaid (Medi-Cal in California). This plan is targeted to the middle-income market.

Partnership insurance policies, identified by their unique program logo, must include, at minimum:

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- 3 years of all levels of nursing home coverage,
- 6 years of home care, or
- a combination of nursing home and home care coverage (2 home care days= 1 nursing home day), and
- 5% inflation protection compounded annually, and
- 100-day elimination (or deductible) period, and
- lifetime level premiums; and
- no non-forfeiture benefit.

## A Three-State Comparison

Long term care insurance policies and the degree to which they are regulated vary from state to state. So we have provided a comparison of three states—California, Florida, and New York—in order to give some idea of the range. Keep in mind that there may be higher standards than those stated here for tax-qualified policies.

[click here for more details](#)

	California	Florida	New York
<b>Policy Types</b>	1. facility only (skilled and RCFE). Benefits for RCFE must have at least 80% of benefits of skilled care. 2. home care only 3. comprehensive	1. Skilled plus at least one lower care level, e.g., home health care or adult day care. Benefits for lower level must have at least 50% of benefits of skilled care, in both period and amount.	1. Long Term Care Insurance (broadest) 2. Nursing Home and Home Care Insurance (some coverage for each) 3. Nursing Home Insurance Only 4. Home Care Insurance Only

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<b>Benefit Triggers</b>	insured must demonstrate <i>any one</i> of: 1. impairment in 2 out of the following 6 ADLs: bathing, dressing, transferring, eating, toileting and continence 2. Cognitive impairment 3. Medical necessity	insurer can specify <i>any or all</i> of: 1. impairment in some # of ADLs, not more than 3 2. cognitive impairment (most offer this) 3. medical necessity	insurer can specify <i>any or all</i> of: 1. impairment in some # of ADLs 2. cognitive impairment 3. medical necessity
<b>Daily Benefit</b>	Varies. Some policies pay the daily benefit in a nursing home, but a percentage of that amount for other care levels. Some companies pay up to 400 of the daily benefit in each place covered by the policy, or the daily cost <i>whichever is less</i> .	1. indemnity (fixed-dollar amount) 2. actual costs of care, with maximum amount.	By insurers' choice, all are currently indemnity policies. Some pay the daily benefit amount regardless of the charges, others will pay covered charges, or a percentage of covered charges up to the daily benefit amount.
<b>Duration of Benefits</b>	(1,2,3,5 years or lifetime)	minimum 2 years	
<b>Maximum Policy benefits</b>	Must use a "pool of money" method of paying benefits	The benefit may be a set dollar amount or may be stated as the number of years, months or days you will receive benefits.	The benefit may be a set dollar amount or may be stated as the number of years, months or days you will receive benefits.

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<b>Offer of Inflation Protection Required?</b>	Yes	Yes	Yes
<b>Post-claims Underwriting?</b>	illegal	illegal	illegal
<b>Conditions</b>	<ol style="list-style-type: none"> <li>1. elimination period (0 to 90 days)</li> <li>2. 90-day certification</li> <li>3. period of care</li> <li>4. plan of care</li> <li>5. care management (optional)</li> </ol>	<ol style="list-style-type: none"> <li>elimination period (0-180 days)</li> </ol>	<ol style="list-style-type: none"> <li>may have an elimination period (no maximum, but usually 20-100 days)</li> </ol>
<b>Consumer Protections</b>	<ol style="list-style-type: none"> <li>1. agent required to provide several specific documents to insured</li> <li>2. must be either guaranteed renewable or non-cancelable</li> <li>3. Duty of Honesty, Good Faith and Fair Dealing</li> <li>4. 30-Day Free Look</li> <li>5. Outline of Coverage</li> <li>6. offer change in benefits</li> </ol>	<ol style="list-style-type: none"> <li>1. guaranteed renewable</li> <li>2. offer change in benefits</li> <li>3. 30-Day Free Look Outline of Coverage</li> <li>4. offer nonforfeiture benefit</li> <li>5. outline of coverage</li> </ol>	<ol style="list-style-type: none"> <li>1. guaranteed renewable</li> <li>2. offer nonforfeiture benefit</li> <li>3. provide that—to be considered two separate periods of care—each period of care be separated by at least 30 days of nonpayment of benefits.</li> </ol>

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<b>Exclusions</b>	<p>1. Cannot exclude for named conditions or organic brain disorders (like Alzheimer's).</p> <p>2. Most policies exclude:</p> <ul style="list-style-type: none"> <li>• mental and nervous disorders or diseases,</li> <li>• alcoholism and drug addiction,</li> <li>• illnesses caused by act of war,</li> <li>• treatment already paid for by government</li> <li>• attempted suicide or result of intentionally self-inflicted injury.</li> </ul>	<p>1. Cannot exclude for named conditions or organic brain disorders (like Alzheimer's).</p> <p>2. Most policies exclude:</p> <ul style="list-style-type: none"> <li>• mental and nervous disorders or diseases,</li> <li>• alcoholism and drug addiction,</li> <li>• illnesses caused by act of war,</li> <li>• treatment already paid for by government</li> <li>• attempted suicide or result of intentionally self-inflicted injury.</li> </ul>	<p>1. Cannot exclude for named conditions or organic brain disorders (like Alzheimer's).</p> <p>2. Most policies exclude:</p> <ul style="list-style-type: none"> <li>• mental and nervous disorders or diseases,</li> <li>• alcoholism and drug addiction,</li> <li>• illnesses caused by act of war,</li> <li>• treatment already paid for by government</li> <li>• attempted suicide or result of intentionally self-inflicted injury.</li> </ul>
<b>Partnership Project?</b>	Yes	No	Yes

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