

## What You Should Know About Long-Term Care Insurance

**What is long-term care insurance?** Long-term care insurance is an individual insurance policy that may help you when you are unable to take care of yourself due to prolonged illness or disability. This policy usually pays for skilled, intermediate and custodial care in a nursing home. Home health care, adult day care and assisted living care are also often covered. These policies usually pay a fixed amount per day or per visit to facilities or caregivers that are licensed by the state and/or participate in Medicaid and Medicare.

**Is long-term care different from traditional medical care?** Someone with a prolonged physical illness, a disability or a cognitive impairment such as Alzheimer's disease often needs long-term care. Long-term care services may include help with daily activities, home health care, respite care, hospice care, adult day care, care in a nursing home or care in an assisted living facility.

**Is long-term care expensive?** The cost depends on the amount and type of care you need and where you get it. In 2013, the average cost of nursing home care in the District of Columbia was \$74,460-\$91,250 (for a semi-private room) \$86,505-\$102,049 (for a private room) per year. Assisted living facilities reported \$40,320-\$46,170 per year and home care costs ranged from \$45,760-\$46,170 per year.

**What are the options for paying for long-term care?** People pay for long-term care in a variety of ways. These include using personal resources, long-term care insurance and Medicaid for those who qualify. Medicare supplement insurance and health insurance you may have at work usually will not pay for long-term care. Long-term care insurance will pay for some or all of your long-term care.

**Does Medicare pay for long-term care?** Not really. Medicare will pay for some home health care and skilled nursing facility care following a hospital stay – as continuing care. It does not pay for nursing home care or longer-term home care.

**Does Medicaid pay for long-term care?** Yes, but you must meet very low income and asset requirements to qualify for Medicaid. Contact the D.C. Department of Health Care Finance at [dhcf.dc.gov](http://dhcf.dc.gov) or call 202-442-5988 for more information.

**How to decide if long-term care insurance is for you?** Whether you should buy a long-term care insurance policy will depend on your age, health status, retirement goals, income and assets. For instance, if your only source of income is a Social Security benefit or Supplemental Security Income (SSI), you probably should not buy long-term care insurance since you may not be able to afford the premium. Also, if you have a large amount of 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 want to stay independent of government

aid or the help of family and they don't want to burden anyone with having to care for them. However, you should not buy a policy if you can't afford the premium or are not sure you can pay the premium for the rest of your life.

**What is the difference between a tax-qualified and non tax-qualified plan?** Benefits paid by a tax-qualified long-term care plan generally are not taxable as income. Benefits from a non tax-qualified long-term care plan may be taxable as income. Check with your tax advisor about the possibility of deducting a portion of the premiums paid in addition to the individual tax consequences involved.

**Are there pre-existing condition limitations?** A long-term care insurance policy usually defines a pre-existing condition as one for which you received medical advice or treatment or had symptoms within a certain period before you applied for the policy. Some companies look further back in time than others. Many companies will sell a policy to someone with a pre-existing condition. However, the company may not pay benefits for long-term care related to that condition for a period after the policy goes into effect, usually six months. Some companies have longer pre-existing condition periods or none at all.

**Where to look for long-term care insurance?** You can buy an individual policy from a private insurance company or agent, or you can buy coverage under a group policy through an employer or association membership. The federal government and several state governments offer long-term care insurance coverage to their employees, retirees and their families. You can also get long-term care benefits through a life insurance policy.

- **Check With Several Companies and Agents.** Contact several companies and agents before you buy a long-term care policy. Be sure to compare benefits, the types of facilities covered, limits on your coverage, what is not covered and the premium. Policies from different insurance companies often have the same coverage and benefits but may not cost the same. Be sure to ask companies about their rate increase history and whether they have increased the rates on the long-term care insurance policies.
- **Don't be Misled by Advertising.** Most celebrity endorsers are professional actors paid to advertise, not insurance experts. It is also important to note that Medicare does not endorse or sell long-term care insurance policies, so be wary of advertising that suggests Medicare is involved. Do not trust cards you get in the mail that look like official government documents.
- **Make sure the Insurance Company is Reputable.** To find out if an insurance company is licensed, you can call the D.C. Department of Insurance, Securities and Banking at 202-727-8000 or visit [disb.dc.gov](http://disb.dc.gov). After you make sure they are licensed, check the financial stability of the company by checking their ratings. You can get ratings from some insurer rating services for free at most public libraries.
- **Review Your Contract Carefully.** When you purchase long-term care insurance, your company should send you a policy. You should read the policy and make certain you understand its contents. If you have questions about your insurance policy, contact your insurance agent. If you still have questions, turn to DISB or contact the Aging & Disability Resource Center of the D.C. Office on Aging at [dcoa.dc.gov](http://dcoa.dc.gov) or call 202-724-5622.

## About DISB

The mission of the D.C. Department of Insurance, Securities and Banking is two-fold: 1) protect consumers by providing equitable, thorough, efficient, and prompt regulatory supervision of the financial services companies, firms, and individuals operating in the District of Columbia, and 2) develop and improve market conditions to attract and retain financial services firms to the District of Columbia. Visit us online at [disb.dc.gov](http://disb.dc.gov). Portions of this guide are courtesy of the National Association of Insurance Commissioners ([www.naic.org](http://www.naic.org)).

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