



CONSUMER ALERT

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What You Should Know About Long-Term Care Insurance

What is long-term care insurance?

These insurance policies can help when you're unable to take care of yourself from prolonged illness or disability. This policy usually pays for skilled, intermediate and custodial care in a nursing home; plus home-health care, adult day care and assisted-living care. These policies usually pay a fixed amount per day or per visit to facilities or caregivers licensed by the state and/or participating 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. Traditional medical insurance covers only costs such as doctor-office visits, prescription drugs and medical procedures.

Is Long-Term Care Expensive?

The cost depends on the amount and type of care you need and where you get it. In 2010, the national average cost of nursing-home care ranged from \$74,820 to \$83,580 per year; assisted-living facilities were \$39,516 per year and home-care costs ranged from \$6,935 to \$7,665.

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.

Does Medicare Pay for Long-Term Care?

Not really. Medicare, Medicare supplement insurance and health insurance from your place of employment usually will not pay for long-term care. 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](#) for more information.

How to Decide if Long-Term Care Insurance Is for You?

This will depend on your age, health, retirement goals, income and assets. For instance, if your only source of income is a Social Security benefit or Supplemental Security Income, you probably should not buy long-term-care insurance since you may not be able to afford the premium. On the other hand, 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. 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.

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 up 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 policy holder 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 ranging from \$50 to \$250 per day. You may choose a benefit period of 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 benefits will increase with inflation and if that coverage increases your premium.

What is the difference between a tax-qualified and a non-tax-qualified plan?

Long-term care plan benefits in a tax-qualified plan generally are not taxable as income while benefits from a non-tax-qualified long-term-care plan may be taxable as income. Ask 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 may 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. Some states have long-term care insurance programs designed to help people with the financial impact of spending down to meet Medicaid eligibility standards. Check with the D.C. Department of Insurance, Securities and Banking to see if these [policies are available in the District](#).

- ***Shop Around: 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 whether they have increased rates on their 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 DISB or check DISB's online databases of [District-licensed insurance companies and agents](#). After you make sure the company is licensed, check its financial stability 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 it and make sure 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 the Aging & Disability Resource Center of the D.C. Office on Aging.

This information was made possible by the D.C. Department of Insurance, Securities and Banking and the National Association of Insurance Commissioners.

The D.C. Department of Insurance, Securities and Banking has two missions: to fairly and efficiently regulate financial services in order to protect the people of the District of Columbia and to attract and retain financial-services businesses to the District. For more information, visit DISB at disb.dc.gov.

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