

A Consumer's Guide to:
**Buying Long-Term
Care Insurance**

And other ways to pay for long-term care

What is long-term care?

No one likes to think about the prospect of needing long-term care. However, as life expectancy continues to rise, more and more Americans between the ages 40 and 84 – especially those in their mid 50s – will start to prepare for their older years.

Long-term care refers to a wide range of medical, personal, and social services. You may need this type of care if you have a prolonged illness or disability. This care may include help with daily activities, such as dressing, bathing, eating, toileting, getting in and out of a bed or chair, and walking. It also may include home health care, adult daycare, nursing home care, or care in a group living facility.

This kind of care is sometimes paid for privately (out of pocket) or through insurance. Often, it is a combination of both. There are also other ways that people may choose to pay for their long-term care, which are listed starting on page 5.

Long-term care insurance is one way to pay for long-term care. It's designed to cover all or some long-term care services. Long-term care insurance may consist of an individual insurance policy, or group coverage including a master policy and certificates of insurance. These policies will pay benefits for a specified range of long-term care services when you make an eligible claim.

What long-term care insurance policies cover

Long-term care insurance pays for care generally not covered by regular health insurance. Long-term care insurance can help you protect assets and retain more control over your health care decisions later on in life.

If you cannot afford to pay out-of-pocket for long-term care services or you choose not to buy long-term care insurance, Medicaid may be an option for you.

When do long-term care insurance benefits start?

Long-term care policies include an elimination period. This is the number of days you must use nursing home care or home health care before your benefits begin. Elimination periods can range from zero to 180 days. A shorter elimination period means you pay a higher premium.

Also, long-term care policies do not guarantee coverage unless you satisfy certain requirements. These are called “benefit triggers” and they vary per policy. For example, most policies will not provide coverage until you are unable to perform a given number of daily living activities, such as dressing, bathing, and eating without assistance. Make sure you know what the “benefit triggers” are in your policy.

What amount does long-term care insurance cover?

Your long-term care insurance benefit covers a daily amount that varies according to what you pay for in your policy. You may choose a benefit period that is a specific number of days, months,

or years. A maximum benefit period may range from one year to the remainder of your lifetime. Be sure to ask your agent or broker if the benefit amounts will increase with inflation and if that coverage increases your premium. Also, make sure you understand the daily benefits provided in your policy.

Deciding if long-term care insurance is right for you

It might be right if:

- You have assets to protect
- You can afford the premium now and in the future
- You're not currently disabled or seriously ill
- You're unable to pay out-of-pocket for long-term care services and won't qualify for Medicaid
- You want to ensure control over your assets
- You want to protect your family from providing your long-term care

It might not be right if:

- You have few or no assets
- You're unable to afford the premium
- You're already disabled or seriously ill
- Your income and assets qualify you for Medicaid
- You have other insurance
- You can afford to pay out-of-pocket for your long-term care
- You have no family or causes that you'd like to receive your assets

Factors to think about before you buy long-term care insurance

- **Age and life expectancy:** The longer you live, the more likely you will need long-term care. The younger you are when you buy the insurance, the lower your premium will be.
- **Gender:** Women are more likely to need long-term care because they have longer life expectancies and often outlive their husbands.
- **Family situation:** If you have a spouse or adult children, you are more likely to receive care at home from family members. If family care is not available and you can't care for yourself, paid care outside the home may be your only alternative. Different policies may cover different types of long-term care. It is important to buy a policy that will cover the type of care you expect to need and will be available in your area.

- **Health status:** If chronic or debilitating health conditions run in your family, you could be at a greater risk than another person of the same age and gender.
- **Income and assets:** You may choose to buy a long-term care policy to protect your assets. On the other hand, a long-term care policy is not a good choice if you have few assets or limited income. Some experts recommend that you spend no more than five percent of your income on a policy.
- **Cost:** Long-term care insurance is expensive. Regardless of how many years you've paid for a long-term care policy, if at some point you cannot afford the premium you will not receive coverage for premium you've already paid.
 - **Nonforfeiture option:** If you're worried about being able to afford the premium in the future, ask your agent about a nonforfeiture value before you buy a policy. This benefit provides reduced coverage should you fail to pay the premium. Keep in mind that this benefit will cost extra.
 - **Inflation protection:** This benefit may be purchased separately from your long-term care insurance policy. Although inflation protection is expensive, it helps ensure that the policy you buy today covers the future costs of services.

Long-term care policy exclusions

Every policy includes an exclusion section. Policies sold in Washington state may exclude the following:

- Treatment for chemical dependency, alcoholism, or drug addiction*
- Illnesses caused by an act of war (whether declared or undeclared)*
- Intentionally self-inflicted injuries or conditions resulting from attempted suicide*
- Conditions arising out of participation in a felony, riot, or insurrection
- Benefits provided under state or federal workers' compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law
- Nursing care covered by workers' compensation
- Services outside the U.S. or its territories
- Rest cures and routine physical exams
- Stays in government facilities, unless the insured person is legally obligated to pay
- Benefits provided by Medicare or other government programs (excluding Medicaid)*
- Experimental treatments, supplies, or services
- Services performed by a member of the covered person's immediate family
- Services for which there is no charge in the absence of insurance

In addition, nationwide policies also exclude mental or nervous disorders or diseases, other than Alzheimer's disease or other dementia.

* These are also excluded by most policies sold nationwide.

Paying for long-term care insurance

Long-term care insurance

The cost of long-term care insurance varies according to the amount of coverage you buy, the options you select, and how old you are when you buy the insurance. Your premiums may increase over time. This type of insurance is not the best fit for everyone. It is very expensive for older buyers. First, make sure you can afford it now and in the future, and then shop around. Look at all of the options each policy offers. If you decide to buy, choose one that best meets your changing needs.

Key points to remember

- Long-term care insurance policies cover a wide range of medical, personal, and social services
- Be aware of what benefit triggers must happen for a policy to begin paying benefits
- Understand the elimination period
- Understand the daily benefits provided
- Know what is covered and what is excluded
- Match your need for long-term care with your need to protect assets and your ability to pay premiums
- Understand how much premium you must pay and how often you must pay it
- Your premium may increase after your purchase
- If you cannot afford the premium, you may not receive benefits for the amount you paid in the past. Make sure you know if the policy offers a reduced premium for less coverage.

Limited long-term care insurance

Some insurance companies offer payment options that allow you to pay premiums for a limited period of time, rather than over the life of the policy. Instead of paying premiums as long as the policy stays in force, you make payments for a predetermined number of years or up to a certain age. Common examples include:

- **Single pay** – one premium payment
- **Ten pay** – paying premiums for 10 years
- **Twenty pay** – paying premiums for 20 years
- **To age 65** – paying premiums until you turn age 65

You can use cash, certificates of deposit (CDs), annuities, or other resources to buy a limited pay/long-term care policy. For example, if you buy a policy that offers a single premium payment, you are guaranteed no additional premium charges. The policy includes a set amount of money for your long-term care needs. The longer you have the policy and don't file a claim, the more money you will have for your future long-term care needs. These policies also pay a death benefit to your heirs (family or friends).

Check with your insurance agent about different long-term care insurance options.

Other ways to pay for long-term care

Medicaid

As an older adult, you may qualify for Medicaid. This federally-funded program pays for almost half of the nation's long-term care bills. To qualify for a Medicaid program, your monthly income must be less than the federal poverty level and your assets cannot exceed certain limits. (Read our federal poverty level chart at http://www.insurance.wa.gov/publications/shiba_helpine/FINAL_FPL_chart.pdf) Medicaid will cover you in Medicaid-approved nursing homes that offer the level of care you need. Under certain programs, Medicaid will pay for home health care. For information on Medicaid and its program eligibility requirements, contact your local Home and Community Services (HCS) office in the county you live in. To find your local office, call 1-800-422-3263, (TTY) 1-877-905-0454 or visit online at www.adsa.dshs.wa.gov.

Personal savings

You can use your savings or other personal resources to pay for long-term care. Some personal resources may include money in a checking or savings account, stocks, bonds, investments, life insurance policies, pensions, and income. Your family also may want to give you money towards your long-term care needs. If you choose this option, you should plan ahead before you need long-term care. Make sure you think about all your future health care needs and costs. Long-term care is very expensive. This option may be practical for people with above-average resources or a family commitment to assist with care. Check with a financial planner, or elder law attorney about your options.

Life settlement

A life settlement means you can sell your life insurance for the present value of the policy to a third party. For example, if you have a life insurance policy and you get divorced, you might be able to sell the life insurance policy for present value. You can use the money from the sale to pay for your long-term care needs. To be eligible for this, you cannot be terminally ill and you must be over age 70 (for females) or over age 74 (for males). Talk with your insurance agent or financial planner to decide if this is the right option for you.

Viatical settlement

If you are terminally or chronically ill, you might be able to sell your life insurance policy to a third party. You usually have to sell your life insurance policy for a lower amount than the full face value. The amount you are paid is usually based on your remaining life expectancy. The death benefit

usually ranges from 50 percent to 80 percent. When you die, the third party will get the full death benefit. Talk with your insurance agent or financial planner to decide if this is the right option for you.

Accelerated Death Benefit (ADB)

This is a benefit you can add to your life insurance policy. It can provide cash advances against your death benefit while you are still alive. You can use this benefit if you have a terminal illness, need nursing home care permanently, or can't perform activities of daily living for yourself. There might be spending limits (caps) on ADB policies. Check this out with your agent or broker before you buy an ADB policy.

Reverse mortgages

This is a special type of home loan that gives a homeowner the ability to change home equity into cash. However, unlike a traditional home equity loan or second mortgage, no repayment is required until you (the borrower) no longer use your home as your principal residence. To obtain a U.S. Department of Housing and Urban Development (HUD) insured reverse mortgage, you must:

- Be age 62 or older
- Own your home outright, or have a low mortgage balance that you can pay off at the closing with proceeds from the reverse loan
- Live in the home

For more information about reverse mortgages, visit the HUD Web site at: <http://www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm>. To decide if this will work for you, talk with a financial planner to understand the advantages and disadvantages of this option.

Continuing Care Retirement Communities

Continuing Care Retirement Communities (CCRCs) provide housing, health care, and social services. In the same community, there may be individual homes or apartments, an assisted living facility, and a nursing home. Where you live depends on the level of care you need. The monthly maintenance fee usually ranges from \$650 to \$3,500 and may increase from year to year due to inflation. CCRCs also include buy-in or entrance fees that range from \$38,000 to \$400,000. The fees vary based on:

- If you own or rent living space in the CCRC
- The size and location of your residence
- The amenities you choose
- If the living space is for one or two people
- The type of service plan you choose
- Your current risk for needing intensive long-term care

Some CCRCs offer a “life care contract.” This means that if you need care in the assisted living facility or in the nursing home, then you are guaranteed to pay the same entry fee and monthly fee as someone who lives in an individual home or apartment.

To find out if a CCRC is accredited and to get advice on selecting this type of long-term care, visit the Commission on Accreditation of Rehabilitation Facilities Web site at <http://www.carf.org/>.

Veterans’ benefits

The Department of Veterans Affairs (VA) may provide long-term care for service-related disabilities or for certain eligible veterans and their spouses. There might be a waiting list for VA nursing homes. To get information about available services in your area, call Veterans Affairs at 1-800-827-1000.

Medicare

Medicare generally pays very little for long-term care costs. If you meet certain conditions, Medicare will help pay for skilled nursing or home health care. To find out if you are eligible for Medicare, use the online Medicare Eligibility tool at <http://www.medicare.gov/default.asp>. To apply for Medicare, contact the Social Security Administration at 1-800-772-1213 or visit it online at www.socialsecurity.gov or at www.ssa.gov.

Long-term care resources

The Office of the Insurance Commissioner can answer long-term care questions and help solve issues with current long-term care policies.

Insurance Consumer Hotline: 1-800-562-6900

www.insurance.wa.gov

BenefitsCheckUp® (BCU) provides a comprehensive, free, online service to screen for federal, state, and some local public and private benefits for all ages. It also allows you to find out if you qualify for other long-term care options.

www.benefitscheckup.org

The National Clearinghouse for Long-term Care Information offers online interactive tools such as a savings calculator, contact information for a range of programs and services, and real-life examples of how other people have successfully planned for long-term care.

202-619-0724

www.longtermcare.gov

The Senior Information and Assistance National Elder Care Locator Service is a service that links you with state and local area agencies on aging and community-based organizations that serve older adults and their caregivers.

1-800-677-1116

www.eldercare.gov

www.agingwashington.org and click on local AAA's

The Washington State Department of Social and Health Services, Adult/Senior Services and Information helps you find in-home services, residential care (assisted living, nursing home), resources to pay for care, benefits, legal and financial planning, and aging health information.

1-800-422-3263

<http://www.adsa.dshs.wa.gov/default.htm>

The National Association of Insurance Commissioners (NAIC), *A Shopper's Guide to Long-Term Care Insurance* helps you understand long-term care and the insurance options that can help you pay for long-term care services.

1-816-842-3600

http://www.naic.org/index_ltc_section.htm

The National Association of Personal Financial Planners provides resources and information on how to find a financial planner.

1-800-366-2732

www.napfa.com

The Financial Planning Association offers tools and resources for financial planning.

1-800-322-4237

www.fpanet.org

The American Institute of Certified Public Accountants (CPAs) offers tools, resources, and information on how to find an accredited CPA.

1-888-999-9256

<http://www.aicpa.org/>

360 Degrees of Financial Literacy offers general information for managing personal finances.

<http://www.360financialliteracy.org/>

The Washington Law Help Web site provides legal education materials and tools on topics such as family law, aging/elder law, health, and government benefits.

<http://www.washingtonlawhelp.org/WA/index.cfm>

The Washington State Bar Association Web site offers information on estate planning and elder law, and a lawyer referral service.

www.wsba.org

Lawyer referral service: www.wsba.org/atj/contact/lawref.htm

The Washington State Medical Association provides several helpful booklets that answer questions and supply standardized forms for advance directives, such as living wills, durable power of attorney for health care, and do-not-resuscitate orders.

www.wsma.org (click on “Patient Resources” and then on “Patient Brochures and Information.”)

Coordinated Legal Education Advice and Referral (CLEAR), a program of the Northwest Justice Project, helps low-income people in Washington with legal information and referrals. CLEAR Senior is a similar service for anyone who is age 60 or older, regardless of income level.

CLEAR: 1-888-201-1014, (TTY) 1-888-201-9737

CLEAR Senior: 1-888-387-7111

Watch for fraud!

Make sure the investment professional you work with is properly licensed and does not have complaints or disciplinary problems filed against him or her, or the firm. To find out, contact the National Association of Securities Dealers (NASD) BrokerCheck Hotline at 1-800-289-9999.

Need more help? Call our Insurance Consumer Hotline!

1-800-562-6900

Our professional consumer advocates enforce insurance law and can investigate complaints against insurance companies and agents on your behalf.

We also offer individual counseling and group education on health care issues in your communities. Our highly trained Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine volunteers can help you understand your rights and options regarding health care coverage, prescription drugs, government programs, and more.

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1-800-562-6900

