



LONG-TERM CARE INSURANCE

Long-term care insurance is private insurance designed to cover long-term care costs. Depending on the policy, long-term care insurance covers nursing home stays, home care and adult day care. People usually buy long-term care insurance from private insurance companies or as riders to life insurance policies. However, an increasing number of employers are offering access to group policies. Since plans vary widely, it is wise to do some research before purchasing a policy.

Before purchasing a long-term care insurance policy, individuals should understand their existing coverage under Medicare, Medicaid and other health insurance plans. Individuals should be aware that Medicare and Medicaid provide very limited coverage for long-term home care services, and Medicaid coverage is only provided to individuals with limited incomes and assets.

EVALUATING A LONG-TERM CARE INSURANCE POLICY

WHAT SERVICES ARE COVERED?

Long-term care insurance was primarily designed to cover long-term nursing home care. Make sure the policy you purchase also covers home care and adult day care.

AMOUNT OF BENEFIT

Purchasers need to know the dollar amount or percentage the policy pays for each type of care. Most long-term care insurance policies make fixed dollar payments for each type of service, such as a day of nursing home care, regardless of the actual cost of the service. For example, one can buy a policy that will pay \$75 per day for nursing home care. A higher premium buys a policy that will pay \$100 per day. In addition, check for a difference in the amount the plan pays for nursing home care and home

care. You will have maximum flexibility if the policy makes the same payment for these two services.

Find out about the deductibles, co-payments and waiting periods in the policy. As with other types of insurance, the higher your deductible, the lower the policy premiums. Most long-term care insurance policies have a waiting period of 30 to 90 days, during which time the individual, or the individual's family, might have to pay for needed services from his/her own funds.

Generally, long-term care insurance policies pay benefits for a fixed period of time. For example, a policy might pay for 2 years of nursing home care. If the coverage under the long-term care insurance policy runs out, the senior will ultimately have to rely on Medicaid, once their savings and assets have been exhausted.

WHEN ARE BENEFITS PAID?

Determine the insurance company's requirements to begin coverage. Will a signed statement from your doctor be sufficient for coverage, or does the company require certification from its medical staff? Does the plan cover nursing home placements that do not follow a hospital stay? Does the policy exclude coverage for some illnesses? Will the need for assistance with two or more non-medical activities of daily living, such as bathing, dressing and eating, be enough for the payment of benefits to begin?

OTHER OPTIONS

Purchase a policy with forfeiture protection. Forfeiture protection allows a policyholder who can no longer afford to make premium payments to recover some of the accrued value of the policy. For example, a policyholder who stops making payments may retain a long-term care insurance policy with reduced benefits, or may receive term life

insurance. In addition, ask if there is any cash value in the policy that you can borrow against or receive.

Since the cost of long-term care rises over time, most policies offer inflation protection for an additional charge. For example, the policy may provide that the allowable per day payment will increase at a rate of 5% per year. Ask how much the “inflation protection rider” costs and if it is automatically renewed each year.

Make sure the policy premiums are tax-deductible. Favorable tax treatment is available only for policies that provide protections such as inflation and forfeiture protection.

WHEN SHOULD ONE PURCHASE A LONG-TERM CARE INSURANCE POLICY?

It is important to start evaluating long-term care insurance policies between the ages of 40 and 60, because insurance companies generally only sell these policies to relatively healthy people. The cost of a policy depends on the buyer’s age. Younger people who are expected to pay into the pool for a longer period of time pay a lower rate than older people who might need the care in the near future.

Make sure you understand all the terms of the contract before you sign. Consider having an accountant, lawyer or other professional review the agreement before signing.

Questions to ask when choosing a long-term care insurance policy:

- Does the policy cover care in a setting other than a nursing home, such as adult day care or home care?
- What does the company require to begin coverage?
- How many days in a nursing home are covered and how much does the policy pay per day?
- How much does the plan pay for each adult day care or home care visit? Is there a maximum number of visits covered per week or a lifetime maximum number of visits?
- Does the policy include inflation protection?
- Does the company offer forfeiture protection?
- Are the policy premiums tax-deductible?
- How financially stable is the insurance company?

RESOURCES

- **AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP)** –
601 E Street, NW, Washington, DC 20036,
800-677-1116, www.aarp.org.
- **NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS** –
offers *A Shopper’s Guide to Long-Term Care Insurance*.
2301 McGee Street, Ste. 800, Kansas City, MO
64108-2604, www.naic.org.
- **UNITED SENIORS HEALTH COOPERATIVE** –
offers *Dollars and Sense Guide to Long-Term Care*.
409 Third Street, SW, 2nd floor, Washington, DC
20024, 202-479-6973.

Individual circumstances vary. Check with the appropriate professional regarding your options.



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