January 23, 2019 **"PAYING FOR LONG-TERM CARE: LONG-TERM CARE INSURANCE"**

DISCLAIMER: I am an attorney and not a licensed insurance agent. This is intended for general information and does not replace the need to speak with an insurance agent in your state who could advise you properly of your options which respect to different policy options and distinctions between product offerings of various companies.

WHY IS LONG-TERM CARE INSURANCE IMPORTANT?

Among 65-year-olds, 70% will use some form of long-term care in the years ahead, according to the U.S. Department of Health and Human Services. Medicare covers only short nursing home stays or limited amounts of home health care when you require skilled nursing or rehab.

"Long-term care" refers to a host of services that aren't covered by regular health insurance. This includes assistance with routine daily activities, like bathing, dressing or getting in and out of bed. Long-term care insurance is designed to cover long-term services and supports, including personal and custodial care in a variety of settings such as your home, a community organization, or other facility.

People buy long-term care insurance for two reasons:

1. **To protect savings.** Long-term care costs can deplete a retirement nest egg quickly.

2. **To give you more choices for care.** The more money you can spend, the better the quality of care you can get. If you must rely on Medicaid, your choices may be limited to the nursing homes that accept payments from the government program. Medicaid does not pay for assisted living in many states.

HOW DO TRADITIONAL LONG-TERM CARE POLICIES WORK?

Unlike traditional health insurance that pay most (or all) health care costs instead of the covered individual, long-term care insurance policies reimburse policyholders only once the applicable conditions are met. You choose the total dollar amount of coverage you want. The policies usually cap the amount paid out per day and the amount paid during your lifetime. Once you're approved for coverage and the policy is issued, you begin paying premiums.

In order to receive benefits from your long-term care insurance policy, you would have to meet two criteria:

1. Benefit Trigger
2. Elimination Period

A. Benefit Trigger

Most companies use a specific assessment form that will be filled out by a nurse/social worker team. Usually are defined in terms of Activities of Daily Living (ADLs) or cognitive impairments. The insurance company will need to review clinical records and perhaps even send a nurse or social worker to visit a client before it approves a claim.

Once you have been assessed, your care manager from the insurance company will approve a "Plan of Care" that outlines the benefits for which you are eligible.

Most policies pay benefits when you need help with two or more of six ADLs OR when you have a cognitive impairment (like Alzheimer's disease or dementia).

The Activities of Daily Living (ADLs) are usually defined as:

1. **Bathing:** The ability to clean oneself and perform grooming activities like shaving and brushing teeth.
2. **Dressing:** The ability to get dressed by oneself without struggling with buttons and zippers.
3. **Eating:** The ability to feed oneself.
4. **Transferring**: Being able to either walk or move oneself from a bed to a wheelchair and back again.
5. **Toileting:** The ability to get on and off the toilet.
6. **Continence:** The ability to control one's bladder and bowel functions.

B. Elimination Period

The "elimination period" is the amount of time that must pass after a benefit trigger occurs but before you start receiving payment for services. ***An "elimination period" is like the deductible you have on health insurance, except it is measured in a time period rather than by dollar amount.***

Most policies allow you to choose an elimination period of 30, 60, or 90 days at the time you purchased your policy. During the period, you must cover the cost of any services you receive. Some policies specify that in order to satisfy an elimination period, you must receive paid care or pay for services during that time

NOTE: You need to familiarize yourself with your policy's triggers to become "benefit eligible." Note that elimination periods may not always equate to actual calendar days.

Some policies use "calendar days"—paying for services 60 days after you file a claim or after the doctor or company certifies that you have a covered disability. But other plans focus on "days of service" counting only the days that you pay, for example, for a home health aide, during the waiting period.

Under "days of service" policies, if the caregiver were to visit only on Monday, Wednesday and Friday (i.e. 3 days a week), the insurer only counts those visit days as "days of service"…so a 30-day period would take 10 calendar weeks to satisfy, a 60-day period would take 20 calendar weeks to satisfy, a 90-day period would take 30 calendar weeks to satisfy, etc.

HOW IS THE COST OF A LONG-TERM CARE INSURANCE POLICY DETERMINED?

There are several variables that determine your cost of LTC coverage, such as:

1. Your age when you purchase the policy.
2. The maximum benefit the policy will pay per day. Some policies can pay different amounts for different services, while others have a flat-rate benefit no matter the long-term service being received.
3. The maximum length of time the policy will pay out benefits -- note that this timeframe (in days) multiplied by the daily maximum is the policy's lifetime maximum benefit. Two to five years of benefits is a common time frame.
4. The "elimination period" (or lack thereof). 30-, 60-, and 90-day waiting periods are common.
5. Other policy features, such as inflation protection. For a slightly higher premium, you can increase your benefit at a specified rate, such as 5% annually.

Most policies sold today are comprehensive. They typically allow you to use your daily benefit in a variety of settings, including:

- Your home
- Adult day service centers
- Hospice care
- "Assisted living" facilities (also called residential care facilities or alternate care facilities)
- Nursing homes

Other policies only pay for care received within a nursing facility or assisted living facility. The more comprehensive the policy, the more choices you will have, and of course, the more expensive the premium will be.

Some companies offer a "shared care" option for couples when both spouses buy policies. This lets you share the total amount of coverage, so you can draw from your spouse's pool of benefits if you reach the limit on your own policy.

MUST YOUR CAREGIVER BE LICENSED?

Check the caregiver requirements. Before you hire a caregiver, study the policy's fine print on the type of aide the company will cover. Below are the three care provider categories:

1. **Agency employees:** Most agencies hire screened, trained and insured caregivers. Agencies typically handle payroll taxes and employment obligations. Many provide additional support between the family, caregiver and client.

2. **Independent contractors with a registry**: Contractors are usually recruited, screened and referred to the client. The older adult may become the employer, assuming all labor-related responsibilities. While the contractor may have had criminal background and reference checks, he or she may not be receiving support, training and continuing education.

3. **Independent caregivers:** Most are responsible for finding their own clients and most LTCI policies do not cover independent caregivers. Like the registry, the older adult may assume an employer role and associated responsibilities. The older adult could assume the employer risk as well, since the independent contractor may not be covered by workers' compensation, liability and bond insurance.

Many policies will only pay for licensed caregivers who work for an agency. You don't want to discover too late that the aide you hired doesn't qualify under your policy.

"PARTNERSHIP PROGRAM"

Many states (including Georgia) have a "Partnership Program". Purchasing a Partnership-qualified ("PQ") long-term care insurance policy provides an added benefit. This benefit is described as "dollar-for-dollar" asset disregard or "spend down" protection.

Individuals who purchase a PQ policy 'earn' one dollar of Medicaid asset disregard for every dollar of LTC insurance coverage paid on their behalf. The protected assets will also be exempted from Medicaid's Estate Recovery in an amount equal to the benefits paid by the Partnership policy.

Stephanie buys a PQ policy and needs care one day. Her LTC policy pays out $250,000 of insurance claim benefits over a five-year period. Stephanie earns a Medicaid asset disregard that allows her to keep an additional $250,000 over the asset level she would otherwise have to meet in order to be eligible for Medicaid coverage.

For example, normally as an applicant for Medicaid, she would be allowed to have only retain $2,000 of assets. However, now she can retain $252,000. The Partnership Program not only disregards assets upon qualifying for Medicaid but also protects those assets after death from the state's Medicaid estate recovery program. So, in probate court, her home (assume valued at $225,000) plus another $27,000 of other assets could safely pass through to her heirs

Assume same facts except Stephanie is married to Mike and buys a PQ policy. Again, normally as an applicant for Medicaid, Stephanie would be allowed to have only retain $2,000 of assets. However, now she can retain $252,000. Effective January 2019, Mike under Georgia Medicaid is allowed a "Community Spouse Resource Allowance" (CSRA) of $126,420 of "countable" assets (this will be discussed in a couple of weeks in the Medicaid newsletter). Now, as a couple, instead of retaining only $128,420 (i.e. $2,000 plus $126,420), they can now retain up to $378,420 (Stephanie's $252,000 plus Mike's $126,480).

MAIN TAKEAWAYS

1. "Long-term care" refers to a host of services that aren't covered by regular health insurance.

2. People buy long-term care insurance for two reasons:
   A. **To protect savings.** Long-term care costs can deplete a retirement nest egg quickly.

   B. **To give you more choices for care.** The more money you can spend, the better the quality of care you can get. If you must rely on Medicaid, your choices may be limited to the nursing homes that accept payments from the government program. Medicaid does not pay for assisted living in many states.

3. Unlike traditional health insurance that pay most (or all) health care costs instead of the covered individual, long-term care insurance policies reimburse policyholders only once the applicable conditions are met.
4. In order to receive benefits from your long-term care insurance policy, you would have to meet two criteria:

   A. Benefit Trigger
   B. Elimination Period

5. ***Most policies pay benefits when you need help with two or more of six ADLs OR when you have a cognitive impairment (like Alzheimer's disease or dementia).*** The Activities of Daily Living (ADLs) are usually defined as:

   A. **Bathing:** The ability to clean oneself and perform grooming activities like shaving and brushing teeth.
   B. **Dressing:** The ability to get dressed by oneself without struggling with buttons and zippers.
   C. **Eating:** The ability to feed oneself.
   D. **Transferring**: Being able to either walk or move oneself from a bed to a wheelchair and back again.
   E. **Toileting:** The ability to get on and off the toilet.
   F. **Continence:** The ability to control one's bladder and bowel functions.

6. The "elimination period" is the amount of time that must pass after a benefit trigger occurs but before you start receiving payment for services.

7. *You need to familiarize yourself with your policy's triggers to become "benefit eligible." Note that elimination periods may not always equate to actual calendar days.*

8. Most policies sold today are comprehensive. They typically allow you to use your daily benefit in a variety of settings, including:

   A. Your home
   B. Adult day service centers
   C. Hospice care
   D. "Assisted living" facilities (also called residential care facilities or alternate care facilities)
   E. Nursing homes

9. Many policies will only pay for licensed caregivers who work for an agency

10. Many states (including Georgia) have a "Partnership Program". Purchasing a Partnership-qualified ("PQ") long-term care insurance policy provides an added benefit. Individuals who purchase a PQ policy 'earn' one dollar of Medicaid asset disregard for every dollar of LTC insurance coverage paid on their behalf. The protected assets will also be exempted from Medicaid's Estate Recovery in an amount equal to the benefits paid by the Partnership policy.

Disclaimer

The materials available at this web site are for informational purposes only and not for the purpose of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem.