

LONG-TERM CARE INSURANCE (LTCI)

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WHAT IS LONG-TERM CARE INSURANCE (LTCI)?

Introduction

Long-term care insurance (LTCI) is designed to help pay the costs of long-term care (LTC) services that Medicare and other types of health insurance do not cover. It also protects assets that a beneficiary would otherwise use to pay for long-term care. According to the National Clearinghouse for Long-Term Care Information, the average cost in 2008 for a private room nursing home stay was \$209 a day, or approximately \$74,000 a year. This number is projected to increase to approximately \$212,000 by 2030. According to the Family Caregiver Alliance, the number of persons who need LTC services will be an estimated 27 million by 2050, double the current number. This means that more people will likely need LTC services and, more importantly, a way to pay for it. LTCI is one way to cover the cost of LTC needs. It is important for people to plan for their LTC needs, and to decide how LTCI fits into their plans.

Note: In 2005, the typical LTCI consumer was 61 years old with income over \$75,000 and at least \$100,000 in assets.

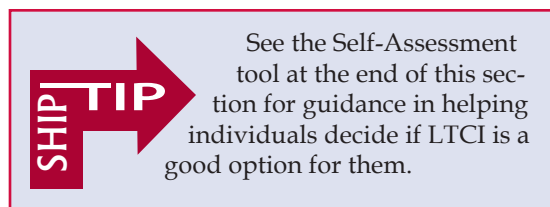
WHO NEEDS LONG-TERM CARE INSURANCE (LTCI)?

LTCI is one way to finance long-term care services that one might need in the future. However, it is not for everyone. According to AARP's Public Policy Institute, approximately 7 million LTCI policies were in force in 2005 (see http://assets.aarp.org/rgcenter/health/fs7r_ltc.pdf). LTCI paid for roughly 7 percent of national spending on long-term care costs. The aging network has seen that, generally, many people do not have assets with high enough value to justify spending expensive monthly LTCI premiums to protect them. The average monthly premium in 2007 for LTCI policies was \$165 for people aged 50 to 59. Aside from the cost of LTCI, many people are not sure about how to assess their future needs. What are the chances of needing long-term care services, or what is the risk involved? Others may not be sure when to buy LTCI. Does it make sense to wait a little longer to buy? Since premiums increase with a person's age, should one buy LTCI at age 50? 65? 70? Some may not be sure what the phrase "significant amount of assets" means. At what point does it make sense to insure against exhausting one's assets? These questions cause many people to waver when deciding to purchase LTCI.

Typically, LTCI is geared toward middle-class, middle-aged individuals, whose assets could easily be exhausted by a one-year stay in a nursing home. A general rule is that if a person's annual income is more than \$25,000 (single) and she has more than \$80,000 in liquid assets, LTCI may be a cost-effective insurance option. The following illustrates why someone would consider buying a LTCI policy.

EXAMPLE *Jo currently has an annual income of \$40,000 and \$145,000 in liquid assets in the bank. If she were to require LTC services in the near future, and received these services in a nursing home, she would have exhausted her assets in approximately two years time (i.e., \$75,000/annual average of NH x two years = zero assets in two years).*

Another point to keep in mind is that the risk of developing chronic medical conditions increases with age. Insurance companies use medical underwriting questions to screen for chronic conditions. Most companies will not sell LTCI to people who have potentially costly health problems. LTCI premiums also increase with age at purchase. In 2007, the average monthly premium for LTCI policies was \$129 for those younger than 60, while the average monthly premium was \$252 for people aged 70 and older.



WHAT IS LONG-TERM CARE (LTC)?

Overview

LTC refers to any form of help (e.g., assistance or supervision) that an individual requires for taking care of basic activities of daily living (ADLs), such as bathing, eating, dressing, toileting, and transferring. A person can receive LTC in many different settings, not just in a nursing home.

Note: Long-term care does not only mean nursing home care. A nursing home is just one type of setting that provides long-term care.

People may need LTC services because they experienced a gradual or sudden inability to care for themselves. This can occur due to an accident or a sudden illness. On the other hand, as life expectancy continues to increase, more people may need LTC services due to the gradual decline in capacity associated with the aging process.

Settings for Receiving Long-Term Care (LTC)

People can receive LTC in their homes or communities, not only in long-term care facilities like nursing homes. Many prefer to age in place and receive LTC services at home or in the community. Some benefits of receiving care in the community include easier access to family and friends, some of whom may also serve as caregivers. Another benefit is the comfort of remaining in a familiar environment without having to adapt to new surroundings. More and more, individuals opt to remain at home for many reasons. Among them is the fact that the national average cost of home-based LTC services (in 2008) is approximately \$20,000—significantly less than the cost of a nursing home.

SHIP TIP Advise consumers interested in a particular LTCI product to learn how the policy covers and defines “home care services” or “assisted living services.” Some policies may state that they cover assisted living facilities, but the policy’s definition of an assisted living facility may be at odds with a consumer’s understanding of the term and the setting that the consumer prefers.

Here are some of the settings where a person can receive LTC services:

- Home/Community-Based Settings
 - Adult Day Care and Social Day Care Programs
 - Home Health Agencies
 - Private Homes/Apartments
 - Respite Centers

- Facility-Based
 - Long-Term Care Hospitals
 - Skilled Nursing Facilities (SNFs)
 - Nursing Homes
 - Adult Foster Care
 - Personal Care Homes (also called Retirement Homes or Board Homes)
 - Domiciliary Homes (also called Assisted Living Residences)
 - Continuing Care Retirement Communities (CCRCs)

EXAMPLE *A LTCI policy defines an assisted living facility as having eight beds. The local facility that a consumer prefers has only six beds. Definitional differences exist between states and companies and this makes it important to understand key terms to make sound decisions and avoid disputes later.*

WHAT DOES MEDICARE COVER?

According to Georgetown University’s Long-Term Care Financing Project, in 2005 Medicare paid more than 20 percent of the nation’s \$206.6 billion total spending on long-term care services (<http://ltc.georgetown.edu/pdfs/natspendfeb07.pdf>). Medicare paid for more than one-fourth of the home care that Medicare beneficiaries received. While Medicare’s coverage for LTC services is limited, the program’s coverage for skilled nursing care, long-term care hospitals, and hospice care under Medicare Part A, and for home health care under both Part A and Part B, is an important source of financing for some long-term care services.

The Medicare law, however, excludes “custodial care” from the program’s coverage. The Original Medicare program does not pay for custodial level care *if that is the only care that a beneficiary needs*. It also is important for those with Medigap (Medicare Supplement) insurance to know that these policies do not offer supplemental LTC insurance coverage. Similarly, beneficiaries enrolled in Medicare Advantage (MA) plans typically will find that they have no additional coverage for LTC services, though some plans offer services like meals on wheels following hospital stays. Nevertheless, services at the custodial care level, such as help with cooking and cleaning, are what many people need.

Medicare has three post-acute care benefits that may provide some long-term care services to some beneficiaries:

- **Skilled Nursing Facility (SNF) Care:** Medicare pays for 100 days of SNF care in a benefit period. It covers 100 percent of the cost for the first 20 days, and the beneficiary owes a coinsurance charge of \$137.50 per day after the 21st day. To qualify for coverage in the Original Medicare program, the SNF stay must follow an inpatient hospital stay of at least three days in length and the beneficiary must receive skilled nursing or rehabilitation services on a daily basis.

- **Home Health Care:** Medicare pays 100 percent for home health care for beneficiaries who are homebound and need rehabilitation care or skilled nursing services on a part-time or intermittent basis. There is no limit on the number of covered days for home health care as long as the beneficiary remains homebound and receives a skilled service (such as a nursing visit) at least once in a 60-day period. Medicare also covers the services of home health aides that includes help with some activities of daily living, such as bathing, for beneficiaries who receive skilled services.
- **Long-Term Care Hospitals (LTCH):** Since 1999, Medicare has certified some facilities to operate as long-term care hospitals (LTCH). Their average inpatient length of stay must be 25 days or longer. These hospitals typically provide post-acute extended medical and rehabilitative care for patients whose conditions are complex and who may have more than one acute or chronic condition. They provide services such as rehabilitation, respiratory therapy, cancer treatment, head trauma care, and pain management.

For purposes of covered days in a benefit period, Medicare treats LTCHs the same as acute care and rehabilitation hospitals. The number of days spent in a LTCH count toward Medicare's 150 covered inpatient hospital days in a benefit period. Where they exist, LTCHs provide an alternative to skilled nursing facilities for some patients. As of June 2009, approximately 400 LTCH facilities operated nationwide.

HOW DOES LONG-TERM CARE INSURANCE (LTCI) WORK?

LTCI is one way to help pay for the LTC services that Medicare excludes from coverage. It is important that beneficiaries with a middle-class income and significant assets consider financing options like LTCI. The alternative is for Medicare beneficiaries who need only a custodial level care or help with ADLs to rely on family or friends to provide the care or to pay out-of-pocket to cover the cost of the care.

LTCI Policies

There are several types of LTCI policies available to consumers. Companies sell policies on an individual and group basis, often through employers. Most LTCI policies have some common features. These include conditions of coverage, daily payments, and a maximum benefit. Consumers may be able to buy additional benefits, such as inflation protection. Some people may need a SHIP counselor to help them assess the value of various LTCI policy features and the marketing claims.

Generally, insurers selling LTCI will screen applicants for existing medical conditions before issuing a policy. The companies decide to accept or reject the "insurance risk" and then set a premium based on a medical underwriting assessment that may include such factors as age, gender, lifestyle, and family history.

LTCI Policy Basics

LTCI policies provide benefits according to an “Outline of Coverage” that summarizes a policy’s key benefits, terms, and conditions. Consumers can use Outlines of Coverage to compare the benefits of two or more policies. State law requires companies to give Outline of Coverage to those who request them. An Outline of Coverage must describe the terms under which a person can return the policy for a refund and when the company may change premiums. It also must describe the policy’s key benefits, exclusions, and limitations, and explain any provisions for inflation. Here are some important LTCI policy features that consumers should review carefully when they read an Outline of Coverage:

- **Benefit Triggers:** Insurance companies use conditions of coverage called “triggers” to decide when a consumer is eligible to receive benefits. Most policy triggers involve an inability to perform ADLs (the number of ADLs can vary among policies), a cognitive impairment, a doctor’s signed Certificate of Medical Necessity, and with some older LTCI policies, prior hospitalization.
- **Pre-Existing Condition Waiting Period:** This is the waiting period before a policy will pay for care related to a health condition that the consumer had when applying for the policy. Insurance companies cannot limit coverage for pre-existing conditions for more than six months.
- **Plan of Care:** Most companies will require a Plan of Care before paying benefits. The Plan of Care is a document written by the consumer’s health care providers that prescribes the LTC needed, including the (1) necessity of care, (2) type of care, and (3) frequency and length of care.
- **Elimination, Deductible, or Waiting Periods:** The amount of time a company waits to start benefit payments after a consumer’s need for LTC services “triggers” her eligibility for payments. These periods may last up to 100 days. Usually, a longer elimination period corresponds to a lower premium.



Tax-qualified policies have more restrictive benefit triggers. In order to qualify for their benefits, a health care provider must certify the consumer as being chronically ill. Advise consumers to pay close attention to a policy’s benefit triggers.

EXAMPLE *Darren enters a nursing home with a LTCI policy that has a 30-day elimination period. If the nursing home costs \$200 a day, he may have to pay the first \$6,000 ($\$200 \text{ a day} \times 30 \text{ days} = \$6,000$).*

Remember that Medicare will help pay for the first 100 days, but only if he receives skilled care on a daily basis. If he receives skilled care on a less than daily basis, Medicare will not cover the stay. Even with Medicare, Darren may face out-of-pocket costs for the first 30 days of his stay before his LTCI policy takes effect.

- **Exclusions:** There are certain medical, mental, or other conditions that a LTCI policy may not cover. State law may allow exclusions for:
 - Mental and emotional disorders or diseases (other than Alzheimer’s disease or related disorders)
 - Alcoholism or drug addiction
 - Attempted suicide or intentionally self-inflicted injuries

LTCI Policy Payments

When a person’s need for LTC services has “triggered” the policy’s benefits and the elimination (or waiting) period has passed, the consumer receives coverage as with other types of insurance. The company pays on claims for LTC as providers deliver services. The payment amounts depend on the scope of benefits that the consumer chose when purchasing the policy. The main features in LTCI policies that are the source of different payment amounts are:

- **Daily Benefit Amount:** A daily benefit amount (DBA) is a specified dollar amount that is the most a company will pay per day for covered services. The consumer is responsible for any costs of care above that amount. Policies often have different DBAs for home care and nursing facility care. Thus, before choosing a DBA, consumers should learn how much home-based and facility-based services cost in their community. LTC service costs vary between different areas and providers. Most policies pay DBAs ranging from \$50 a day to as much as \$500 a day. Generally, a higher DBA corresponds to a higher policy premium.

EXAMPLE *Gretchen chose a policy with a daily benefit amount (DBA) of \$80 per day. The home health care agency providing services costs \$100 a day. Since Gretchen is responsible for any costs above the DBA, she owes the \$20 difference out-of-pocket.*

- **Duration of Benefits or Maximum Benefit Limit:** Most policies limit the total benefit they pay over the life of a policy. Insurance companies usually referred to this feature as the “duration of benefits.” Companies usually sell policies with total payments measured in one-year increments. The duration of benefits can be one year to a lifetime. Most people buy policies with benefit limits of two to five years. Generally, policies with longer maximum benefit periods cost more.

EXAMPLE *A policy that pays \$150 a day (DBA) for up to five years will cost more than a policy that pays \$100 a day (DBA) for three years.*

- **Benefits Paid Limit:** While most LTCI policies pay expenses up to the DBA selected, some policies have more flexibility. They have a weekly or monthly limit, not a daily limit, on how much they will pay. This is important because most people who receive care at home do not receive the same amount of care each day. This feature allows consumers to spend more money on care on those days when they might not have any family care (e.g., while a caregiver is at work), and spend less or nothing on days when family care is available. A weekly or monthly limit approach may result in greater coverage for home care costs than with a daily benefit limit.
- **Benefit Payout Method:** Insurers pay LTCI policy benefits in two ways: indemnity or expense-incurred. With an indemnity payment, the company pays the dollar amount of the policy's DBA regardless of the actual cost of LTC services on that day. With an expense-incurred payment, the policy may pay less than the DBA if the actual cost of care is lower. For example, if the DBA is \$100 and care costs only \$80, the policy pays \$80.
- **Inflation Protection Rider:** While the cost of nursing home or home health care increases each year, LTCI benefit payments remain the same without inflation protection. An inflation protection feature usually adds an extra 5 percent to the daily benefit amount, compounded annually. Protection against inflation may be an important addition to a consumer's policy.
- **Premium Payment:** People can pay LTCI premiums in several ways: monthly, quarterly, semi-annually, or annually. Some companies have "10 Pay" or "20 Pay" programs in which an insured person pays premiums for 10 or 20 years until the policy is paid in full. The other special payment option is "65 Pay," where an individual pays premiums up to age 65 when the policy is paid in full.
- **Tax-Qualified/Non-Tax Qualified:** Under a HIPAA provision, some LTCI policies may meet certain federal standards which allow insured persons to deduct premiums as a medical expense. In some cases, policyholders can include all or a part of the premium as a federal income tax deduction and may not be required to pay federal taxes on the policy's benefit payments. Tax qualifications vary by state and policy. Advise consumers to contact their tax advisors for more information.
- **Pooled Benefits or Joint Policies:** Couples might consider buying a joint LTCI policy that covers both people and has a lower premium than buying two separate policies. At the very least, couples should ask about discounts when buying more than one LTCI policy from the same company.

Note: Non-tax qualified policies do not meet the requirements of a partnership policy. For more information on "partnership policies," see section on PLTC.

Other Factors to Consider when Evaluating LTCI Policies

- **Age:** Most companies typically will not sell a policy to an individual under age 18 or over age 85. Some may limit the amount of insurance that someone can buy when they reach age 80. In addition, age usually determines premium amounts: the younger the buyer, the lower the premium; the older the buyer, the higher the premium. Consumers should consider buying LTCI when they are younger (i.e., age 40 to 50 years) to avoid paying higher premiums later.
- **Premium:** Companies base their premiums on the age at purchase and the scope of the policy's benefits. Consumers should weigh carefully how well they can afford a policy's premium. A general rule is that a LTCI policy premium should be no more than 7 percent of a person's or a couple's annual income.
- **Pre-Existing Conditions:** The law allows companies to underwrite a consumer's risk, meaning that they can look at health, lifestyle, and family history before deciding to issue a policy. Companies usually charge higher premiums for higher-risk individuals (e.g., smokers). Others may refuse to issue a policy altogether if the individual is likely to need covered services in the near future.
- **Gender:** Some companies view women as higher-risk than men because they have longer life expectancies, tend to outlive their spouses (who may have provided LTC services as caregivers) and are therefore more likely to need LTC services.
- **Financial Ratings Companies:** Several companies rate insurance companies on their financial condition and "claims paying ability." The rating scales typically use a grade system (e.g., A++), although different companies use different scales. Before buying a LTCI policy, advise consumers to check an insurance company's current standing. The rating companies include:
 - A.M. Best A.M. Best Company, 1-908-439-2200, <http://www.ambest.com>
 - Demotech, Inc., 1-614-761-8602, <http://www.demotech.com>
 - Fitch, Inc., 1-800-753-4824, <http://www.fitchratings.com>
 - Moody's Investors Service, 1-212-553-1653, <http://www.moodys.com>
 - Standard and Poor's, 1-212-438-2400, <http://www.standardandpoors.com>
 - Weiss Research, Inc., 1-800-289-9222, <http://www.weissratings.com>

Consumer Issues in Long-Term Care Insurance Sales

To protect themselves, consumers should be aware of tactics that some agents may use to sell LTCI policies that include:

- **"Churning" people between LTCI plans.** This occurs when an agent sells someone a LTCI policy and then, a few years later, returns to sell another policy. The agent may market it as a "new and better" policy. Insurance agents typically receive higher commissions in the first year that a policy is in force. "Churning" someone into a new

policy yields more money for the agent. SHIP counselors should help clients make sure before switching to a new policy that it is actually better than the old one.

- Some agents may use a policy's lack of clarity to a consumer's detriment. Remind your clients to ask about a policy's terms and definitions. This ensures that the policy will cover the kind of services that your clients prefer and that are available in your community. If the terms are not entirely clear, people should ask agents to provide written explanations before deciding to purchase a policy. Agents must not pressure consumers into purchasing policies they do not understand.
- Remind your clients never to pay premiums with cash, and always to make checks payable to the insurance company, not the agent.

Consumer Protections

State insurance departments require companies to make sure that their LTCI policies contain certain consumer protections. Encourage your clients to keep them in mind when buying a LTCI policy. The protections include:

- **Outline of Coverage:** All insurance companies must provide a Long-Term Care Insurance Outline of Coverage complete with an explanation of benefits, terms, and conditions, limitations and exclusions contained in a policy.
- **30-Day Free Look Period:** Consumers have a no obligation, 30-day free "look period" in which they can decide to cancel a policy and receive a full refund of any premiums they paid.
- **Inflation Protection:** This policy option provides increased benefit levels to help cover the cost of expected increases in the price of LTC services. For example, a \$100 DBA that increases by a simple 5 percent each year will go up \$5 a year, and would be \$200 in 20 years. If compounded, the benefit would be \$265 in 20 years. By law, insurance companies must offer this option.
- **Guaranteed Renewable:** Guaranteed renewable means that the insurance company cannot cancel a policy or make any changes to the policy's provisions, except for failing to pay premiums.

WHAT ELSE DO I NEED TO CONSIDER WHEN PURCHASING A POLICY?

There are a few other optional features in LTCI that a consumer may want to consider when buying a policy. These options usually cost more in premiums and not all companies may offer them. They include:

- **Alternative Plan of Care:** Insurance companies may agree to pay for a service that the policy's terms do not specify among its covered benefits.
- **Bed Hold:** If a nursing home resident goes to the hospital, some policies will pay to hold her bed in the nursing facility for a specified number of days.

- **Caregiver Training:** This benefit pays to train an informal (unpaid) caregiver to care for a person in her home. This training provides information on how to give safe and appropriate personal care.
- **Domestic Partner Coverage:** This option provides LTC coverage to people who have filed as domestic partners with a government agency, reside in the same residence, and have an exclusive mutual commitment to share the responsibility for each other's welfare and financial obligations.
- **Durable Medical Equipment:** This option provides assistance in obtaining durable medical equipment such as a wheelchair, lift chair, or walker. Note that Medicare Part B covers DME and supplies for Medicare beneficiaries in their homes.
- **Emergency Response System:** This policy option helps obtain an emergency response system.
- **Hospice Benefit:** This option will cover services furnished by a hospice facility for the care or management of a terminal illness. Note that Medicare Part A has a hospice benefit for Medicare beneficiaries whose life expectancy is six months or less.
- **Nonforfeiture Benefits:** This feature enables a consumer who can no longer afford to pay the LTCI premium to have the policy pay a portion of benefits.
- **Restoration of Benefits:** Some policies restore benefits to the original maximum amounts after a period – often 180 days – during which the insured person goes without treatment or services paid by the policy. For example, if a policy has a maximum benefit of three years and the consumer has used one year, if the person does not use LTC services for six months the company automatically restores the maximum benefit to the original three years.
- **Shared Care (also called Spousal Benefit Transfer):** This provision allows an insured spouse to receive benefits under the other spouse's policy when she reaches the maximum lifetime benefit in her own policy.
- **Survivorship Benefit:** If both spouses have LTCI policies with the same insurance company, when one spouse dies, no more premiums will be due on the surviving spouse's policy as long as no claims were paid to either policy during the first 10 years of concurrent coverage. This provision makes it easier for a surviving spouse to continue to maintain coverage even when her financial situation declines after her spouse's death.
- **Waiver of Premium:** This policy provision relieves the insured of paying the premiums after the policy starts to pay benefits. Some companies automatically include this benefit in their policies. Others offer it as a rider at additional cost.

WHAT ARE PARTNERSHIPS FOR LONG-TERM CARE (PLTC)?

The Partnership for Long-Term Care (PLTC) is a public-private program between state Medicaid programs and private LTCI companies. Its purpose is to encourage more people to buy LTCI, and thereby reduce or eliminate the burden on Medicaid to pay for long-term care services. As with individual and group LTCI policies, PLTC is aimed at middle-income individuals who want to plan for possible long-term care needs, have considerable assets to protect, and can afford the premiums. The big difference between PLTC policies and other LTCI, however, is that “partnership policies” protect assets and enable access to Medicaid’s LTC benefits, including nursing facility care, without requiring the policyholder to impoverish herself.

Through the PLTC, individuals can purchase policies that meet the program’s requirements. When the policy’s benefits are exhausted, policyholders are eligible for Medicaid to help pay for LTC services, without depleting all of their remaining assets. It is important to keep in mind that participants must meet other Medicaid eligibility requirements as defined by their state programs.

How Are Assets Protected?

States can use two asset protection models: dollar-for-dollar and total asset protection.

In the dollar-for-dollar model, the value of the assets protected is equal to the amount of insurance coverage purchased. For example, an individual who buys a policy with a maximum benefit of \$100,000 could protect \$100,000 of assets. After the policy’s payments reach the maximum benefit, Medicaid then covers LTC services. The states most often use this model.

In the total assets model, individuals purchase policies that protect all of their assets when they reach the policy’s maximum benefit and the need to apply for Medicaid benefits arises. For example, an individual who purchased a policy with a \$200,000 total benefit could protect all assets even if they exceed \$200,000. A limited number of states offer this model in their PLTC programs. In addition, some states offer hybrid options that allow a choice between these models.

There are some other key components to a LTCI Partnership policy.

- **Inflation Protection:** Federal law requires partnership policies to incorporate some type of inflation protection depending on the age of the policyholder at the time of purchase.
- **Reciprocity:** Federal rules allow policyholders to purchase a policy in one state, move to another state, and receive asset protection from the new state’s Medicaid program. Most reciprocity agreements are still in development and are likely to vary from state to state.

- **Tax-Qualified:** This feature allow individuals to receive certain tax advantages when buying a PLTC policy. Partnership policies are required to be tax-qualified policies.

The Partnership program began as a demonstration project in four states – California, Connecticut, Indiana, and New York. As of September 2009, 43 states have partnership programs or are in the process of implementing these programs (http://www.chcs.org/usr_doc/LTCP_State_Participation_Map.pdf). For more information on your state’s Partnership program, or to find out if your state is planning to offer the Partnership program, contact your state insurance department.

RESOURCES FOR LONG-TERM CARE INSURANCE (LTCI) COUNSELING

Self-Assessment Tool

Individuals must make the decision to purchase LTCI when they are still relatively healthy. People need to know (1) if their financial situation requires they will need LTCI, and (2) if they will be able to afford it. Here are some guidelines that your clients can use to help sort out whether or not they should consider LTCI as a financing option.

LTCI may be appropriate if a person answers “yes” to most of the following questions:

- Do you have family history of medical conditions? Do you anticipate the need for long-term care services?
- Do you have significant assets to protect? Do you have more than \$80,000 in liquid assets (not including car or home)? Is your annual income more than \$25,000-\$35,000 (single) or \$35,000-\$50,000 (couple)?
- Do you want to pass along your assets to your heirs or others who survive you?
- Do you want to insure yourself against the cost of long-term care services rather than plan to pay for care out-of-pocket with your income and liquid assets?
- Can you afford the insurance premiums (i.e. up to \$2,000 annually) in addition to all your current bills?
- Do you want more choices regarding the type of LTC you hope to receive?
- Do you want to protect family members or friends from having to provide care?

EXAMPLE *Davis and Vickie are in their mid-40’s and they have two young children. They have \$450,000 in liquid assets and an annual joint income of \$175,000. They would like to remain at home if the need for LTC services arises. They also want to have enough money available to pay for their children’s college educations. Their current budget allows them to afford a monthly insurance premium of \$300.*

Davis and Vickie appear to be good candidates for LTCI. They have significant assets to protect, are relatively young, and can afford to pay a LTCI premium.

LTCI may not be appropriate if a person can answer “yes” to most of these questions:

- Do you have few or no assets?
- Would you have to stop paying other bills in order to pay the insurance premiums?
- Is your only income from Social Security or Supplemental Security Income (SSI)?
- Do you already qualify for Medicaid?

EXAMPLE *Alexandra is a 68 year-old retired widow who enrolled in a Medicare HMO with drug coverage. She never purchased LTCI and has recently started to wonder if she now needs it. She has \$30,000 in the bank and receives a monthly Social Security check of \$1,500. She is relatively healthy and has minimal monthly expenses.*

Alexandra is probably not a good candidate for LTCI. The \$212 average monthly premium for someone in her age group would consume 11 percent of her income. She has minimal assets to protect, and would quickly qualify for Medicaid if she ever needs LTC services.

LTCI may not be appropriate for individuals who have more than enough assets (i.e., over \$1 million) to be self-insured.

Note: *Expect LTCI policy premiums to increase over time. Companies can raise premiums if their losses justify a price increase, or whenever changes in the law increase the cost of doing business. Nevertheless, insurance companies can only revise premium rates on a “class” basis and not single out an individual.*

WHERE TO LEARN MORE

For general information on long-term care insurance, see:

- *The Shopper’s Guide to Long-Term Care Insurance*, a helpful consumer’s guide published by the National Association of Insurance Commissioners, <http://www.naic.org>. Order by writing the NAIC at 2301 McGee Street; Kansas City, MO 64108, or call NAIC at 1-877-470-NAIC.
- *Long-Term Care Insurance: Is it Right for You?* is a fact sheet available on AARP’s Web site, <http://www.aarp.org>.
- Visit the National Clearinghouse for Long-Term Care Information Web site, administered by the Administration on Aging (AoA), at http://www.longtermcare.gov/LTC/Main_Site/index.aspx for consumer-friendly information and resources to help with future long-term care planning.
- For more information on LTCHs, see CMS’s *What are Long-Term Care Hospitals?* fact sheet at <http://www.medicare.gov/publications/pubs/pdf/11347.pdf>.
- *Future Planning Kit* is CMS’s free planning guide for long-term care, in English and Spanish. Download the kit, or request one by mail, by visiting http://www.longtermcare.gov/LTC/Main_Site/Planning_LTC/Campaign/Kit/index.aspx.