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# Long-Term Care: Definitions, Underpinnings & The Partnership

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Developed as part of a Collaborative State Project between  
the Health Assistance Partnership and the SHICK (Senior  
Health Insurance Counseling for Kansas) program

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HealthAssistance  

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*Helping SHIPs Help Medicare Consumers*

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# Long Term Care Insurance (LTCI)

This training covers:

- ❑ The Basics of Long-Term Care
- ❑ The Evolution of Partnership Policies
- ❑ Consumer Protections
- ❑ Partnership Model
- ❑ Consumer Tips

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# The Basics of Long-Term Care

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# Who Needs Long-Term Care?

- Gradual or sudden inability to care for self
  - Life expectancy after age 65 has increased by 17.9 yrs (or 82.9 years) increasing likelihood of need
  - Require assistance with Activities of Daily Living
    - Bathing, continence, dressing, eating, toileting and transferring
    - Custodial care (instrumental ADLs, such as cooking, escorting, housework, etc)
  - Loss could be sudden or gradual
    - short or long term need
  - Cognitive impairment
    - Alzheimer's disease, sudden injury, etc.

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# Who Pays for Long-Term Care?

- Medicaid – State and Federal Government
- Individual – Self Pay, market rates
- Purchasing Long-Term Care Insurance
- Private policy purchase
  - Via employer or other group, or self
  - Can be purchased with spouse as “joint policy” (“joint benefit”)
  - Can be purchased with group, or “pooled benefit”
- Use of providers that you choose, rather than government contractors
- Purchasers of LTCI claim “peace of mind” and tend to be “planners”
- Can be any age from 18 and up

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**LTCI:**  
**The Evolution of  
Partnership Policies**

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# LTCI

- Two Types of LTCI
- Commercial Policies (non-partnership)
  - Sold individually or through groups such as employers
  - Protect assets and assist in time-limited coverage of long term care needs
- Partnership Policies
  - Currently only sold in CA, CT, NY and IN – more states to come
  - Protect assets and assist in time-limited coverage of long term care needs
  - Allows for access to Medicaid benefits once coverage is exhausted

# LTCI: Partnership Policies

## ■ Partnership Policies

- **Asset protection and access to Medicaid once benefits are exhausted is the key difference between Partnership and Commercial policies**
  - Retain a specified amount of one's assets and qualify for Medicaid after using up all insurance benefits in the policy
    - Medicaid income limits still apply
- Currently only implemented in four states:
  - California, Connecticut, New York and Indiana since 1996 (OBRA restricted ability for states to participate)
  - DRA lifted restrictions on partnership participation
  - States considering: AL, CO, DE, ID, IL, IA, KS, MD, ME, MA, MT, MO, NJ, NC, ND, OH, OK, PA, RI, SC, SD, TX, WA, VT, WI, WY.

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# LTCI Partnership Policies: The Beginnings

- Partnership started in 1988 – RWJF
  - Four States awarded seed money
    - CT – 1992
    - NY – 1993
    - IN – 1993
    - CA – 1994
  - These four states had two Partnership models they could have chose to adopt
    - Dollar for Dollar
    - Total Asset Protection
    - Both models allowed for access to Medicaid once exhaustion of private insurance benefits

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# LTCI: the DRA re-opened

## Partnership participation (1)

- Partnership expansion - direct result of the Deficit Reduction Act of 2006
  - States filing Medicaid State Plan Amendment with HHS
  - No legislation or regulations needed to file an amendment.
    - Encourages participation
  - States cannot impose requirements on Partnership policies that are different from state requirements for non-Partnership policies.
    - Increases uniformity between partnership and non, but there are no standards or uniformity from policy to policy
  - HHS to determine rules of reciprocity (interstate purchase and use of benefits)
    - States can opt out of reciprocity
    - Can purchase a policy in one state, spend-down in that state and use the policy in another state
    - Rules are still pending on reciprocity as of 3/2007

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# LTCI: the DRA re-opened

## Partnership participation (2)

- The key provisions in the DRA to Partnership Policies are:
  - ❑ Expanded authority – permits new partnerships
  - ❑ NAIC Model Regulations – eligible partnership programs must adopt new model standards
  - ❑ Portability of policies (reciprocity) – HHS to provide standards for uniformity across states
  - ❑ Clearinghouse for LTC Information: “Own Your Future” Campaign at 3 million per year to educate and assist consumers about Medicaid and private long-term care insurance.

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# LTCI Partnership Policies – still in flux

- Asset disregard protections are key benefit
  - Reciprocity between states has yet to be decided (except between CT and IN)
  - Usefulness of Partnership policies is tbd
  - Uncertain if Partnership actually saves Medicaid money
    - Not in place long enough to determine
  - Still determining a baseline that encourages states to participate despite Medicaid program differences
  - DHHS is establishing a uniform data set to be reported by insurers to HHS
    - Assessing data currently used within 4 partnership states

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Source: 1) Assistant Secretary for Planning and Evaluation (ASPE) of Health and Human Services. "Reporting & Reciprocity for DRA Partnerships." Hunter McKay. 2007 Joint Conference of ASA and NCOA 2007. 2) Bonnie Burns, California Health Advocates, March, 2007.

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# Questions

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# **LTCI: Consumer Protections**

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# LTCL: The Coverage

- Similar to all other LTCL commercial products, Partnership policies provide coverage in the following manner:
  - Comprehensive – benefits and services institutionally and in the home, as well as community based care such as Adult Day centers
  - Facility only policies – institutional coverage only, nursing homes, assisted living (depending on policy)
  - Home Care only policies – community based care and home care services depending on the policy and state sold

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# LTCI: Premium Cost Factors

- How much does LTCI Cost?
  - Individual and personal factors that affect premium cost
    - Age
    - Gender
    - Health status
  - Other costs affected by premium benefits are
    - Daily benefit amounts
    - Elimination Period
    - Duration of coverage
    - Type of coverage
    - Inflation Protection
    - Nonforfeiture benefits

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# Factors Involved in Pricing LTCI Policies

- Medical Underwriting
  - Pre-Existing Conditions
    - Once received medical advice or treatment, or had symptoms within a certain period before applying
    - Some companies look further back than others
    - Companies that learn of a pre-existing condition later, may not pay for treatment or may cancel coverage – can usually do so within 2 years of purchasing the coverage
  - Eligibility to qualify for a policy, how much the policy will cost, and what kinds of benefits will be available are all based on the following:
    - Age
    - Health Status
    - Marital Status
    - Lifestyle
    - Family and Medical History

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# LTCI: Incentive for Purchasers – HIPAA

- The Health Insurance Portability and Accountability Act (HIPAA) of 1996
  - Allowed for federal income tax advantages to people who buy certain policies
    - “Tax-Qualified Contracts” include:
      - Inflation protection
      - Compliance with consumer protections under NAIC
      - Nonforfeiture benefits
      - Some states offer additional tax incentives
    - Encourages participation in partnership and commercial long-term care insurance policies
      - Under tax qualified policies, a portion of the premium can be deducted from income tax
    - Not all policies are federally tax-qualified

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Source: National Association of Insurance Commissioners. “A Shopper’s Guide to Long Term Care Insurance.” March 2006.

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# LTCI: Benefit Triggers

## ■ Benefit Triggers

- The way insurance companies decide to provide benefits and evaluate eligibility for care
- Eligibility for Benefits in policy or “outline of coverage”
- Set criteria in policy, each policy is different
  - All tax qualified policies require need for help with at least 2 ADLS, typically bathing must be one of those
  - And/or severe cognitive impairment related to Alzheimer’s, Parkinson’s or dementia of some kind
  - Companies can have different benefit triggers for home health care and nursing home care, but most do not
  - Tax qualified policies do not require a doctor to determine medical necessity as a benefit trigger

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# LTCI: Elimination Period

- The amount of time you wait for your benefits to start once you have “triggered” them
  - Can be anywhere from 0-100 days
  - Waiting period before policy starts to pay
    - Shorter the elimination period, the more expensive the policy
  - Established at the time policy is purchased
  - Can be calculated using calendar days or days you receive covered service

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# The Daily Benefit

- Once the benefits have been triggered, benefits are paid out in a variety of ways
  - ❑ Reimbursement for services daily, weekly or monthly amounts
  - ❑ Reimbursement limited to specific costs and services, capped at specific daily, weekly or monthly amounts
  - ❑ Payment in percentages or periodic lump-sums
  - ❑ Paid as a cash benefit once the trigger is met regardless of services received (rare)

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# LTCI: Inflation Protection

- Required as a result of the DRA for those younger than age 61 who purchase a policy
  - Some level of inflation protection for those aged 61-76
  - Optional for those aged 76 and older
- The most important investment for a policy – increases the premiums but years from now your benefits will increase with the rising cost of health care
  - The younger the policyholder, the more likely the need for inflation protection

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# LTCI: Nonforfeiture of Benefits

- In general, a policy is considered lapsed when premiums are no longer paid – LTCI is not equity
  - There is no beneficiary – policyholders cannot leave their policy to someone else for any unused portion
  - Policyholders cannot get their money refunded if they are not in the free look-back period, or have not purchased a nonforfeiture benefit. Nor can they receive any benefits if they should stop paying the premiums even after 10 or 20 years of paying
- For this reason, Nonforfeiture clauses are critical
  - Allows for some portion of the benefit to be paid even after premiums are no longer paid
  - For whatever reasons s/he cannot afford the premiums or stops paying, s/he will receive some value for the money paid in after a certain period of time

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# LTCI: Guaranteed Renewable

- Policyholders have the right to continue their policy as long as the premiums are paid on time – insurers cannot terminate a policy despite declining health status
- Insurers cannot make a change in the policy while the benefits are in force without consent
- Insurers cannot change the premiums for an individual
  - Level premiums
  - They can however, change insurance premiums across the board for a certain age group (class) with certain types of policies

# LTCI: Premiums

Average Annual Premiums for Basic LTCI	Type of Policy	Age			
		40	50	65	79
	\$100 daily benefit, 4 yrs coverage, 20 day elimination period, no inflation protection or nonforfeiture benefits	\$300	\$409	\$1,002	\$4,166
	\$100 daily benefit, 4 yrs coverage, 20 day elimination period, and <b>5% compound inflation protection</b> , no nonforfeiture benefits	\$649	\$881	\$1,802	\$5,895
	\$100 daily benefit, 4 yrs coverage, 20 day elimination period, no inflation protection, but <b>with nonforfeiture benefits</b>	\$382	\$506	\$1,196	\$5,067
	\$100 daily benefit, 4 yrs coverage, 20 day elimination period, <b>with 5% compound inflation protection and nonforfeiture benefits</b>	\$798	\$1,087	\$2,130	\$7,000

Source: National Association of Insurance Commissioners. "A Shopper's Guide to Long Term Care Insurance." March 2006.

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# Questions

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# **LTCI: Partnership Model & Cost Factors**

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# LTCI: Dollar For Dollar (Partnership Model)

- Dollar for Dollar
  - Implemented by CA and CT and most recently NY (IN has a hybrid model)
    - Allows people to buy LTCI that protects a specified amount of assets
    - Still requires contribution of income to spend-down to Medicaid eligibility
    - Still subject to state Medicaid rules
    - The rationale is that the amount the LTCI policy pays out is parallel to the beneficiary spending down private assets before qualifying for Medicaid
      - For example: maximum benefit coverage of \$50,000 would protect \$50,000 worth of assets if in need of Medicaid

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# LTCI: Total Asset Protection (Partnership Model)

- Total Asset Protection
  - Requires a participant's insurance to cover 3 years of nursing home care or 6 years of home care, or any combination of the two, to qualify as a Partnership policy
  - Still requires contribution of income to spend-down to Medicaid eligibility
    - The rationale is that during this prescribed amount of time, the Medicaid program is saved from paying for services received
    - Premiums are higher
      - 100% of all assets protected should the person need Medicaid after using the policy

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# LTCl: Collateral Effects of the Partnership

- The effectiveness of the Partnership reducing the burden on Medicaid remains unclear
- Notable outcomes of the Partnership thus far
  - Have had an impact on consumer insurance protections
    - Improved insurance regulations for all LTCl policies
      - Delays/postpones spending down
    - Inflation protection rider
    - May improve quality of care provided through Medicaid
  - Targets potential purchasers at younger age
    - Buyers of partnership are in their late 50s or early 60s
      - The average age for commercial LTCl products is 67

# LTCI: To Buy or Not to Buy?

- Do NOT buy LTCI if:
  - ❑ Cannot afford the premiums
  - ❑ Only source of income is Social Security or SSI
  - ❑ Have limited assets
  - ❑ Have trouble paying utilities, food, medicine, rent, etc.
  - ❑ Are on Medicaid
- You may CONSIDER buying LTCI if:
  - ❑ Can afford premiums and premium increases over time
  - ❑ Have significant assets and income that you want to protect
  - ❑ Want to stay independent of the support of others for as long as possible
  - ❑ Want the flexibility of choosing providers and/or care settings

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# LTCL: Scrutinize Your Policy

- The “**free-look**” period of the policy is a critical time
  - Seek counseling around terminology
  - Understand the parameters of the benefits within that time
  - Talk with family and discuss hypothetical situations that could arise over using the policy
  - Only chance to void the contract
  - Opening policies and closing them repeatedly is not favorable with future insurers
  - This period can be up to 30 days, but varies by state

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# Questions

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# LTCI: Consumer Tips

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Ask Before You Buy

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# LTCI: Homework is Key

- Always work through your State Department of Insurance
  - Regulate and license agents, brokers, policies
  - Always meet with more than one agent if possible (“shop around”)
    - Agents or Brokers can sell policies from one company or sell several policies from different companies
      - Those who only sell policies from one company may not have overall knowledge of the market place
  - DOI has the overall view of what is being sold
    - Knowledge of longevity in business, any name changes (company mergers)
- Check with the Better Business Bureau before you buy
  - Private, for-profit insurance companies

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# LTCl: Caveat Emptor

- Do not trust any sales presentation or literature that claims you have one chance to buy a policy
- Some insurers sell directly via the mail and do not use agents
  - Ask questions
- Do not be misled by advertising
  - Medicare does not cover LTC
  - Celebrities or other endorsers are paid to advertise – they are not insurance experts
  - Do not take any mail received about LTCl without contacting the State DOI to verify legitimacy
- Do not buy more coverage than you need
  - Do not buy more than one policy
    - Buying a greater daily benefit to “beat” inflation instead of purchasing inflation protection is not realistic – buy the daily benefit that best matches the cost of your anticipated LTC needs – inflation is unpredictable, buying more of a daily benefit will not increase the value

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# LTCI: Questions, Questions, Questions

- You will have questions about the language in your policy - clarification is key
  - Check out the company's history
  - Accurately complete your application
  - Never pay for your policy in cash – always use traceable methods of payment
  - Find out exactly how long the Free-Look period is
  - Make copies of all documents sent and received
  - Explain to your family members or those closest to you who may be around when you need the benefits how you expect them to be provided

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# LTCl: Rating Agencies

- LTCl providers are private entities and are therefore, rated by their financial strength
  - Each rating agency uses different scales
    - Moody's Investor Service, Inc. [www.moodys.com](http://www.moodys.com)
    - AM Best Company [www.ambest.com](http://www.ambest.com)
    - Standard and Poor's [www.standardandpoors.com](http://www.standardandpoors.com)
    - Weiss Ratings, Inc. [www.WeissRatings.com](http://www.WeissRatings.com)
    - Fitch IBCA, Duff & Phelps. Inc. [www.bankwatch.com](http://www.bankwatch.com)

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# LTCl: Policy Resources

- General Policy Research on LTCl
  - Georgetown University: Long-Term Care Financing Project – [www.ltc.georgetown.edu](http://www.ltc.georgetown.edu)
  - Kaiser Family Foundation – [www.kff.org](http://www.kff.org)
  - AARP – [www.aarp.org](http://www.aarp.org)
  
- Policy Research on LTCl: Partnership Program
  - George Mason University, Center for Health Policy Research and Ethics – [www.gmu.edu](http://www.gmu.edu)
  - The George Washington University – [www.gwu.edu](http://www.gwu.edu)
  - Office of the Assistant Secretary for Policy & Evaluation (ASPE) at DHHS – <http://aspe.hhs.gov/>

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# LTCI Resources

- National Association of Insurance Commissioners – [www.naic.org](http://www.naic.org)
- The National Clearinghouse for LTC - [www.longtermcare.gov](http://www.longtermcare.gov)
- “Own Your Future” Federal Awareness Campaign – [www.aoa.gov/ltc/awareness\\_campaign.asp](http://www.aoa.gov/ltc/awareness_campaign.asp)
- **Partnership Programs:**
  - California - [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc)
  - New York – [www.nyspltc.org](http://www.nyspltc.org)
  - Indiana – [www.IN.gov/ltcp](http://www.IN.gov/ltcp)
  - Connecticut – [www.CTpartnership.org](http://www.CTpartnership.org)

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