

## **Long Term Care Information**

**As South Carolina's population ages, Long Term Care Insurance is becoming a topic that many senior citizens and their families must address sooner, rather than later. The Lt. Governor's Office on Aging has put together this fact sheet of information that LTC Insurance customers should know before they make this important decision about their futures.**

**While this fact sheet should be useful, The Lt. Governor's Office on Aging staff is available to address any other questions you may have regarding LTC. For more information call 1-800-868-9095 or visit the LGOA online at <http://www.aging.sc.gov/>. In addition, the State Department of Insurance is a valuable resource which can be contacted at <http://www.doi.sc.gov/>.**

### **\*What is Long Term Care Insurance?**

Long Term Care Insurance is individual insurance policies that may help you when you are unable to take care of yourself due to prolonged illness or disability. These policies usually pay for skilled, intermediate and custodial care in a nursing home. Home health care, adult day care, and assisted living care are also often covered. These policies usually pay a fixed amount per day or per visit to facilities or caregivers that are licensed by the state and/or participate in Medicaid and Medicare.

### Long Term Care Does Not Mean Nursing Home Care

### **\*Tax Qualified and a Non-Tax Qualified Plans**

Benefits paid by a tax-qualified long term care plan generally are not taxable as income. Benefits from a non-tax-qualified long term care plan may be taxable as income. Check with your tax advisor about the possibility of deducting a portion of the premiums paid in addition to the individual tax consequences involved.

### **\*Does Medicare Pay for Long Term Care?**

Not really – Medicare does not pay for nursing home care or longer-term care. But it will pay for some home health care and skilled nursing facility care following a hospital stay – such as continuing care.

### **\*Does Medicaid Pay for Long Term Care?**

Medicaid does pay for Long Term Care, but you must meet very low-income and asset requirements to qualify for Medicaid. You should contact the Lt. Governor's Office on Aging or the Department of Insurance for more information regarding Medicaid payments.

## **10 Things You Should Know About Buying Long Term Care Insurance**

### **1. Long Term Care is Different From Traditional Medical Care**

Someone with a prolonged physical illness, a disability or a cognitive impairment,

such as Alzheimer's disease, often needs long term care. Long term care services may include help with daily activities, home health care, respite care, hospice care, adult day care, care in a nursing home or care in an assisted living facility.

**2. Long Term Care Can be Expensive**

The cost depends on the amount and type of care you need and where you get it. In 2001, the national average cost of nursing home care was \$56,000 per year, assisted living facilities reported \$22,476 per year and home care costs ranged from \$12,000 to \$16,000 per year.

**3. You Have Options When Paying for Long Term Care**

People pay for long term care in a variety of ways. These include using personal resources, long term care insurance and Medicaid for those who qualify. Medicare, Medicare supplement insurance and health insurance you may have at work usually will not pay for long term care. Long term care insurance will pay for some or all of your long-term care.

**4. Decide Whether Long Term Care Insurance is for You**

Whether you should buy a long term care insurance policy will depend on your age, health status overall retirement goals, income and assets. For instance, if your only source of income is a Social Security benefit or Supplemental Security Income (SSI), you probably should not buy long term care insurance since you may not be able to afford the premium. On the other hand, if you have a large amount of assets but do not want to use them to pay for long-term care, you may want to buy a long term care insurance policy. Many people buy a policy because they want to stay independent of government aid or the help of family. They don't want to burden anyone with having to care for them. However, you should not buy a policy if you can't afford the premium or are not sure you can pay the premium for the rest of your life.

**5. Pre-Existing Condition Limitations**

A long term care insurance policy usually defines a pre-existing condition as one for which you received medical advice or treatment or had symptoms within a certain period before you applied for the policy. Some companies look further back in time than others. Many companies will sell a policy to someone with a pre-existing condition. However, the company may not pay benefits for long term care related to that condition for a period after the policy goes into effect, usually six months. Some companies have longer pre-existing condition periods or none at all.

**6. Know Where to Look for Long Term Care Insurance**

Long term care insurance is available to you in several different forms. You can buy an individual policy from a private insurance company or agent or you can buy coverage under a group policy through an employer or association membership. The federal government and several state governments offer long-term care insurance coverage to their employees, retirees and their families. You can also get long-term care benefits through a life insurance policy. Some states have long-term care insurance programs designed to help people with the financial impact of spending down to meet Medicaid eligibility standards. Check with the Department of Insurance to see if these policies are available in our state.

**7. Check With Several Companies and Agents**

Contact several companies and agents before you buy a long-term care policy. Be sure to compare benefits, the types of facilities covered, limits on your coverage, what is not covered and the premium. Policies from different insurance companies often have the same coverage and benefits but may not cost the same. Be sure to ask companies about their rate increase history and whether they have increased the rates on the long-term care insurance policies.

**8. Don't be Misled by Advertising**

Most celebrity endorsers are professional actors who are paid to advertise, not insurance experts. It is also important to note that Medicare does not endorse or sell long-term care insurance policies, so be wary of advertising that suggests Medicare is involved. Do not trust cards you get in the mail that look like official government documents until you check with the government agency identified on the card.

**9. Make Sure the Insurance Company is Reputable**

To help you find out if an insurance company is reliable, you can take the following actions: Stop before you sign anything, contact the Department of Insurance and confirm that the insurance company is licensed to do business in our state. After you make sure they are licensed, check the financial stability of the company by checking their ratings. You can get ratings from some insurer rating services for free at most public libraries.

**10. Review Your Contract Carefully**

When you purchase long term care insurance, your company should send you a policy. You should read the policy and make certain you understand its contents. If you have questions about your insurance policy, contact your insurance agent for clarification.

**A Long Term Care Partnership Program For South Carolina**

**What is the Long Term Care Partnership Program?**

The Long Term Care Partnership Program was initiated in 1987 by the Robert Wood Johnson Foundation. California, Connecticut, Indiana, and New York implemented Long Term Care Partnership programs in the early 1990s and still operate programs to encourage the purchase of private long term care insurance. Individuals, who purchase a private long term care insurance policy and use up its benefit, can then apply for Medicaid. If these individuals meet Medicaid income and level of care requirements, they can receive Medicaid-covered long term care services while protecting some or all of their financial assets that would otherwise make them ineligible under Medicaid's mean testing requirements. The amount of protected assets equals the amount that the private long term care insurance policy paid out.

**What assets are protected under the Partnership programs?**

Assets that are protected included assets Medicaid would otherwise count, such as cash savings, securities and most property. The Partnership programs do not shelter income, such as Social Security and pension income.

### **Why were additional states discouraged from implementing Partnership Programs?**

Additional states were discouraged to adopt the Partnership program because federal legislation passed in 1994 required states to pursue estate recovery of Partnership-protected assets after a beneficiary's death. The Deficit Reduction Act of 2005 changes the Partnership Program requirements.

### **How did the Deficit Reduction Act of 2005 change the Partnership Program requirements?**

The Deficit Reduction Act (DRA) of 2005 allows states the option to enact partnership policies without conducting estate recovery of Partnership-protected assets. The DRA, however, does not allow individuals with home equity exceeding \$500,000 (or up to \$750,000 at state option) to be eligible for Medicaid services, even if they have Partnership policies. Policies in new programs must meet specified criteria, including federal tax-qualification, identified consumer protections, and inflation protection provisions. States with existing Partnership programs are required to retain their existing consumer protection standards. Partnership policies in the original four states include 5 percent compound annual inflation protections.

### **What are the inflation protection requirements for new Partnership Programs?**

New states offering Partnership policies have less stringent rules to follow:

- For purchasers under 61 years of age, some compound inflation protection must be provided (no specific percentage).
- For purchasers 61 to 76 years of age, some level of inflation protection must be provided (doesn't have to be compound inflation protection).
- For purchasers 76 years of age and older, inflation protection may be offered but it is not required.

### **Is South Carolina considering implementing a Long Term Care Partnership Program?**

South Carolina currently does not have a program, but work is currently underway to implement one.

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**Sources:** South Carolina Department of Insurance and the Lt. Governor's Office on Aging's Long Term Care Partnership Program Fact Sheet.