

FAQs: Long-Term Care Insurance Livestream Webcast

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On August 22, 2019, the State Health Insurance Assistance Program (SHIP) National Technical Assistance Center conducted a livestream webcast training for SHIP counselors and professionals in the field of aging about long-term care insurance. The presenter was Bonnie Burns, a nationally recognized expert on the topic. Here we present answers from Bonnie to questions that were received but not answered during the livestream webcast due to time constraints. To watch the recorded webcast, visit www.shiptacenter.org/live.

Claims

I recently helped a gentleman attempt to make a long-term insurance claim. I couldn't believe how difficult it was! He had paid thousands in premiums and we weren't successful. Is this typical?

- ▣ Some people have difficulty filing a claim when the insurance company’s claims process is difficult to navigate. Some older policies may have requirements or restrictions that are not allowed in policies purchased more recently, and a claim could be denied due to



those requirements or restrictions. State insurance departments should be involved when an individual has a problem with a claim. Sometimes an insurance department can be helpful with a company, but even when they aren't successful at resolving the issue, they often keep track of claims disputes for future action or legislation.

Do you know, out of the policies that are sold, how many are used?

- ❑ There isn't national data collected on how many long-term care insurance policies have been used. There is sometimes data about the amount of money being paid out in claims in a particular year from industry organizations that gather that information from their members.

Considerations for Purchasing

How much in assets should someone have before considering a long-term care insurance policy?

- ❑ There is no set amount. Basically, a person should have assets at least equal to the amount of coverage they are buying. The notion is to avoid spending down their own assets to the extent that they have the income and resources to afford the premiums. Couples should consider whether premiums will still be affordable after one spouse dies, because income will inevitably be reduced.

Is the online advice correct when it states that long-term care insurance is appropriate only for middle-income people, since low-income people can get government benefits, and wealthy people do not need it?

- ❑ People often buy long term care insurance to avoid spending their own assets and/or to avoid the risk of going on Medicaid. Others may want to be sure they can leave assets to their family members at the end of their life. In general, people with low incomes and few assets can't afford the premiums for long-term care insurance. Wealthy people have other options and the resources to buy several different kinds of insurance to pay for their care or protect their resources, although wealthy people do also buy long term care insurance.

I think most people get long-term care insurance so their assets are not depleted, in order to leave money to their heirs. We know that when your assets are depleted, Medicaid takes over. What, then, would be the advantage of getting a long-term care insurance policy vs. a life insurance policy that will guarantee money for your heirs?

- ❑ Long-term care insurance or life insurance that accelerates the death benefit to pay for long-term care are two ways to do similar things. In general, life insurance with long-term care insurance is more expensive because it provides two different insurance

Costs (Premiums, Inflation, Insolvency, Funding)

products at the same time. Wealthier people are often attracted to life insurance with long-term care because a death benefit will be paid even if the policyholder never needs long-term care, and if they do need care, they can use the death benefit to pay for it.

When is a person too old to consider long-term care insurance?

- ❑ Most companies won't issue coverage to people older than 80, and most insurance companies strictly underwrite people applying for coverage who are in their seventies and even in their sixties.

Costs (Premiums, Inflation, Insolvency, Funding)

How do we need to counsel people who come to us with large increases in the premiums on the long-term care policies that they have been paying for for many years?

- ❑ Consider the options a policyholder has, to reduce the impact of the premium increase. Think about how to tailor those options to the needs of the individual. For instance, someone in their 80's may not need the amount of inflation protection they originally bought, or they might not need as many years of coverage. Each of these might be reduced to offset some or most of a premium increase.
 - See the Fact Sheet for Advocates on the Penn Treaty insolvency linked on www.shiptacenter.org/live.

Long-term care insurance premiums have been increasing. What happens if, over time, a person can no longer afford the premium?

- ❑ Almost every premium increase allows the policyholder to exercise options to reduce the amount of the increase. One option may be to stop paying premium and retain benefits equal to or greater than the premiums they have paid. This is often an offer of a paid-up premium, sometimes referred to as a nonforfeiture benefit or a paid-up policy.

I had a client who had an old policy dating from the late 80's. They have never had a premium increase. Should they be worried?

- ❑ Some older policies only pay for nursing home care with very stringent restrictions. They may not have increased the premiums because their claims experience has not been greater than they predicted or because the benefits sold did not have inflation protection and the benefits were smaller amounts than people have today.

How is the inflation protection determined? What formula is used?

- ❑ A purchaser chooses the inflation protection formula they want when they buy a policy. In general, a 5% compound inflation protection increases the current amount of the

Coverage

daily benefit by 5% each year, which also increases the total dollar amount of coverage each year.

Is there any data on resources (funding, insurance, facilities, etc.) available for long-term care in rural communities compared to urban areas?

- ▣ Most states have data on the cost of care on a statewide basis, and cost is often broken down by region.

Can the long-term care insurer provide total premium paid to date by beneficiary?

- ▣ A company should be able to tell a policyholder how much premium they have paid. (I think this is related to a paid-up policy and the amount of premium an individual has paid since they bought the policy.)

When benefit is "cashed out" from State Guaranty Fund due to insolvency, is the benefit owed taxed?

- ▣ A policy is not "cashed out" in an insolvency. The state guaranty fund takes over the administration of the policy, but total benefits that can be paid are capped by the state. Usually that means a person can only collect a total amount of benefits based on the cap in the state -- usually \$300,000, once the state guaranty fund takes over the insolvent company.

Coverage

Isn't it true that not everyone is accepted to purchase a long-term care insurance policy, and that it depends on your health risk assessment to determine if you qualify for any policy?

- ▣ Yes, companies do medical underwriting (screening) to determine if they are willing to accept a person for coverage.

If the covered person doesn't have anyone who can file the claim, who can help?

- ▣ It will depend on the family and friends of that individual. Sometimes a nursing home or assisted living facility may help, but in general, it falls to someone willing to go through the claims process on behalf of the insured person.

Do some policies cover hospice or palliative care?

- ▣ Some do, others don't.

Death Benefit

If a person is receiving in-home care or is in assisted living and they go into a nursing home, do they need to go into the hospital for three days before Medicare will cover the visit?

- ❑ Medicare requirements for coverage are different than those for a long-term care policy. Long-term care insurance policies base their requirements to pay benefits on a functional or cognitive impairment, not a hospital stay, unless it is a very, very old policy that requires Medicare to pay first.

If someone needs to go to a Skilled Nursing Facility (SNF) for post-hospital rehabilitative care, like physical therapy or other skilled care, then they would likely need a three-day qualifying hospital stay before Medicare would cover the care, or they would need to meet their Medicare Advantage Plan's coverage criteria.

- ❑ Many long-term care policies do not pay for a nursing home stay if Medicare is paying for that stay. The policy would only pay after Medicare stops paying.

Is there an appeals process if an LTC policy denies coverage?

- ❑ Insurance policies may not have a formal appeals process stated in the policy, but most companies allow policyholders to appeal when a claim is denied. A consumer can ask for help from their state insurance department's consumer services.

Death Benefit

When someone sells their life insurance policy to help with the cost of caregiving, does that usually cancel the death benefit or reduce the death benefit?

- ❑ In general, when someone sells their death benefit, they no longer own it. It belongs to the buyer, and the seller received a fixed amount of money at the time of sale. The seller doesn't pay premium but the buyer does so they can collect the death benefit when the seller dies.

If you sell your death benefit will you still be responsible to pay the premium?

- ❑ In general, when a death benefit is sold in return for an amount of money, the individual no longer owns that insurance policy or benefit and no longer pays a premium. In cases where the seller retains some portion of the death benefit, they may indeed still need to pay some portion of the premium.

Elimination period

If you have a comprehensive policy, does licensed care in home count toward elimination period?

- ▣ In general, yes. It depends on the language, the definitions, and the requirements in the policy.

Making Changes to Policies

What percentage of long-term care policy owners cancel their policy before collecting benefits?

- ▣ There is no data collected to answer this question.

Is there a way for someone with an older policy to upgrade to a modern one?

- ▣ If someone was still insurable and could pass a company's health underwriting and was able to pay the premium for newer coverage they could apply to any company for coverage.

Medicaid

Can Bonnie speak more about how middle-class people end up exhausting their financial options then end up having to go on Medicaid?

- ▣ Middle income people often pay for their own care with their own resources, and when those are gone apply for Medicaid. Couples often overlook federal and state law that allows the spouse who isn't receiving care to protect a certain amount of family assets and income while the spouse needing care can qualify for their state's Medicaid program. This is known as "spousal protection" under federal law and allows individuals to qualify for Medicaid benefits without requiring the other spouse to also meet the state's qualifications for Medicaid.
 - (See: <https://www.medicaid.gov/medicaid/eligibility/downloads/spousal-impoverishment/ssi-and-spousal-impoverishment-standards.pdf>.)

In terms of "spending down" to qualify for assistance, how long is the look-back period?

- ▣ The look-back period is different in every state. Contact your state Medicaid office to learn more.

Moving Between States

How does someone find a Partnership long-term care (LTC) program within their state?

- ▣ I would suggest that people contact the state's SHIP, the insurance department, or the state Medicaid or Social Services program.
 - Note: To find the SHIP in your state, go to www.shiptacenter.org and click the orange "SHIP Locator" button to access SHIP program contact information in your state, commonwealth, or territory.

NY has a more generous partnership agreement. If you bought the policy in NY, and moved to CT, which partnership governs the policy if you move to CT?

- ▣ A long-term care insurance product is regulated by the state where it was issued. However, the policy or contract benefits are the same regardless of where it is used. The benefits don't change, but the definitions of where those benefits can be used or who can provide them depends on the definitions within that insurance contract, and those may define a provider or place differently than the state where benefits are used.

If a person moves, is the partnership program in the residence state or the state where the policy was purchased?

- ▣ There is sometimes reciprocity between states that allows a partnership policy issued in another state to qualify for asset protection in the state of residence. The state Medicaid agency in the state of residence should be able to answer that question.

What if the person moves to another state? Can the policy be terminated or are there additional costs?

- ▣ An insurance policy is a legal contract and cannot be changed simply because someone moves to another state. A long-term care insurance policy is "guaranteed renewable" and cannot be cancelled for any reason other than failure to pay the premium. A company may be able to change the premium to reflect higher costs in the state of residence.

If you buy a long-term care insurance policy in one state, then move, and then the company goes insolvent, does the state you live in use their guaranty fund to cover it (even though the company is in another state)?

- ▣ Yes, a state guaranty fund covers everyone with that policy who lives in that state, regardless of the state where the policy was sold.

Resources

How do I access the livestream webcast recording?

- ▣ Go to www.shiptacenter.org/live to access the recording, including the closed captions, if needed.
 - Note: This is a hidden page at www.shiptacenter.org because the webcast was intended for professionals rather than the general public. If you have the link, you can watch the webcast. Please refrain from re-posting on other websites.

How do I access the livestream webcast PowerPoint?

- ▣ Go to www.shiptacenter.org/live to access the PowerPoint and all other related livestream webcast resources.
 - Note: This is a hidden page at www.shiptacenter.org and does not require a password. because the webcast was intended for professionals rather than the general public. If you have the link, you can watch the webcast. Please refrain from re-posting on other websites.

Is the livestream webcast archived in the SHIP Resource Library?

- ▣ Yes.
 - The SHIP Resource Library is only available to State Health Insurance Assistance Program (SHIP) staff and volunteers who have been approved to access the library by a leader at their SHIP.
 - The Long-Term Care manual referenced in the webcast is available to SHIP representatives with access to the SHIP Resource Library.

Technical Assistance

Who are Department of Insurance's consumer advocates and how do you find them?

- ▣ A Commissioner or Director of a state insurance department or agency is either an elected official (11 states) or is appointed by a Governor. A commissioner or director of insurance has two primary tasks: ensuring the solvency of insurance companies selling in their state and protecting consumers. Most state insurance departments don't have a formal consumer advocate position in state government. However, the consumer services part of a state insurance department is where consumers should go for assistance.
 - To find your State Department of Insurance, go to the map on the National Association of Insurance Commissioners (NAIC) website:
https://www.naic.org/state_web_map.htm

Technical Assistance

- Note: State Health Insurance Assistance Programs (SHIPs) are in every state and some territories. SHIPs are funded by grants from the U.S. Department of Health and Human Services, Administration for Community Living. Some of these grants are received and administered by the State Department of Insurance. Others are received and administered by the State Department on Aging. SHIPs provide unbiased insurance counseling and assistance.

How do I find my state's State Health Insurance Assistance Program (SHIP) to connect with unbiased long-term care insurance counseling services?

- ▣ Go to www.shiptacenter.org and click the orange SHIP Locator button to find the SHIP in your state or territory.

How do I contact the Long-Term Care Ombudsman?

- ▣ The Long-Term Care Ombudsman Program in every state is the most connected to the Long-Term Care system in their state. The National Long-Term Care Ombudsman Resource Center can connect you to that resource. Visit <https://ltcombudsman.org/>, email ombudcenter@theconsumervoice.org, or call 202-332-2275.

How do I contact the SHIP National Technical Assistance Center (SHIP TA Center)?

- ▣ Visit www.shiptacenter.org, email info@shiptacenter.org, or call 877-839-2675.

What if I have more questions for Bonnie?

- ▣ Email your question to the SHIP TA Center at info@shiptacenter.org.

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