

LONG-TERM CARE INSURANCE

What are they?

A long-term care policy covers the services you need if you are unable to care for yourself because of a prolonged illness or disability. These services can range from help with daily activities at home, like bathing and dressing, to skilled care in a nursing home. Long-term care can involve a variety of providers, including home health care agencies, assisted living facilities, adult day care centers, traditional nursing homes, and continuing care retirement communities.

Neither Medicare nor Medicare supplement (“Medigap”) insurance will pay for most long-term care expenses. Most health insurance policies provided by employers also exclude long-term care. Some employers, however, offer long-term care policies as a benefit that an employee may purchase separate from a traditional health insurance policy. Also, Medicaid, a government-sponsored health insurance program that covers certain low and moderate-income people, provides coverage for long-term care services. (See Chapter 12.)

Who are they for?

Long-term care policies may be a part of a person’s overall planning for retirement. However, everyone may not be able to afford a long-term care insurance policy. Factors to consider in determining whether or not to purchase a long-term care policy include age, health status, overall retirement objectives, and income.

Many people buy long-term care insurance in order to protect their assets. Long-term care insurance may not be the best option, depending on the value of your assets. Some financial planners discourage purchasing long-term care insurance for people with less than \$100,000 in assets, excluding their home.

ABOUT LONG-TERM CARE INSURANCE

How to obtain coverage

Private insurance companies sell long-term care policies. They may sell policies to individuals through agents, or by mail without the use of agents. Some companies sell coverage through senior citizen organizations, fraternal societies, or other similar groups. In addition, some employers now offer their employees and retirees the opportunity to purchase long-term care policies.

The Health Insurance Portability and Accountability Act (HIPAA) of 1997 changed some rules regarding long-term insurance. These changes include:

- ◆ Benefits from qualified policies are received on a tax-free basis
- ◆ Expenses not covered by the policy are tax-deductible as medical expenses

North Carolina also provides an income tax credit of 15% (up to a maximum of \$350) for long-term care insurance premiums. This credit can only be taken if you do not take a federal tax deduction for the premiums. This credit expires January 1, 2004.

What is covered?

Benefits covered by long-term care policies vary. Some offer very limited benefits—others offer more comprehensive coverage. Since it is impossible to know in advance what types of long-term services may be needed, it is important to purchase a reasonably comprehensive policy that covers both nursing home and home care. In general, the more extensive the coverage, the more expensive the policy.

Nursing home coverage usually means that the policy will pay for all three types of nursing home care: skilled, intermediate, and custodial. By contrast, a policy that covers home care may restrict what services are covered, or what types of health care personnel can be reimbursed for providing the services. Some policies pay only for skilled nursing care performed in the home by registered nurses, licensed practical nurses, or occupational, speech or physical therapists. Other policies offer broader home care coverage, including the services of home health aides employed by licensed home care agencies. Policies sold after September 1992 that offer coverage for home health care must also offer adult day care benefits. A careful reading of the policy will help determine what services are covered.

Policies have different criteria for when coverage will begin. In some cases, coverage begins when the care is deemed medically necessary. In other cases, coverage is triggered if an individual is unable to perform activities of daily living (ADLs). ADLs include eating, bathing, dressing, getting to the toilet, moving from place to place, and going outside and walking. Certain long-term care plans may require that the beneficiary be unable to perform certain ADLs for a certain period of time before coverage will begin. Again, a careful reading of the policy can help determine coverage.

What is not covered?

Generally, long-term care policies do not pay benefits if services are needed for:

- ◆ Mental and nervous disorders or disease, other than Alzheimer's disease
- ◆ Alcoholism and drug addiction
- ◆ Illness caused by an act of war
- ◆ Treatment already paid for by the government
- ◆ Attempted suicide or intentionally self-inflicted injuries

Although all long-term care policies must cover Alzheimer’s disease, a policyholder who has the disease may still be denied benefits if he or she is physically able to perform the activities of daily living specified in the policy.

What other requirements are there for policies?

Consumers are granted certain protections under North Carolina law, including the following:

- ◆ All policies must offer meaningful inflation protection, which protects an individual as the cost of services increases over time. A consumer may reject the inflation protection, but it must be in writing.
- ◆ All policies must provide a 30-day “free look” to allow the consumer to review the policy.
- ◆ The waiting period before coverage of pre-existing conditions is limited to six months.
- ◆ All policies must be guaranteed renewable, meaning that coverage must continue and policy provisions cannot be changed as long as the premiums are paid.

SOURCES OF LAW

State statute(s): N.C.G.S. § 58-55-1 *et seq.*

FOR MORE INFORMATION

Seniors Health Insurance Information Program (SHIIP)

N.C. Department of Insurance

P.O. Box 26387
Raleigh, NC 27611
919-733-0111
800-443-9354

The SHIIP website provides a great deal of useful information about long-term care insurance, as well as other insurance:

<http://www.ncshiip.com>

Division of Aging

N.C. Department of Human Resources

693 Palmer Drive
2101 Mail Service Center
Raleigh, NC 27699-2101
919-733-3983