

## **DO YOU NEED LONG-TERM CARE INSURANCE?**

*Insurance Commissioners Offer Tips for Consumers*

**KANSAS CITY, Mo. (July 17, 2007)** — With healthcare costs rising and longer life expectancies, funding long-term care needs is an increasing concern for millions of people. According to the U.S. Department of Health and Human Services (HHS), about 9 million Americans, now 65 or older, will require long-term care. HHS expects that number to rise by 25 percent – to 12 million – by 2020. The average annual cost of nursing home care is \$74,806, according to Genworth Financial’s 2007 Cost of Care Survey, but that figure can fluctuate depending on the level of care required, and the state in which the care is provided.

To help consumers make more informed decisions about long-term care insurance coverage, the National Association of Insurance Commissioners (NAIC) offers tips and considerations through its public education program, Insure U – Get Smart About Insurance, at [www.insureUonline.org](http://www.insureUonline.org). Additionally, answers to many common questions about long-term care insurance can be found in the NAIC’s free “Shopper’s Guide to Long-Term Care Insurance,” which can be ordered online at [https://external-apps.naic.org/insprod/Consumer\\_info.jsp](https://external-apps.naic.org/insprod/Consumer_info.jsp). Consumers can also obtain the guide by calling their local state insurance department.

“Consumers who would like to protect their assets, minimize dependence on family members and control how they receive nursing or home care, should carefully consider long-term care insurance,” said Sandy Praeger, NAIC President-Elect and Kansas Insurance Commissioner. “It’s a highly individualized decision that requires people to look closely at multiple factors including their family health history, dependent relationships and personal financial situation.”

### **Understanding the Basics of Long-Term Care Insurance**

When people are unable to perform activities of daily living – such as eating, dressing and bathing – long-term care insurance can pay for the services of nursing homes, assisted-living facilities and in-home caregivers. Importantly, long-term care insurance covers expenses for those diagnosed with a chronic illness such as Alzheimer’s disease, Parkinson’s disease, multiple sclerosis and diabetes. Standard health insurance policies and Medicare usually do not pay for long-term care expenses associated with these illnesses. Medicaid provides limited long-term care benefits – and only after a person’s assets have been depleted.

“People are living longer, but they often don’t have the ability to take care of themselves as they reach the older ages,” said Walter Bell, NAIC President and Alabama Insurance Commissioner. “Because these costs can become prohibitively high, interest in long-term care insurance is increasing. We encourage consumers to visit our Web site and take the long-term care quiz to find out more about their options.” The quiz is located on the right-hand side of the home page of [www.insureUonline.org](http://www.insureUonline.org).

A major consideration for purchasing long-term care insurance, according to the NAIC, is whether individuals have assets they want to protect, as the substantial annual cost of long-term care can quickly deplete even a sizeable nest egg. On the other hand, if one’s retirement savings are minimal or non-existent, he or she would likely qualify for Medicaid in a very short period of time, significantly diminishing the need for long-term care insurance coverage. According to the NAIC, consumers should not purchase long-term care insurance if they are currently on Medicaid or their only source of income is Social Security.

### **Ten Tips Regarding Long-Term Care Insurance from the NAIC**

1. Investigate long-term care coverage if you don’t want to rely on others to support you, and you want flexibility in choosing the type of long-term care services.
2. Long-term care insurance isn’t for everyone. If you are currently receiving Social Security or expect to have minimal or no retirement savings, you will likely qualify for state aid and should not purchase long-term care insurance.
3. Research individual insurance companies to see whether they have a history of raising rates for long-term care coverage. Check with your state insurance department to learn how your state regulates rate increases.
4. Check with your financial advisor or accountant for guidance on whether long-term care insurance is appropriate for your specific financial situation. If long-term care insurance is for you, shop around for the most appropriate coverage at the best price.
5. Make sure you understand what a long-term care insurance policy covers and just as importantly, what it doesn’t. Ask questions and make sure the company is reputable and licensed to sell insurance in your state. If you have concerns about a company, contact your state insurance department.
6. Pre-existing conditions, conditions that you have before you apply for the insurance coverage, may be excluded from coverage. In addition, for some policies, age 60 is a trigger for a rate increase. Thus, it may be beneficial to purchase your policy before your late 50’s.
7. Don’t rely on Medicare or Medicaid to cover your long-term care needs. Medicare will usually pay for a small percentage of nursing home costs. Medicaid pays for long-term care services but only if you meet federal poverty guidelines, and the choice of care facilities can be very limited.
8. Keep in mind that tax breaks are available for qualified long-term care insurance policy premiums. The benefit payments received under such policies are tax-free.
9. Do not divulge personal financial or medical information over the phone, such as your social security number, your health status, your Medicare status or your private insurance coverage. Don’t be fooled by mailings about long-term care insurance that appear to be from an official government source. If you are concerned that someone is trying to trick you, contact your state insurance department.
10. Be wary of advertising that suggests Medicare is associated with a long-term care policy. Medicare does not endorse nor sell long-term care insurance.

## **Six Special Considerations Regarding Long-Term Care Insurance**

The NAIC advises consumers to make sure the following items are included in their long-term care policies:

- An “outline of coverage” that clearly describes the policy’s benefits, terms and limitations in detail. It is important to understand how much money the policy would pay, and how much the policyholder would be responsible for out-of-pocket.
- A clear description of the elimination period. Some policies have a set number of days that must be spent in a nursing home or in claims status before the long-term care insurance coverage kicks in.
- At least one year of nursing home or home healthcare coverage or both, including intermediate and custodial care.
- The right to cancel the policy for any reason within 30 days of purchase and receive a full premium refund.
- A guarantee that the policy cannot be canceled or terminated because of the policyholder’s age or physical or mental health condition.
- Consider an inflation protection option that periodically increases the benefit level without the need for the policyholder to provide evidence of insurability

“Consumers can easily protect themselves from being scammed by fake long-term care insurance policies,” said Catherine J. Weatherford, NAIC Executive Vice President and CEO. “Before purchasing a policy, take the time to stop, call and confirm with your state insurance department that the company is authorized to sell insurance in your state.”

For more information about insurance options, or to order a copy of the NAIC’s free booklet, “A Shopper’s Guide to Long-Term Care Insurance” visit [www.insureUonline.org](http://www.insureUonline.org). The site is also available in Spanish at [www.insureuonline.org/espanol](http://www.insureuonline.org/espanol).