<u>LONG TERM CARE INSURANCE</u>

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You should consider how you will pay for your long term care. Although none of us want to be in a nursing home, nursing home care can be unavoidable if full-time skilled care is required that cannot be provided in your home. Nursing home and prescription drugs can easily cost more than $4,000.00 per month ($48,000.00 per year).

According to a recent study, women who are 55 or older have a 1 in 5 lifetime risk of having a stroke, and men who are 55 or older have a 1 in 6 lifetime risk. This risk doubles for those with high blood pressure. This study also found that women over 55 have a 1 in 4 lifetime risk of developing Alzheimer's disease, and men over 55 have a 1 in 5 chance. Combined, women over the age of 55 have a 1 in 2 risk of having a stroke or being afflicted with Alzheimer's disease, and men over the age of 55 have a 1 in 3 risk.

The average stay in a nursing home is 2.6 years, but for patients who have suffered a stroke or who are afflicted with Alzheimer's Disease, the average stay is 10 years. 2/3 of the persons in nursing homes in Indiana are having their bills paid by Medicaid. The other 1/3 are either private paying or have long term care insurance. Medicare provides little or no coverage. Medicare will usually cover 20 days of nursing home and prescription drug expenses if there has been at least a 72 hour stay in a hospital prior to being released to a nursing home. Coverage after 20 days will depend upon whether the patient is being rehabilitated, and, if so, Medicare will cover 80% of the costs, up to a maximum of 100 days.

According to an extensive 2003 study by the Kaiser Family Foundation, about 44% of those over age 65 are expected to need nursing home care during their lives. This report determined that about 1/2 of those who were admitted to a nursing home spent less than 1 year in the nursing home, but 1/5 of those who entered nursing home care were there 5 years longer.

We are very concerned about the future of Medicaid. President Bush and many politicians have supported eliminating Medicaid as a Federal entitlement. President Clinton vetoed this several years ago. Also, several states, including Florida, have applied to the Federal government to get a "super waiver" to be exempt for the Federal Medicaid entitlement rules. If Medicaid is eliminated as a Federal entitlement, then it will be up to the states to adopt their own rules regarding eligibility for nursing home and prescription drug benefits. Our present system that makes Medicaid a Federal entitlement requires the states to pay the nursing home and prescription drug expenses if eligibility is established. If we change to a non-entitlement state-based system, then there can be a waiting list for services when the state does not have sufficient monies to pay the costs. The Indiana politicians generally are not supporting sufficient tax increases for Medicaid, and as a consequence, the quality of care for those on Medicaid is likely to suffer in the future.

There are strong arguments to keep our healthcare system a national instead of a state-based program. No state would be motivated to provide the best care for its citizens, because people from other states would move to that state to receive better care causing a severe burden on that state's taxpayers.

The Federal government and state governments continue to adopt law and rule changes that make it more difficult for people to qualify for Medicaid benefits. Some of the proposals will make it difficult for many people to remain married if their spouse needs Medicaid benefits to pay for long term care.

Medicaid does not guarantee payment for in-home healthcare services. There are Medicaid "waivered services" that can help provide for in-home care in some cases, but there is limited money available to pay for these "waivered services". These services are not available as a part of the Medicaid entitlement law. There have been long waiting lists for persons in Indiana who need these services. As a consequence, one cannot rely on "Medicaid" to provide money to help pay for home healthcare services.

Medicaid can be available to pay for assisted living expenses; however, the Medicaid payment rate is so low that few assisted living facilities are willing to make their services available to Medicaid recipients.

For all of these reasons, everyone needs to consider how they will pay for their future care, and how they are going to receive the best care. Relying on the politicians and the government is not wise.

Some folks have sufficient income and resources to pay the high costs of in home healthcare, assisted living, nursing home care, and prescription drugs. However, most people do not. If you do not have sufficient assets and income to pay for your future healthcare, then you need to consider purchasing long- term care insurance.

Unlike homeowners or automobile insurance, long-term care insurance is usually purchased for a need that may be decades away. Because the premium is based on the policyholder's age when the policy is purchased, it is not wise to switch insurers or policies from time-to-time. You might also develop a problem with your health that will make it impossible to buy another policy. Therefore, it is very important to choose the right policy from the right company when you first purchase this insurance. You should carefully check the insurance company's financial stability and rate increase history as well as carefully review and understand the policy provisions before purchasing a policy.

You should consider the following:

1. Purchase the long term care insurance from a highly rated company that is not likely to have future premium increases. Rating scales and definitions are attached to this article for your reference. You may not want to purchase the cheapest policy. Insurance companies that are offering the cheapest policy may not be charging enough premiums to meet future claims. Even though you may be told that the premiums will not increase, there are legal procedures for insurance companies to increase premiums in the future.

2. Purchase comprehensive coverage that includes home health care services, care in an assisted living facility, and care in a nursing home. Avoid facility-only policies that only cover care in a nursing home.

3. Consider a longer elimination period (waiting period) before the benefits would start paying. You would need to pay for your own care during the elimination period. This could help reduce the cost for the insurance. Medicare and the Medicare supplement insurance may provide payment of nursing home and prescription drug costs for the first 100 days under certain circumstances so you could consider a 100 day elimination period.

4. Don't insure the full risk for the reason that you would have shelter, food, and personal expenses if you were not in a nursing home or assisted living facility. This should also help lower the cost for the insurance. Consider purchasing insurance that would cover some amount that is less than the estimated nursing home costs, and make sure that you can increase your benefits in the future, either automatically with inflation adjustments or by having the right to purchase additional insurance in the future without meeting the underwriting (health) requirements. For example, even though some nursing homes charge in excess of $150.00 per day, if you are younger and don't anticipate needing the benefit for many years, you could consider purchasing a lower daily amount. An example would be a $100.00 daily benefit with the daily benefit increasing 5% on a compounding basis each year.

5. Your insurance should provide unlimited coverage if you can afford it. As I have mentioned, the average nursing home stay for a stroke or Alzheimer's patient is ten (10) years. There is an Indiana Long term Care Program administered through the Indiana Family and Social Services Administration. I hesitate to recommend these policies if they do not provide unlimited coverage for the reason that we don't know the future of Indiana Medicaid. Although policies approved by this plan have good

provisions, the policies that do not provide unlimited coverage could be exhausted. You would then have to pay for your care unless you could qualify for Medicaid benefits. These policies have provisions that protect some or all of your assets after the coverage is exhausted and if you can qualify for Medicaid benefits. For example, if you buy a certain dollar amount of coverage and after the dollar amount has been paid, then Indiana Medicaid will provide benefits when your assets have been expended to this same dollar amount without seeking any Medicaid reimbursement from the dollar amount that is protected. If you upgrade to the maximum coverage that provides "total asset protection" ($196,994 in 2005 and $206,844 in 2006), then Indiana Medicaid will pay for benefits for the rest of your life without seeking any reimbursement from your estate or other assets. However, if Medicaid is eliminated or if the care provided for Medicaid is not adequate, or if Medicaid is not available to pay for home health care or assisted living, then these policies do not provide the best protection. The other problem with Indiana Long term Care Program endorsed policies is that once coverage runs out, the Medicaid asset protection features require that you receive your care in Indiana or Connecticut. Some people would want to be able to receive nursing home care in other states to be closer to their children or loved ones. Also, Indiana Medicaid payment amounts to assisted living facilities are so low that it is difficult to find an assisted living facility that accepts Medicaid as a source of payment. For these reasons, I would recommend that you seek unlimited coverage versus policies that limit the total dollar amount of benefits. However, if you cannot afford lifetime coverage, then having limited coverage is better than having no coverage at all, and Indiana Long Term Care Program endorsed policies offer the asset protection features if your care is in Indiana or Connecticut and you qualify for Medicaid benefits. An advantage of the policies approved by the Indiana Long Term Care Program is that the premiums are deductible for Indiana state income tax purposes.

6. There are also additional problems with policies endorsed by the Indiana Long Term Care Program. All policies endorsed by the Indiana Long Term Care Program ("partnership policies") must have a case manager from the "approved list". Presently, that list includes only 6 case manager companies, all of which are located outside of Indiana (although I assume they will contract with an Indiana presence). The insurance company and policyholder can only choose case managers for partnership policyholders from the "approved list". What happens when a dispute occurs about how much care is required? Do the approved case managers try to protect the insurance company or are they the policyholder's advocate? Non-partnership policies can provide that the insured can choose a case

manager, which can be a big advantage, and some policies do not require a case manager at all. Another advantage of non-partnership policies is that they can have provisions to pay for caregivers who do not have to be certified or specially trained, such as a spouse, child, or other family members. Companies such as Great American (part of the American Financial Group), Transamerica, and Monumental offer this benefit.

7. If you cannot afford insurance on both the husband and the wife, then insure the wife. It is much more likely that a female will have greater need for this insurance than a male. The great majority of persons in nursing homes are female (approximately 85%). Females recover from illnesses faster than males, and they live longer.

I hope this information helps you in your search for long term care insurance.

ABOUT THE AUTHOR

James K. Voelz was born and raised in Columbus, Indiana. He has an undergraduate degree from Hanover College and a Doctor of Jurisprudence degree from Indiana University at Indianapolis. Mr. Voelz has practiced law in Columbus since 1975. His law practice primarily involves wills, trusts, estate and disability planning, estate and trust settlement, elder law, Medicaid qualification planning, and real estate matters. He is a member of Hoosier Hills Estate Planning Council, National Academy of Elder Law Attorneys, and the Indiana State Bar Association, its Elder Law Section, and its Probate, Trust, and Real Property Section. Mr. Voelz has been appointed by the Supreme Court of Indiana to its Committee on Character and Fitness.

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Rating Scales and Definitions

A.M. Best Company

A++	Superior
A+	
A	Excellent
A-	
B++	Very Good
B+	
B	Fair
B-	
C++	Marginal
C+	
C	Weak
C-	
D	Poor
E	Under State Supervision
F	In Liquidation
S	Rating Suspended

Rating Modifiers

g	Group
p	Pooled
v	Reinsurance
u	Under Review

Since company ratings can change, you are encouraged to check your local public libraries or the internet for the most current ratings.

(Information obtained May 2001)

Moody'sInvestment Service

Aaa	Exceptional
Aa	Excellent
A	Good
Baa	Adequate
Ba	Questionable
B	Poor
Caa	Very Poor
Ca	Extremely Poor
C	Lowest

Modifiers:

1 = High end generic category
2 = Middle of generic category
3 = Low end generic category

Standard & Poor's

Secure Range:

AAA	Superior
AA	Excellent
A	Good
BBB	Adequate

Vulnerable Range:

BB	May be adequate, but vulnerable
B	Vulnerable
CCC	Extremely Vulnerable

R	Regulatory Action
pi	Rating based on public information only

Modifiers:

Plus (+) or Minus (-): Relative standing within major rating category.