

What  
you  
need  
to  
know

*Long  
Term  
Care  
Insurance*



MINNESOTA  
DEPARTMENT OF  
COMMERCE

# Introduction

Whether or not to purchase long-term care insurance is a decision that can have a significant impact on your long-term financial security as well as your current monthly budget. Especially now, when some long-term care insurance premiums have increased significantly, it is very important to fully understand what you are buying and if you can afford the cost of coverage.

Long-term care (LTC) insurance first came on the market about 30 years ago to help people cover future nursing home costs. When and if you need long-term care services, the policy will cover the cost, allowing you to keep your personal savings. Today's long-term care policies offer more choices and cover more than just nursing home costs; but buying "full" coverage may be too expensive for some consumers. In order to keep premiums affordable, many people choose less coverage and pay some of the long-term care costs out of their own pockets.

## *Is long term care insurance right for you?*

Generally speaking, the answer has a lot to do with your health and your wealth.

This type of insurance is not the answer for everyone. **As a rule of thumb, if you cannot afford the yearly premium you should not buy long-term care insurance.** Before taking on the cost of long-term care insurance, make sure you can first pay for your other expenses including medical insurance, life insurance, disability income insurance, and savings for retirement.

People with a lower income and limited assets (less than \$35,000) usually meet their long-term care needs through their county's Medical Assistance program (also called Medicaid or MA). Once a person qualifies for Medical Assistance, all expenses for nursing home care, qualified home care and medical costs are covered by the state. In most cases, you do not have to give up your home to qualify for Medical Assistance. Currently, about 50 percent of all long-term care costs are paid by Medical Assistance.

Be aware that insurance premiums can increase. In the past two years some consumers have seen their long-term care premiums increase by 5 percent to 45 percent. Also consider that your income may change after retirement. Make sure your future income will still cover the premium costs.

## *What are the chances you will need long term care?*

Beginning about 2010, Minnesota's population will experience a significant shift in its age structure, as the first of the post-war baby boom generation begins to turn 65. While many of us are saving for the future and planning for retirement, we

often overlook the need to protect ourselves against the expenses associated with a prolonged illness that requires custodial care.

You may never find yourself in a nursing home, but the longer you live, the greater your chance of needing some form of long-term care. In 1999 (the most recent statistics\*) showed:

- 1% of people age 65-74 were residents of nursing homes
- 4% of people age 75-84 were residents of nursing homes
- 18% of people age 85 or older were residents of nursing homes

While there are no recent studies, a New England Journal of Medicine analysis of 1986 data projected that for a typical group of 65-year-olds, more women (52%) than men (33%) will enter nursing homes at some point in their life, and that 13% of the women in the group and 4% of the men will have nursing home use of five years or more.

*\*FROM: Centers for Disease Control and Prevention; National Center for Health Statistics; National Nursing Home Survey; Insurance Information Institute*

## The growing cost of long-term care

Long-term care is expensive and the cost continues to increase each year. The average nursing home in Minnesota charges about \$134 per day or about \$49,000 per year. (MNDHS, 7/1/04) With inflation, in twenty years the cost could more than double. The majority of nursing home residents do not pay these expenses from their own pocket. In 1999\*:

- 59% relied primarily on Medicaid to pay expenses
- 15% relied primarily on Medicare to pay expenses
- 24% paid for their care with their own funds, funds from family members, or with insurance

*\*FROM: Centers for Disease Control and Prevention; National Center for Health Statistics; National Nursing Home Survey*

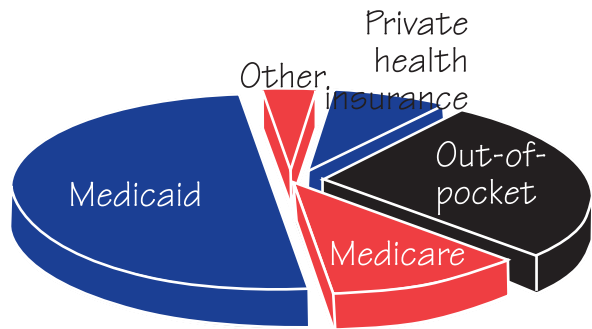
Home care is less expensive, but it still adds up. Bringing an aide into your home just three times a week (for two to three hours per visit) to help with dressing, bathing, preparing meals, and other household chores, can easily cost \$500 to \$900 per month, based on the average hourly charge of \$22. Add in the cost of skilled help, such as a nurse or physical therapist, and these costs can be much greater.

Be aware that long-term care costs differ in various parts of the country. Make sure you look at the costs in the area in which you plan to retire.

## Who pays for long-term care?

Without long-term care insurance, the people who need the care pay the bills. Many people don't realize until it's too late that private health insurance, Medicare, and private Medicare supplement insurance will cover little, if any long-term care expenses. That leaves most people paying their long-term care costs out of their own pockets until

they are impoverished and can qualify for Medical Assistance. Also, if you are in need of LTC benefits it is too late to purchase a policy.



Because Medicaid is a welfare-based program, it requires you to “spend down” your assets until you reach the poverty level. Currently, about 50% of all nursing home costs in Minnesota are paid by Medicaid for people who have wiped out most of their assets and income paying for long-term care expenses. Be aware that many of the techniques used in the past for shielding countable assets (in order to qualify for Medicaid) have been severely restricted under federal law (Omnibus Budget Reconciliation Act of 1993).

Purchasing long-term care insurance can help cover much of the costs and can ease the burden on your spouse or adult children who are likely to be in charge of paying the bills and handling all the paperwork.

## How much does long-term care insurance cost?

As with other types of insurance, the cost of long-term care insurance varies according to the coverage you select and other factors, such as your health, medical history, and most importantly, your age when it is issued. The older you are when you purchase a policy, the more you will pay. However, the younger you are at the time of purchase, the longer you will pay premiums.

The choices offered and to be considered when purchasing a policy include the following:

- Elimination period—the initial length of time receiving care before the insurance starts paying benefits.
- Daily benefit—the maximum payment per day of care.
- Maximum benefit length—the total length of time that the policy will pay benefits.

- Maximum dollar benefit—the total benefits that could be paid. (This equals the daily benefit multiplied by the maximum benefit length in days.)
- Nonforfeiture benefit—a reduced benefit that may be available if the policy lapses.
- Inflation coverage—an automatic increase in the daily benefit, usually 5% per year.
- Type of coverage—Nursing home only, home health care only, assisted living, or some combination of the three.

### POLICY EXAMPLE\*

#### Coverage

- \$150 per day nursing home benefit,
- \$75 per day for home health care,
- inflation increase of 5 percent compounded,
- five-year maximum benefit length,
- no nonforfeiture benefit, a 30-day elimination period before benefits start, and
- typical underwriting standards.

#### Estimated Premium:

- Issued at age 45: \$1,500 to \$3,000 per year
- Issued at age 65: \$3,000 to \$6,000 per year
- Issued at age 75: \$7,500 to \$15,000 per year

#### Variables

- Remove 5% inflation increase: policy cost reduces by about 50% depending on age
- Remove 30-day elimination period: policy cost increases by 33-66%
- Increase to 90-day or more elimination period: reduces cost substantially.

\* Based on recent rate filings for a newly issued policy for a single person.

## How are premium rates determined?

In setting premium rates, insurance companies have to make a number of assumptions about the cost of future events, such as the following:

- the amount of benefits they are likely to pay out
- how many policies will lapse for nonpayment of premiums or due to death
- the cost of administering the policy, including profit and risk charges
- investment returns on the company's assets
- the rate of usage of long-term care services

In addition, unanticipated changes in medical care, social programs, and consumer behavior can have a big impact on the rate of usage of long-term care services, which may result in the original premium rate being inadequate to cover the costs.

Any company must have a goal of setting the premium rates high enough to cover the costs, but low enough to attract buyers.

The Department of Commerce, which must approve all premium rate increases, employs an actuary who reviews each company's rates and the supporting documentation to decide whether they may be excessive or insufficient to cover anticipated costs. Premium increases must be justified by detailed actuarial documentation about the company's experience compared to its previous assumptions.

### *Why are premium rates increasing?*

Most companies have experienced significant negative financial effects from changes in interest rates and lapse rates.

Ten years ago, a typical long-term interest rate assumption might have been around 7% to 9%. It was impossible to foresee that long-term interest rates would drop to about half of that level. Since earnings on assets provide a much of the money to pay claims, this affected the needed rates.

In addition, policy lapse rates—the proportion of policyholders that stop paying premiums and let their policies terminate each year—were formerly about 10 to 15 percent of policies each year for the first few years after policy issue, and 4 to 6 percent in later years. However, typical lapse rates are much lower now. When a policyholder lapses his or her policy (unless the policy included a nonforfeiture benefit), most of the premiums that were paid can go toward other policyholders' claims. Companies anticipated higher lapses when they originally set the premium rates, but those premium rates are now likely to be insufficient to cover claims.

Changes in the frequency and intensity of usage of nursing homes and home health care can also affect the rates, but such changes don't appear to have had much of an impact. Companies have generally not reported increases in such use, and most companies don't have enough claims experience for statistical credibility. A few companies have experienced higher levels of usage, but there may be such factors as different levels of underwriting rather than changes in average usage.

## What does LTC insurance cover?

Long-term care insurance provides benefits for prescribed long-term care, meaning a licensed health care practitioner must verify or diagnose a person's need for long-term care, which can include nursing home, assisted daily living, adult day care, and/or home health care services. You can buy a policy that is tailored to your needs and individual situation, but be aware that the more options you choose, the higher the cost of the policy and the higher your premiums will be.

All policies sold in Minnesota must contain the following consumer protection features:

- At least one year of nursing home or home health care coverage, including intermediate and custodial care. Health care benefits cannot be limited to “skilled care” only.
- Coverage for Alzheimer’s disease.
- An inflation protection option.
- An “outline of coverage” that clearly describes a policy’s benefits, limitations, and exclusions, allowing you to compare the coverage with that of other providers. This must be given to you at the time of initial solicitation and before you complete the application for insurance.
- If you purchase a policy that was approved in 2002 or later, it will contain “rate stabilization” provisions that are intended to make rate increases less likely.
- If you purchase a “qualified” policy you must be given a long-term care insurance “shopper’s guide” that helps you decide whether long-term care insurance is appropriate for you.
- A “guaranteed renewable” clause, meaning the policy cannot be cancelled, non-renewed, or otherwise terminated except for non-payment of premium.
- A statement that you have the right to return the policy for any reason within 30 days after purchase and to receive a full premium refund.

# Shopping for LTC insurance

The time to shop for long-term care insurance is before you need it. The longer you wait, the higher your premium will be and the greater your chances of developing a disqualifying illness or disability.

Buying long-term care insurance is an important individual decision and you should plan to spend some time looking into the product, getting answers to your questions, and weighing your options.

Insurance policies are legal contracts. Read and compare the benefits of different policies before you buy one and make sure you understand all of the provisions. Always read the policy before you buy it. Don't rely on marketing or sales literature to provide the information you need to make an informed decision.

## *Long-term care insurance shopping tips:*

*Shop around before you buy.* Policies differ in coverage, cost, and service. Contact several companies and compare the coverage carefully. Get complete information from the insurance agent or representative you are working with. Look for a company with long term stability. Check with A.M. Best or other ratings firms who keep tabs on financial institutions.

*The cheapest policy may not be the best policy for you.* While you want to shop for a good value, be careful about selecting the lowest rates. If a company has its rates set too low, that may be an indication that it will have to raise its rates later, meaning your premiums can rise to a level you may not be able to afford.

*The company or agent must disclose* to the applicant each premium rate increase on the policy to be offered or similar policy forms over the past ten years.

*Consult with experts.* Depending on your financial situation, it may be important to consult with a financial planner, tax advisor or accountant, or an attorney. His or her area of expertise may help you make the right choice about long-term care insurance.

*Take your time.* Do not be pressured into buying a policy by an agent who tells you there is a limited enrollment period. A good salesperson will not rush you. Discuss your decision with a friend or relative whose judgment you respect. Allow yourself time to thoroughly review all the information available.

*Check out your agent.* Companies and agents selling insurance products must be licensed in Minnesota. If the agent cannot verify that he or she is licensed, do not buy from that person. Check with the Department of Commerce to confirm an agent's licensing status at [www.commerce.state.mn.us](http://www.commerce.state.mn.us)

*Review the policy outline.* Minnesota law requires the insurance company to provide an “outline of coverage” form that clearly describes the policy’s benefits and limitations. You should receive this before the agent presents an application or enrollment form. The outline should also clearly define the differences between a Medicare supplement policy and a long-term care policy. Read the outline carefully. If you are shopping around, compare the policy outlines from the different companies.

*Check for pre-existing condition limitations.* Minnesota law requires long-term care policies to cover pre-existing conditions, but there is an exclusion period of up to six months before you will receive benefits.

*Beware of offers to replace your coverage.* Be cautious if anyone suggests that you cancel your current policy and buy a replacement policy, especially if it is with a different company or if it involves a change in benefits. The new policy may impose new pre-existing condition limitations. If you want to switch to lower benefits to reduce your premium, your current company may be willing to do so.

*If you decide to buy, complete the application carefully.* Most companies ask for detailed medical information. If you leave out any medical information requested, coverage could be canceled, reduced or denied. Don’t believe anyone who tells you that your medical history on an application is not important. Before you sign the application, make sure all the questions have been answered correctly. Don’t assume the company representative accurately filled in your health information.

*Do not pay cash.* Pay by check, money order, or bank draft made payable to the insurance company, not to the agent or anyone else.

*Policy delivery should be prompt.* The insurance company should deliver a policy within 30 days of accepting your application. If you do not receive it, contact the company and inquire about the delay. If 60 days go by without information, contact the Department of Commerce.

*Read your policy when you receive it.* All policies are required to provide a 30-day right-to-examine period. During this period, check the application you signed for accuracy. Read your policy and ask questions about anything you do not understand. Often family members or friends can help. If you wish to cancel the policy, call the insurance company and return the policy by mail within 30 days of receiving it. You are entitled to a full refund with no questions asked. If you decide to keep the policy, make sure your family or friends know where your policy is, when the premiums are due, and how to submit claims to the insurance company. Be prepared to select a relative or close friend the company can notify if you fail to pay the premium.

# Commonly asked Questions

## *What do long-term care insurance policies cover?*

Many of today's policies cover short or long-term nursing home stays and a wide range of home care services, such as skilled or non-skilled nursing care, physical therapy, home making, and the services of home health aides provided by state licensed and/or Medicare certified home health agencies. Some policies may also cover adult daycare, respite care for the caregiver, and other specialized or alternative forms of care.

## *What is not covered?*

All policies contain limitations and exclusions—otherwise, premiums would become unaffordable. Some exclude coverage for pre-existing conditions for six months. Other policies may not cover certain mental and nervous disorders, alcoholism, drug abuse, or an intentionally self-inflicted injury. Many policies will not cover long-term care provided by family members.

## *How long can I collect benefits?*

Long-term care policies generally limit benefits to a maximum dollar amount or a maximum number of days and may have separate benefit limits for nursing home care and home health care within the same policy. For example, a policy may cover five years of nursing home care and two years of home health care.

## *Do long-term care policies have limitations for pre-existing conditions?*

Yes. The law allows companies to include a 90-day or 180-day pre-existing clause in the policy. This means you would not receive long-term care benefits during the first six months after your policy was issued for any condition or illness that was diagnosed or that you were treated for during the 90 or 180 days immediately before the effective date of your policy. You would pay for any services related to the pre-existing condition during this period.

## *Can the policy be canceled by the insurer?*

Yes. If you fail to pay the premium or if you provide inaccurate health information on the application, the company may cancel the policy during the first two years.

### *Will I be covered if I need long-term care due to Alzheimer's disease?*

You may not be able to purchase long-term care insurance after you have been diagnosed with Alzheimer's disease, but once you have a long-term care policy in force Minnesota law does not allow companies to limit benefits just because you develop Alzheimer's or your health deteriorates.

### *How do I find out if I qualify for Medical Assistance or Medicaid?*

The standards for eligibility for Medicaid change frequently. You can get complete information from your County's Human Services office or by calling the Senior Linkage Line at 1-800-333-2433.

### *Must I be hospitalized before being admitted to a nursing home to be eligible for benefits?*

No. Minnesota State law prohibits a company from requiring prior hospitalization as a condition for benefits.

### *Can my premiums be increased once I purchase a policy?*

Most premiums for long term care are "level," meaning they don't automatically increase as you age or your health status changes. However, the insurance company can raise rates for an entire rating class of people in the state, after review and approval from the Minnesota Department of Commerce.

### *Is it advisable to switch policies if a better deal comes along?*

There might be situations where canceling an existing policy and buying a new one makes sense. Just remember that your premiums are based on your age at the time of purchase and could be much higher for the new policy. In most cases, any waiting periods for pre-existing conditions with the new replacement policy will be waived, but you should verify this in writing with the new company or agent. None of the premiums you paid for the old policy will give you any benefit. Never drop an old policy before making sure the new one is in force.

### *If I decide I don't want this policy once I review it, can I get my money back?*

Absolutely. State law gives you the right to review the policy for 30 days with the option to cancel for a full refund. Your 30 days begin when you actually receive the policy.

## Alternatives to LTC insurance

There are other ways to help pay for long-term care other than purchasing long-term care insurance. Here are a few examples:

**Accelerated benefits:** Some life insurance policies allow access to benefits while the insured person is still alive. This option is usually restricted to cases where the insured has been diagnosed as terminally ill and death is believed to be imminent within a specified period of time. A portion of the life insurance benefit is paid to the policyholder for long term care rather than to the beneficiary at the policyholder's death. Check with your life insurance company to learn if this option is available to you.

**Annuities:** An annuity is a contract with an insurance company that provides payments on a periodic basis. Generally, these contracts require that you make a lump sum deposit with the insurance company. In return, you will receive regular payments, including interest, according to the terms of the contract. Like long-term care insurance, annuities require advance planning. You should seek professional advice from a licensed insurance agent, accountant or attorney.

**Combination life and LTC policies:** These policies are more expensive, but they will provide you or your beneficiary with LTC benefits, death benefits or both.

**Home equity loan:** This is a loan that homeowners can get from a mortgage company based on the amount of equity in their home. If a spouse enters a nursing home and the remaining spouse wishes to continue living in the house, this is an option to consider. Consult with a qualified tax expert or attorney before making your decision.

**Medical Assistance:** Approximately 50 percent of nursing home care is paid for by government welfare programs. The most common of these programs is Medical Assistance, or Medicaid. Be aware of two important facts about Medicaid: 1. Not all nursing homes will accept a person on Medicaid; 2. Not everyone is eligible for Medicaid.

**Personal savings:** Many seniors pay for long-term care with personal savings. Once the savings are gone, the only option remaining for many of them is to apply for Medical Assistance.

# LTC insurance & tax benefits

## *Qualified vs. Non-qualified policies*

The terms qualified and non-qualified simply refer to tax treatment and do not imply that one type is more valuable than the other. The federal government qualifies a policy for certain tax benefits if there are specific consumer protection features and benefit restrictions in the policy.

With a qualified policy you are allowed to deduct part of your insurance premiums and long-term care expenses that have not been reimbursed, from your income - that is, if you itemize deductions rather than taking the standard deduction and if your medical expenses exceed 7.5 percent of your gross income. Also, benefits received from a qualified private long-term care policy are not taxable under most conditions.

With a non-qualified policy you cannot deduct premiums, and benefits you receive may or may not count as income. The U.S. Treasury Department has not yet ruled on this issue. However, non-qualified policies may offer different, less restrictive benefit requirements, such as:

- A different combination of benefit triggers.
- “Medical necessity” and other measures of disability can be offered as benefit triggers.
- Policies may not require that the qualifying disability be expected to last for at least 90 days.
- Policies may not require “substantial supervision” to trigger benefits for cognitive impairments.

## *Both qualified and non-qualified policies sold in Minnesota must contain the following consumer protections:*

- All policies that cover nursing home care must cover all levels of care, including custodial care.
- Must cover Alzheimer’s disease.
- Cannot require prior hospitalization to receive nursing home benefits.
- Protects individuals from being singled out for rate increases.
- All policies are “guaranteed renewable” which means the insurance company can only cancel your policy if you fail to pay your premium.

Before deciding whether to buy a qualified or non-qualified policy, you may want to consult a tax specialist.

### *A note to employers*

With the federal law changes, long-term care insurance provided by an employer is treated as any other health plan. Premiums paid by an employer for an employee (or spouse or dependents) are excluded from employment taxes and are 100 percent deductible by the employer. Also, benefit amounts received are excluded from income. In addition to providing tax advantages, long-term care insurance is also a way for companies to mitigate some of the cost to companies resulting from lost productivity due to eldercare responsibilities.

### *The \$100 Minnesota tax credit*

Minnesota provides a \$100 tax credit for people purchasing a long-term care insurance policy (either qualified or non-qualified) with at least \$100,000 of coverage and inflation protection. This tax credit is limited to one per person, per year.

## Long-Term Care Glossary

**Activities of Daily Living (ADLs):** These are the standard six physical functions necessary for independent living: eating, toileting, transferring, bathing, dressing and continence. Most LTC policies require that you not be able to perform at least two or three of these functions before you can receive coverage under the policy. ADLs also are used to determine the level of nursing care a person requires in a long-term care facility and the rate they are charged.

**Benefit period:** The length of time you receive benefits under the policy, which can range anywhere from 1 year to a lifetime. A single policy can have a separate benefit limit for nursing homes and home health care; for example, a policy may offer 5 years of nursing home coverage and 2 years of home health care. The benefit period always begins on the first day you receive benefits from the policy.

**Benefit trigger:** A term used by insurance companies to describe when to start paying benefits. Most policies tie this to your inability to perform a certain number of ADLs. If the policy says you must require help to do the activities before you can receive benefits, make sure it clearly states exactly what that means. For instance, a policy that specifies “substantial” or “hands-on” assistance will make it harder to qualify for benefits than if only “stand-by” assistance is required.

**Cognitive impairment:** A deficiency in a person’s short or long-term memory, orientation as a person, place and time, deductive or abstract reasoning, or judgment regarding safety awareness.

**Custodial care:** Board, room or other personal assistance services (including assistance with ADLs) that may be provided by non-medical or non-skilled care providers.

**Dementia:** Progressive mental disorder that affects a person’s memory, judgment and cognitive powers. Alzheimer’s disease is one type of dementia.

**Guaranteed renewable:** A policy provision that means an insurance company cannot cancel or fail to renew a policy for any reason, unless you fail to pay premiums.

**Home health care:** Skilled and non-skilled services provided in an individual’s home, including occupational, physical, respiratory, or speech therapy, nursing care, as well as social worker and homemaker services.

**Inflation protection rider:** An optional feature in a policy that automatically increases the daily benefit limit to account for inflation. This feature may be important, depending on your situation, but it does raise the price of the policy. Without inflation protection, your policy may only cover part of the cost of your long-term care by the time you need it.

**Level premiums:** This means that the premiums you pay will not increase as you get older or if your health status changes. However, the term does not mean the premiums will never go up. Any insurance company may raise premium rates for an entire rating class of people in the state, with approval from the Minnesota Department of Commerce.

**Medical Assistance (or Medicaid):** The federally supported, state operated and administered public assistance program that pays for health care services to low-income people, including elderly and disabled persons. Medicaid pays for long-term nursing home care and some other limited health services. Recipients must meet low-income eligibility requirements to receive Medical Assistance, which is why a “spend down” of assets is necessary to qualify. Most nursing home residents without enough personal assets or long term care insurance end up on Medical Assistance. Be aware that some nursing homes do not accept people on Medical Assistance.

**Medicare:** The federal program providing hospital and medical insurance to people aged 65 or older and to certain ill or disabled persons under 65. Medicare provides very limited benefits for long term care.

**Medigap or Medicare Supplement Insurance:** Private insurance that supplements Medicare. Medigap policies do not provide benefits for long-term care but they do cover part of the hospital and doctor bills that Medicare does not cover.

**Non-forfeiture benefits:** An optional policy feature that allows for some coverage even if you quit paying the premium. This provision must be offered to purchasers of qualified long-term care policies, but may be available in non-qualified policies.

**Non-qualified policy:** Refers to policies that do not have the federal tax benefits of the qualified policies, but that still include Minnesota’s minimum consumer protection standards and may offer less-restrictive benefit requirements.

**Outline of coverage:** A description of a policy’s benefits, exclusions, and provisions that makes it easier to understand a policy and compare it with others. Insurance companies are legally obligated to provide you with this summary before you purchase a long-term care policy.

**Pre-existing condition:** A medical condition that was diagnosed or treated prior to the effective date of the policy. Most long-term care insurance policies limit the benefits paid for a pre-existing condition for a period of time after the policy is issued - but it cannot be for more than 6 months.

**Qualified policy:** A type of policy that qualifies for certain federal tax breaks. This kind of policy may be appropriate if you meet the requirements to itemize deductions on your tax forms and if your overall medical expenses (including long-term care premiums) exceed 7.5% of your adjusted gross income.

**Respite care:** Offers a few hours to several days of help to relieve family caregivers. These expenses are usually not covered under long-term care policies.

**Spend down:** A requirement that an individual use up most of his or her income and assets before qualifying for Medicaid.

**Waiver of premium:** Minnesota law requires that while you are receiving benefits because of a nursing home confinement, you do not have to pay the premium. Some policies also waive the premium when receiving home health care.

## Where to go for more information

It is important for people of all ages to be aware of the potential advantages and disadvantages of long-term care insurance in relation to their individual situation. In addition to consulting with a financial planner, accountant, or attorney to get answers for specific questions, Minnesotans can check with the following agencies and organizations offering information and counseling on the subject of long-term care.

### *Minnesota Department of Commerce*

85 7th Place East, Suite 600, St. Paul, MN 55101-3165

Consumer Response Team: 651-296-2488 (or 1-800-657-3602)

If you have complaints about an agent or a company selling Long-term care insurance in Minnesota, call our department's Consumer Response Team at the number listed above. Your inquiry may trigger an investigation that could help you and other consumers as well.

<http://www.commerce.state.mn.us>

### *Senior LinkAGE Line 1-800-333-2433*

This is a free telephone information and assistance service which links seniors and their families throughout Minnesota to a wide range of community services at the local level, from transportation, housing and legal assistance to help with meals, insurance counseling, or buying prescriptions.

### *Office of Ombudsman for Older Minnesotans*

444 Lafayette Road, St. Paul, MN 55155

651-296-0328 (or 1-800-657-3591)

The office of the Metro Area Ombudsman for Older Minnesotans represents residents of long-term care facilities and their families in supporting residents' rights. The center also staffs a consumer education program, which advises family or resident councils on advocacy issues at metro area long-term care facilities.

### *Medicare*

Medicare website ([www.Medicare.gov](http://www.Medicare.gov)) has information about purchasing LTC coverages. Once at their site, click on "Long Term Care".

# LTC Worksheet

Answer these questions about your health and your wealth to help determine whether long term care insurance is right for you.

## Check Your Wealth:

The decision about whether or not to purchase long term care insurance is largely a matter of your current financial situation, your expected future financial situation and what your long term financial goals are. First, you should have a good idea of your net worth, which is a total of your income and your assets. (See below - determining your net worth)

You DO NOT need long term care insurance if:

- Your main source of income is your Social Security benefit or Supplemental Security Income (SSI).
- You often have trouble paying for utilities, food, medicine or other important needs.
- You have limited income and less than \$60,000 in assets and would quickly become eligible for Medicaid if you or your spouse had to go into a nursing home.
- You cannot afford to pay \$100 to \$200 (or more) per month for insurance premiums now and into the future. (As a rule of thumb, your premium should not be more than 7% of your monthly income). As with any insurance, you must keep paying your premiums to keep the policy in force. If the premiums raise to the point you can no longer afford the insurance, you may have to drop the coverage, losing everything you've paid.
- You have strong family support and know that family members will provide your long term care needs, including continual help with daily activities such as eating, bathing and dressing.
- You have sufficient income (over \$3,500 per month) and assets (over \$600,000) to pay for your and your spouse's long term care AND you are willing to use your money to pay for long term care.

You should consider long term care insurance if you answer Yes to the following questions:

- I can comfortably afford \$100 to \$200 per month for long term care premiums, now and into the future, even if the premiums should increase in the future.

- I have at least \$600,000 in assets (savings and investments). Even if you do not have the assets to pay all long term care expenses, you have enough that spending down to qualify for Medicaid would not be an immediate solution.
- I want to leave some of my assets to my family. I don't want to use all my assets to pay for long term care.
- I want to pay for my own care and stay independent of the financial support of others.
- I want the option to make my own choices about where and how I receive long term care. Most long term care policies cover services provided in the home, at assisted living facilities or nursing homes.

### *Check Your Health*

There is no sure way to tell who will need nursing care in the future, but if you answer yes to any of the following questions, your chances of needing long term care may be higher than average.

#### **Did your parents and grandparents live into their 80s or 90s?**

If so, there's a good chance you will enjoy longevity as well. The fact is, however, the longer you live the higher the chances you will need long term care.

#### **Are you a woman?**

Since women generally live longer than men, women have a greater chance of being alone and needing long term care.

#### **Are you a smoker?**

#### **Are you overweight?**

#### **Do you lead a sedentary lifestyle (little or no exercise)?**

#### **Do you have high blood pressure or diabetes?**

Your chances of developing serious health problems in the future are increased if any of these factors are part of your life.

#### **Have you relatives suffered from senility or Alzheimer's?**

This doesn't necessarily mean the same thing will happen to you, but your chances may be greater.

## Personal Worksheet (from NAIC)

People buy long term care insurance for many reasons. Some don't want to use their own assets to pay for long term care. Some buy insurance to make sure they can choose the type of care they get. Others don't want their family to have to pay for care or don't want to go on Medicaid. But long term care insurance may be expensive, and may not be right for everyone.

### Questions Related to Your Income

How will you pay each year's premium?

From my income    From my Saving/Investments    My family will Pay  
*Have you considered whether you could afford to keep this policy if the premiums went up, for example, by 20%? If there were multiple premium increases?*

What is your annual income? (check one)

\$30,000-\$50,000    \$50-75,000    \$75-100,000    Over \$100,000

How do you expect your income to change over the next 10 years? (check one)

No change    Increase    Decrease

*If you will be paying premiums with the money received only from your own income, a rule of thumb is that you may not be able to afford this policy if the premiums will be more than 7% of your income.*

Will you buy inflation protection? (check one)  Yes  No

If not, have you considered how you will pay for the difference between future costs and your daily benefit amount?

From my income    From my Savings/Investments    My Family will Pay  
*The Minnesota average annual cost of care in 2004 was \$48,910, but this figure varies across the country. In ten years, the Minnesota average annual cost would be about \$79,723 if costs increase 5% annually.*

What elimination period are you considering?

Number of days \_\_\_\_\_ Approximate cost \$ \_\_\_\_\_ for that period of care.

How are you planning to pay for your care during the elimination period? (check one)

From my Income    From my Savings/Investments    My Family will Pay

## Questions related to Your savings and Investments

Not counting your home, about how much are all your assets (your savings & investments) worth? (check one)

Under \$200,000    \$200-\$500,000    \$500,000-\$1Million    Over \$1 Million

How do you expect your assets to change over the next ten years? (check one)

Stay about the same    Increase    Decrease

*If you are buying this policy to protect your assets and your assets are less than \$200,000, you may wish to consider other options for financing your long term care.*

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## Questions to ask your agent

### *Is the agent licensed to sell insurance in Minnesota?*

Companies and agents selling insurance in Minnesota must be licensed by the Department of Commerce. If the agent cannot verify that he or she is licensed, do not buy from that person. Check with the Department of Commerce to confirm an agent's license status at [www.commerce.state.mn.us](http://www.commerce.state.mn.us)

Choose an agent who is knowledgeable in long term care and is able to help you understand all your options. A good agent will consider your age, health status and financial suitability when selling you a policy.

### *Ask when the company last raised rates for long term care policies.*

If they have recently raised rates, it may be less likely that they will raise them again in the near future. If the company hasn't raised rates for 10 years, it doesn't indicate that the rates are more or less likely to increase in the near future. For the LTC policy you are looking at, the agent or company must disclose all previous rate changes it has experienced.

Insurance companies have to charge enough to cover claims and make a certain profit. If they expect to pay out more claims and expenses than the current premium rates can cover, they may be allowed to raise premium rates.

### *How long has the company been selling long term care insurance?*

A longer history of selling a product may indicate a higher level of expertise.

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*What nursing homes, residential care facilities and home care providers are covered by the policy?*

Make sure the care facilities in your area are covered by the policy.

*May I hire anyone I choose to provide personal care or homemaker services under the policy?*

If not, what are the qualifications that care providers must meet?

*The agent should provide you with an “outline of coverage” so you can compare different policies.*

*Check the company’s financial standing.*

Insurance companies are rated by outside rating services, based on each company’s assets and surplus. This allows consumers to compare the financial stability of different companies. Ratings services you can check out are:

- A.M. Best
- Standard & Poors
- Moody’s

