

Q&A About Long Term Care



2004

Q: Does Medicare pay for long-term care services?

In general, neither Medicare nor Medicare supplement insurance cover the most commonly needed long-term care — personal, non-skilled services such as help with bathing, dressing, and eating.

Specifically, Medicare only covers up to a 100-day benefit period for skilled care in a nursing facility if you're admitted after at least a three-day hospital stay and your doctor prescribes skilled medical care.

Medicare generally doesn't cover care in assisted living facilities, either. And it doesn't pay for personal health care at home unless you're also receiving skilled care.

What about Medicaid? It's intended only for those who meet federal and state poverty guidelines for income and assets, and even then the options for care are greatly limited. Plus, the government has strict rules to discourage people from giving away assets to qualify for assistance.

Q: What do long-term care insurance policies cover?

Long-term care insurance covers services you may need if you're ever unable to care for yourself for an extended period of time due to chronic illness, disability, or cognitive impairment.

Most long-term care policies issued today offer coverage options for all level of care — skilled, intermediate, and personal — in varied settings, including nursing facilities, assisted living facilities, adult day care centers, hospice facilities, and at home.

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Q: Is long-term care insurance appropriate for me?

Whether you're a candidate for a long-term care policy and whether you qualify depends on your age, health, income, assets, and personal situation.

If you already have health problems that may indicate you'll need long-term care, you may not be able to buy a policy. That's because insurers have medical underwriting standards to keep the cost of long-term care insurance affordable.

If you are eligible, your most important consideration is whether you can afford to pay the premiums for the rest of your life or until you need benefits. Equally important is to consider whether you could afford possible premium increases. That's because although insurers can't single you out for a rate increase, they can increase premiums if necessary for all policyholders in the same rating class in the state.

Q: At what age should I consider buying a policy?

Since you can suffer an accident or debilitating illness and need long-term care services at any age, there's no standard recommendation for when you should buy a long-term care policy.

According to the Health Insurance Association of America, in 2001 the average age of people who bought an individual long-term care policy was 62. The average age of those who bought an employer-sponsored policy was 46.

The younger you are when you buy a policy, the less your annual premium may be and the more years you'll have coverage in case you need it. Furthermore, if you wait until you're older to buy a policy, you run the risk of your health deteriorating, which may leave you ineligible for coverage or significantly increase your policy premiums.

Q: How do I compare insurers?

Since you're buying coverage that may be in effect for decades, it's essential to choose a company that will be around if and when you need to collect benefits. You can assess a company's status by its financial strength ratings.

Just as important, look for a company that prices its policies soundly and has a history of relatively stable rates. Companies that offer much lower premiums than other insurers may not be pricing their policies accurately and may need to significantly increase their future rates to cover claims.

Q: What are the tax breaks for long-term care insurance premiums?

Up to specified limits, premiums for federally tax-qualified long-term care policies are treated as a medical expense. Therefore, if you itemize deductions and meet the specified requirements, you may be able to deduct part or all of your premium payments from your federal income tax.

To claim the federal tax deduction, your out-of-pocket expenses for long-term care and long-term care insurance premiums, along with any other itemized medical expenses you have, have to exceed 7.5% of your adjusted gross income. The amount of premiums you're allowed to deduct is based on your age.

Your state may also offer a tax deduction or tax credit for the long-term care insurance premiums you pay.

Q: What are some considerations when buying a long-term care policy?

When choosing long-term care insurance benefits, review the policy Outline of Coverage that insurance representatives are required to give you, and also ask for a sample policy to review.

Policy definitions, features, limits, and exclusions vary from company to company, so make sure you understand all the contract provisions before you buy. Most importantly, carefully review the types of services covered, where services are covered, and what conditions you have to meet to become eligible for benefits.

When selecting a benefit period, it probably comes down to how much you can afford since there's really no way to predict how long you'll need care, if at all. Benefit periods typically range from one year to lifetime.

As a starting point when choosing a benefit amount, look into how much long-term care services cost in your area or where you plan to live in the future. Keep in mind that no long-term care policy will cover all your costs.

You'll have to pay out-of-pocket for expenses, such as medications and therapies, that aren't part of nursing home room and board rates or typical home care costs. And depending on your financial situation, you may consider planning to pay some long-term care costs out of your own pocket.

Policies state benefit amounts either by the day, week, or month. Daily benefit amounts typically range from \$50 to \$500. Some policies state the maximum benefit limit in years, up to a lifetime maximum, others state the maximum benefit as a total dollar amount.