What You Should Know About Long Term Care

Answers to the most commonly asked questions from the Indiana Long Term Care Insurance Program

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The Indiana Long Term Care Insurance Program is administered by the Indiana Department of Insurance in conjunction with the Office of Medicaid Policy and Planning of the Indiana Family and Social Services Administration.

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A Message from the Governor…

Dear Fellow Hoosiers:

As you take the very important step to assess your future health care needs, I hope you will consider the numerous benefits under long-term care coverage through Indiana's Long Term Care Insurance Program, or "Indiana Partnership." Whether you are in the midst of your career or nearing retirement, it is never too early or too late to start planning.

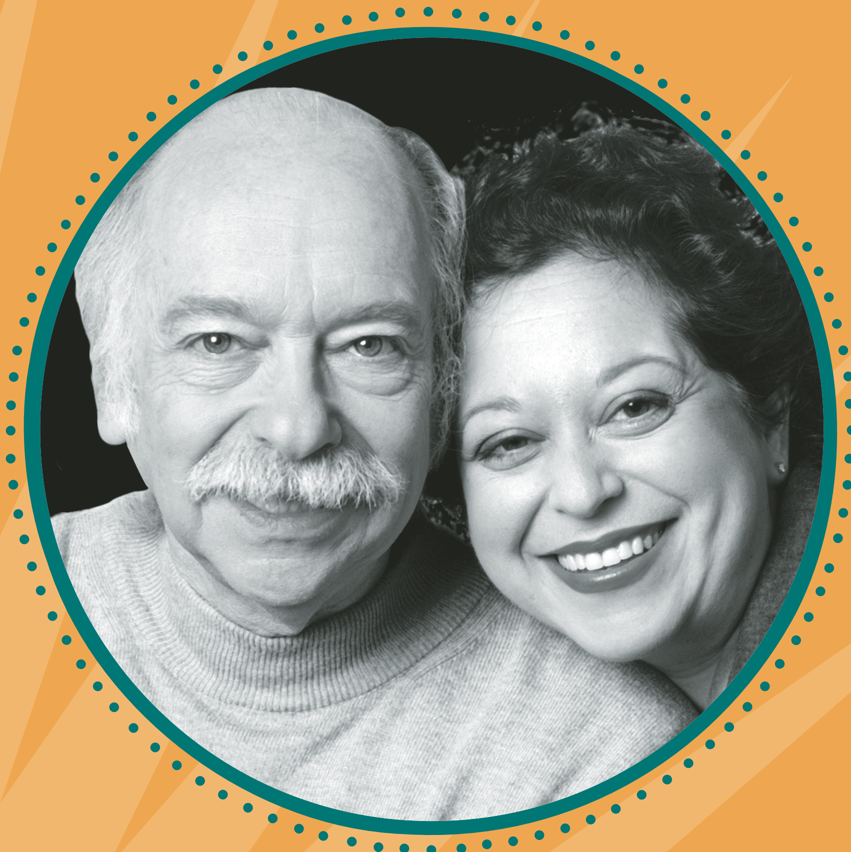
Since 1993, the Indiana Partnership has provided Indiana residents with high quality, affordable long-term care insurance policies containing the unique Medicaid Asset Protection benefit. Policies approved under this Program provide coverage for home and community-based care, as well as for assisted living facility and nursing home care. You can choose from a variety of daily benefit and maximum benefit amounts in order to provide for your specific needs. Premiums paid for an Indiana Partnership long-term care insurance policy may be deducted on Indiana tax returns.

Indiana was one of the four original states to offer this innovative approach to financing long-term care. I hope you will find the information in this booklet helpful. If you need additional assistance, please call 866-234-4582 (toll free) or visit the website at www.longtermcareinsurance.IN.gov.

Indiana Partnership can provide you with the security you need now, so you can live a healthier and more financially secure life in the future. I encourage you to prepare for tomorrow by planning today.

Sincerely,

Mitch Daniels



Who'd have believed it could cost so much! We had plenty of insurance against dying. I wish we'd have thought about living.

Long Term Care: what it is, what it costs.

Q. What is long term care?

Long term care is what people need when they are unable to care for themselves because of prolonged illness, disability or frailty. It can be as simple as in-home help with daily activities such as dressing or bathing, or as specialized as skilled medical attention received in a nursing home.

Q. What are the chances I'll need long term care?

Your likelihood of needing long term care increases as you get older, if you live alone, and if you're a woman. Your family and individual medical history also play a major role in determining whether or not you will need long term care.

General population statistics are very informative. For instance, one-half of all women and one-third of all men reaching age 65 will enter a nursing home at some point in their lives.[C1] Even more will require some kind of in-home care or assistance. Of those entering a nursing home, the average length of stay is 2.6 years.[C2] Older persons aren't the only ones needing long term care. Over 40% of Americans receiving long term care are between the ages of 18 and 64.[C3]

No one really knows at what age he or she may experience a paralyzing accident, suffer a stroke, or be diagnosed with Parkinson's or Alzheimer's disease or some other debilitating condition.

Q. How much does long term care cost?

Long term care can be very expensive. The average cost of nursing home care in Indiana is more than $60,000 a year[C4] (costs will vary by geographical area). Assisted living facility care costs an average of $31,000 a year.[C4] In-home care can be costly too, with the annual price of five home health aide visits a week, providing care for five hours each day, costing $28,000.[C5] Plus, the cost of long term care has been rising approximately 5% each year.[C6]

Q. Won't Medicare pay my long term care costs?

Medicare was not designed to pay for long term care. Strict criteria must be met to qualify for Medicare coverage for this type of care. Even when you meet Medicare's criteria, the coverage it provides is for a limited length of time (approximately three months in a nursing home). Those who believe Medicare will pay their long term care expenses may end up unexpectedly spending their life savings on long term care costs.

Q. Can't I rely on Medicaid for long term care?

You can, but Medicaid is only available if you meet strict income and asset limits – currently defined as having total countable assets of $1,500 or less if you are single, or $2,250 if you are married. (An exception to Medicaid spend down applies for married couples when one spouse is in a nursing home.) That means most people will have to spend down their life savings to this amount before Medicaid will assist with long term care costs.

Q. Is there another way to pay these costs?

Yes. Long term care insurance is specifically designed to pay for long term care services. This type of insurance helps cover in-home care, community-based care such as adult day care, assisted living facility care, and nursing home care. It usually pays the actual charges for the care up to a daily maximum dollar amount. Coverage lasts until a maximum dollar amount is reached. (You choose the maximum daily and maximum total amounts when you buy a policy.)

Q. Is long term care insurance right for everyone?

Long term care insurance is not the right option:

- If you have little or no assets. At a minimum, your assets should be equal to the cost of one year in a nursing home.
- If you are already disabled or have a serious health problem which puts you at high risk for needing long term care. In these instances, you will probably not be able to pass the medical underwriting required by the insurance company to get the insurance coverage.
- If you have a limited ability to pay premiums. You should not deny yourself the essentials of daily living (food, shelter, utilities, medicine) to pay premiums.

Q. Why did the State of Indiana create the Indiana Long Term Care Insurance Program?

More and more of us are getting older and living longer. In fact, "by the year 2030, when the last of the baby boomers in America reaches retirement, the number of elderly individuals is estimated to double from 35 million to nearly 70 million. More than 20% of the population will be over age 65. This means that in about 24 years, the demographics of 32 states will resemble those of Florida today. Life expectancy also is projected to improve. As a result, individuals ages 85 and older will be the fastest-growing segment of the elderly population, increasing 143% between 1990 and 2030."[C7] In other words, more of us will need long term care. Few people can afford to pay for long term care themselves. The State cannot afford to pay for the long term care of every Hoosier. So, the State developed the Indiana Long Term Care Insurance Program – creating high quality long term care insurance paired with a means to protect individual assets.

Q. What is the Indiana Long Term Care Insurance Program?

The Indiana Long Term Care Insurance Program is a partnership between State government and private insurance companies. Insurance companies voluntarily agree to participate in the Program by offering long term care insurance policies that meet more stringent State requirements than other policies. (Policies approved under the Program are better known as "Partnership policies.") As of May 1993, Indiana residents, when shopping for long term care insurance, have a choice between traditional long term care policies or Indiana Partnership policies. Partnership policies protect assets through a feature which places their purchasers under different, more favorable Medicaid eligibility rules. Indiana is one of the first four states (along with California, Connecticut and New York) to offer such an innovative long term care financing program. Since 2006 wth the passage of Federal legislation (Deficit Reduction Act of 2005), additional states have implemented Partnership Programs. Taking and keeping control of your financial independence and emotional peace-of-mind has never been easier!

Q.

How do Partnership policies change the Medicaid eligibility rules?

Partnership policies contain a special State-added feature known as "Medicaid Asset Protection." With this feature, Partnership policies offer Indiana residents a way to provide for their long term care needs without the fear of having to spend down their life savings. These policies guarantee that the buyer will receive asset protection from Medicaid eligibility spend down and from Medicaid estate recovery at least equal to the amount of benefits used.

My mother always lived simply, saving up for a rainy day. Then, when she needed to go into a nursing home, her nest egg was gone in no time at all. I don't want that to happen to me.

Q. How does the Medicaid Asset Protection feature work?

If you initially purchase a Partnership policy with **less** than the State-set dollar amount* in benefits, one dollar of assets is protected for each dollar of Partnership policy benefits paid out. If you initially purchase a Partnership policy with the State-set dollar amount* or more in benefits and have a 5% compound inflation factor, all of your assets are protected once the policy has paid out all benefits.

*Chart for State-set dollar amounts is posted on the website and in the back of this booklet.

Q. Can I rely on this asset protection from Medicaid to protect my assets?

In a word, YES! For example, if you bought a Partnership policy with a maximum benefit pay-out of $150,800, you could protect $150,800 of your assets. If you want to protect more or less of your assets, you may select a policy with a higher or lower benefit pay-out. If you want to protect all of your assets, you would need to purchase, at a minimum, the State-set dollar amount* of Partnership policy benefits. For married couples, each spouse would need to purchase his/her own policy for the greatest overall protection.

*Chart for State-set dollar amounts is posted on the website and in the back of this booklet.

Q. When does the asset protection actually start?

The peace-of-mind starts immediately, but the actual asset protection begins when your Partnership policy starts paying benefits. For instance, if you went into a nursing home and used up your policy benefits of $150,800, you could apply to Indiana Medicaid to pay for your continuing nursing home care. Medicaid will disregard $152,300 of your assets ($150,800 of protected assets which equals the insurance benefits used plus $1,500 which is the normal Medicaid allowance) during the eligibility process.

If you purchased the State-set dollar amount* of Partnership policy benefits, entered a nursing home, and used up all of the policy benefits, then, you could apply to Medicaid to pay for your continuing nursing home care. Medicaid will not require you to spend down any of your assets. All of your assets will be protected.

With either type of asset protection, you would never have to spend your protected assets for your long term care costs. Once on Medicaid, your income, but not your protected assets, will be used to offset the cost of care.

A traditional long term care insurance policy cannot provide these guarantees. With a traditional policy once benefits were paid out, you would still have to spend your assets down to $1,500 to qualify for Medicaid assistance.

Q. What type of asset protection is right for me?

If you have moderate income to pay the premiums and are interested in protecting an amount of assets less than the State-set dollar amount, then purchasing a Partnership policy that provides dollar-for-dollar asset protection is an appropriate choice. If you are interested in protecting all of your assets and all of your income, then a good choice would be a Partnership policy with lifetime coverage. With lifetime coverage, the insurance policy will pay for however long you need care. This minimizes your risk of ever needing help from Medicaid. In turn, your risk of having to contribute your income toward your long term care is also reduced. Policies with lifetime coverage may be expensive. If you fall somewhere in the middle – wanting to protect all of your assets yet not wanting to pay the premiums for lifetime coverage, then total asset protection is the appropriate choice. So, overall, the answer depends on your personal situation and what you want your policy to do for you.

Q. Can't a traditional long term care policy, not approved by the Program, protect my assets too?

Yes, but only while your policy is actually paying benefits. If your benefits run out and you still need care, you would have to pay for it yourself. You would have to spend down your assets to $1,500 to qualify for Medicaid assistance.

You could purchase lifetime coverage in a traditional policy, but this can be very expensive. Only policies approved by the Indiana Long Term Care Insurance Program offer guaranteed asset protection, plus more affordable, shorter terms of coverage.

Q. What types of assets can I protect through using my Partnership policy?

All. Some assets protected with a Partnership policy include: savings, stocks, bonds, certificates of deposit, money market certificates, second homes, the cash value of life insurance, and the fair market value of your primary home if you have no spouse (Medicaid already provides exemptions for your home, if a spouse or dependent is living there); rental property, if providing income and earning a profit; irrevocable burial trusts; personal possessions; and cash value of life insurance, if the face value is $10,000 or less. However, the value of these exempt assets can be recovered from your estate to repay Medicaid for its costs of your care if they are not protected through purchase and use of a Partnership policy.

Q. Will all of the benefits paid from the policy count toward the asset protection?

Yes, all benefits under the policy will count toward the asset protection up to the actual cost of care. If your policy covers home and community-based services, these services must be part of a care plan developed by an approved case management agency in order to qualify for asset protection.

Q. What is case management and why is it important?

Case management agencies help you if you need long term care services. Case managers work with you to develop a care plan of services, identify the best service providers, and make sure the services are provided appropriately. Case management will help you get the most out of your insurance policy benefits.

Q. How will I know how much of my assets have been protected?

Once you are receiving benefits from your Partnership policy, you will receive quarterly reports from the insurance company that show the amount of asset protection you have earned. When your benefits run out, the company will send you a summary of total benefits received and total asset protection earned. This summary report will be needed when you apply for Medicaid.

Q. If I buy a Partnership policy, when can I give my protected assets to my family?

Assets only become protected as your insurance policy benefits are paid out. Once you have accumulated asset protection, your assets are protected and can be used in any way you choose – even as gifts to your family.

We've taken care of ourselves for 40 years. Now, we see a way to keep doing it through Indiana Partnership policies. We can stay in control of our assets, and don't have to worry about becoming a burden to anyone.

Q. Can't I get on Medicaid by having an attorney transfer or shelter my assets?

Medicaid eligibility is complex. Some attorneys and financial planners have found ways to transfer or shelter assets in order to have Medicaid pay for the long term care costs of persons who otherwise would not be eligible. However, there are problems with this approach.

First, the rapid rise in Medicaid costs assures that state and federal governments will continue to try to close these loopholes. Second, Medicaid looks back 60 months from the time you apply for assistance to see whether you have transferred assets for less than fair market value for purposes of qualifying for Medicaid. If so, you will be penalized a period of time in which Medicaid will not provide assistance. Third, by transferring your assets to a family member or trustee, you surrender your financial independence.

Q. Are there other advantages of Partnership policies?

Yes! All long term care insurance policies are not created equal. Indiana Partnership policies:

- provide for guaranteed asset protection for the policyholder.
- have benefits that increase by 5% annually or at the CPI inflation rate to keep up with the rising cost of care.
- if covering home and community care, include: home health care, home health aide, attendant care, respite care, adult day care, and case management services.
- use the same criteria for when benefits are paid. This criteria is based on your physical inability to do activities of daily living or your having a cognitive impairment like Alzheimer's disease.
- require insurance agents to receive 15 hours of training on long term care insurance and the Indiana Long Term Care Insurance Program prior to selling.
- require an adequate minimum daily benefit.
- incorporate more consumer protection and disclosure features than other policies.

In addition to the features listed above, Indiana Partnership policies are available for shorter terms which have lower premiums. This means insurance is now more affordable for middle income persons while still guaranteeing the asset protection provided by more expensive, longer term policies.

Q. Does the Program receive from the insurance companies any portion of the premiums paid for the policies?

No. The Indiana Long Term Care Insurance Program does not sell insurance policies. Insurance companies sell the policies through insurance agents and the State receives no money from the policies sold.

Q. How much does a Partnership policy cost?

That depends on your age, your health status, the company you choose, and the variety of different policy benefits and features you choose. Since the Medicaid Asset Protection feature is a State-added benefit, it does not affect the cost of your policy. Similar to other health and life insurance, the older you are when you buy the policy, the higher your premium will be. Your premium will, however, remain level and cannot be increased unless the insurance company raises it (after first obtaining Department of Insurance approval) for everyone with the same policy.

Q. Why not wait as long as possible before buying a Partnership policy?

If you wait to buy a policy until you are older, you will pay a higher premium. The younger you are when you purchase a policy, the more affordable the premium will be. In addition, by waiting, you run the risk of your health declining so that you may not be able to be insured at all.

Q. Are all Partnership policies the same?

They are all similar in that they meet the minimum standards of the Indiana Long Term Care Insurance Program for consumer protection, affordability, and coverage. These standards exceed those for traditional long term care policies. Some Partnership policies may exceed these minimum standards, and their premiums may vary accordingly. As with all insurance products, it pays to shop and compare.

Q. If I already have long term care insurance, can I get a Partnership policy without losing my original investment?

That will depend on whether or not your insurance company is participating in the Indiana Long Term Care Insurance Program. If so, they may offer you the opportunity to change to a Partnership policy. Call your insurance agent and ask.

Q. What happens to my Partnership policy if I move to another state?

You are entitled to your insurance benefits no matter where in the country you are living when you use them. The Medicaid asset protection feature is valid if you find it necessary to apply for Medicaid eligibility. For example, you use all the benefits in your Partnership LTC policy but still need services and are unable to pay for them. If you are living in Indiana or a state that has Medicaid asset protection reciprocity, you could apply for Medicaid eligibility and your protected assets would be disregarded during the eligibility process. A reciprocal agreement would provide asset protection under another state's Medicaid program on a dollar for dollar basis.

Q. Who offers Partnership policies?

A number of private insurance companies offer policies that meet the Program's stringent guidelines. A complete list of these companies is available from the Indiana Long Term Care Insurance Program by calling 1-866-234-4582 or visiting *www.longtermcareinsurance.IN.gov.*

To identify a Partnership policy, look for the following box on the front page of the policy, the outline of coverage, and the application:

> THIS POLICY QUALIFIES UNDER THE INDIANA LONG TERM CARE INSURANCE PROGRAM FOR MEDICAID ASSET PROTECTION. THIS POLICY MAY PROVIDE BENEFITS IN EXCESS OF THE ASSET PROTECTION PROVIDED IN THE INDIANA LONG TERM CARE INSURANCE PROGRAM.

Traditional long term care insurance policies either won't have the boxed language or will have a longer box of language in which the first sentence reads "This policy does not qualify under the Indiana Long Term Care Insurance Program for Medicaid Asset Protection."

Q. Is there a tax benefit to purchasing an Indiana Partnership policy?

Yes. Premiums paid for Partnership policies may be taken as a deduction on your **Indiana** tax return. One hundred percent of the premium paid by a taxpayer for a Partnership policy for the taxpayer or his/her spouse may be deducted. Special rules may apply for those who are self-employed. Refer to an Indiana State Tax Return Instruction Booklet for details.

Premiums paid for policies that meet certain federal standards may be deducted, up to a limit, as a medical expense on your federal tax return. These types of

Ever since my own dad ended up in a nursing home, I've thought about getting long term care insurance. I've always wanted it, but just couldn't afford it…until now.

policies are better known as "tax-qualified" or "TQ" policies. Both TQ and non-TQ Partnership policies are available. For details about the federal tax deduction, consult a tax advisor.

In other words, ALL Partnership policies qualify for the state tax deduction. But, only TQ Partnership policies qualify for the federal deduction.

Q. What happens to my policy and protected assets if Indiana eliminates the Program?

The Program has strong bipartisan support and could only be eliminated through legislative action. If it were eliminated, however, Indiana's Medicaid program would honor the asset protection in Partnership policies already purchased, no matter when in the future the policyholders used their policy benefits.

Q. Once I use all of the benefits in my Partnership policy and am eligible for Medicaid, will Medicaid provide me with the same benefits that I had under my policy?

Once you are eligible for Medicaid assistance, you will receive services covered under the Medicaid program at that time. These services could be less than or more than those services provided to you under your Partnership insurance policy. (For instance, Medicaid covers prescription drugs while most long term care policies do not. Yet many Partnership policies cover room and board in an assisted living facility, which is a benefit Indiana Medicaid does not currently provide.)

Q. How can I get more information about the Indiana Long Term Care Insurance Program?

Call the Program office at 1-866-234-4582 or visit the website at *www.longtermcareinsurance.IN.gov.* To learn about company-specific Partnership policy features or policy costs, your best resource will be a local insurance agent who is "certified" to sell Indiana Partnership policies. **Contact the participating companies for a referral to a local Indiana Partnership-certified agent.**

Chart for State-Set Dollar Amount

Original Effective Date of Policy	State-Set Dollar Amount	Original Effective Date of Policy	State-Set Dollar Amount
1998 or before	$140,000	2011	$263,990
1999	$147,000	2012	$277,190
2000	$154,350	2013	$291,050
2001	$162,068	2014	$305,603
2002	$170,171	2015	$320,883
2003	$178,679	2016	$336,927
2004	$187,613	2017	$353,773
2005	$196,994	2018	$371,462
2006	$206,844	2019	$390,035
2007	$217,186	2020	$409,537
2008	$228,045	2021	$430,014
2009	$239,447	2022	$451,515
2010	$251,419	2023	$474,091

*The State-Set Dollar Amount is the INITIAL amount of coverage an applicant must purchase in an Indiana Partnership policy in order to earn total asset protection.

When we think of the future, we think of our children and grandchildren. We'd like to leave them something once we've lived out our lives in comfort. Isn't that what everyone wants?

Citations

Pages 5 & 7:

[C1] "The Risk of Nursing Home Use in Later Life," Medical Care, Murtaugh, Kemper and Spillman, October 1990.

[C2] "Long Term Care Insurance - Baby Boom or Bust?," Conning & Company, 1999.

[C3] "Long Term Care Current Issues and Future Directions," General Accounting Office, April 1995.

[C4] "MetLife Market Survey of Nursing Home & Assisted Living Costs", MetLife Mature Market Institute, October 2008.

[C5] "MetLife Market Survey of Adult Day Services & Home Care Costs", MetLife Mature Market Institute, September 2008.

[C6] Consumer Price Index, U.S. Bureau of Labor Statistics, 1997 - 2000.

[C7] "Who will pay for the baby boomers' long-term care needs?" American Council of Life Insurance (1998).

www.longtermcareinsurance.IN.gov

What you'll find on our Web site:

- Chart for State-set Dollar Amounts
- Spousal Impoverishment Protection Law
- Medicaid's Perspective of Assets and Income
- Participating Insurance Companies List
- Federal and State Tax Deduction Information
- Medicaid Estate Recovery
- Frequently Asked Questions

Indiana Long Term Care Insurance Program
Indiana Department of Insurance
311 W. Washington St., Suite 300
Indianapolis, IN 46204

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