Do I Need Long-Term Care Insurance?

Presented by HICAP
Health Insurance Counseling & Advocacy Program

HICAP is funded in part by a grant from the California Department of Aging
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Reasons People Purchase LTCI

• Because They are Afraid
• To Preserve Assets
• To Not “Burden” Family
• Ensure Access to a Choice of Facilities
Nursing Home Care Costs

• CA Department of Health Services states the average cost in CA for Nursing Home Care is $6,600/month

• This equals $79,200/year

• Average cost per day in Orange County is $220 room and board.
Who Pays?

- Medicare may pay a small amount for skilled rehabilitative services only. (5-7%)
  - Restrictions-3 day prior hospitalization
  - First 20 days
  - Up to 100 days w/ copay

- Medi-Cal pays for those who meet the income and asset criteria (50%)

- Private Pay (42-44%)

- Long-Term Care Insurance (<5%)
Medi-Cal as of Jan. 1, 2015

• File application after admittance to facility

• Some assets exempt, for example:
  - Principal residence
  - Business related property
  - One automobile etc.
  - Prepaid Burial Plan

• Community Spouse allowed: $115,920

• Income allocation: $2,898

• This information is complex and continually changing, contact the local Alzheimer’s Association for assistance: (949) 955-9000
Definitions

- LTC insurance – (basic definition) a contract between a licensed private insurance carrier and an insured, designed to pay for:
  - All levels of care in a licensed nursing facility
  - As of July 1, 2001, Residential care is an included feature
  - Possible home care
Basic Models of LTCI

• Nursing Facility/Residential Care Facility for the Elderly, (RCFE) Only
• Home Care Only
• Comprehensive
  ➢ Residential Care
  ➢ Home Care
  ➢ Adult Day Care
  ➢ Respite Care
• CA Partnership for LTC
Specific Coverage Issues

- Policies are health underwritten - you must be in good health to receive.
- To trigger actual policy benefits, typically you must be unable to perform 2 out of these seven “Activities of Daily Living”
  - Bathing
  - Dressing
  - Continence
  - Toileting
  - Transferring
  - Eating
  - Ambulating
Other Factors

• Length of Coverage
• Deductible Period
• Daily Benefit Amount
• Inflation Protection
• Extras
  ➢ Waiver of premium
  ➢ Cash value
The California Partnership for LTC

- A long-term care policy that allows the insured to retain possession of assets and apply for Medi-Cal

- You would only purchase as much coverage as you have assets to protect
  - Ex. - You have $100,000 in non-exempt assets, you would only purchase that amount of coverage.
Qualified Long-Term Care Insurance

- IRS Code changed to treat QLTCI contracts the same as medical insurance so that premiums can be deducted and benefits payments will not be taxable.
- May add *some* amount of premium to the medical expense category and deduct amounts in excess of 7.5% AGI.
- Consider almost 1/2 of seniors either pay no income tax or do not itemize.
• **Tax Treatment of QLTCI Premiums**

  • For attained age by the end of the tax year, the limitation is: (changes by 5% annually)

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<th>Limitation</th>
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<td>Age 40 or less</td>
<td>$340</td>
</tr>
<tr>
<td>Over 40, less than 50</td>
<td>$640</td>
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<tr>
<td>Over 50, less than 60</td>
<td>$1,270</td>
</tr>
<tr>
<td>Over 60, less than 70</td>
<td>$3,390</td>
</tr>
<tr>
<td>Age 70+</td>
<td>$4,240</td>
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Evaluate

- Group vs. Individual Policy
- Level Premium
- Age Limits
- Policy Rating
- Covered Facility
- Pre-existing Condition clauses
- Waiver of Premium
- Inflation protection
Medicare Fraud and Abuse

*Intentional* Deception or Misrepresentation Resulting in *Unauthorized* Benefit

- **Don’t Become a Victim**
  - Medicare Fraud and Abuse is Real!
  - Review Medicare Summary Notices (MSNs) for Accuracy
  - Check with Your Trusted Providers Concerning Billing Discrepancies
  - Don’t Give Out Your Medicare, Social Security, or Credit Card Numbers Over the Phone

- **How to Report**
  - Call HICAP for Assistance at
  - 1-800-434-0222
For More Information

- California Department of Insurance
  - 1-800-927-4357

- HICAP
  - 1-800-434-0222
  - 714-560-0424
Support

• We are a private, 501(c)(3) nonprofit
  ➢ Funded by federal and state programs, private foundation grants, corporate and individual contributions
  ➢ Partnering with us is one of the best ways to provide lasting support for older adults in our community.

• Ways to help
  ➢ Volunteer
  ➢ Contribute
  ➢ Tell others
THANK YOU!