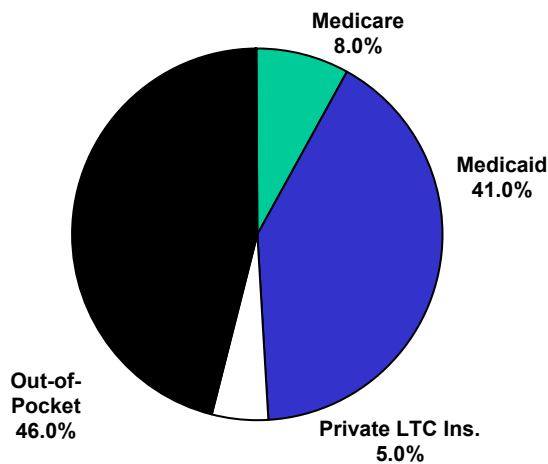




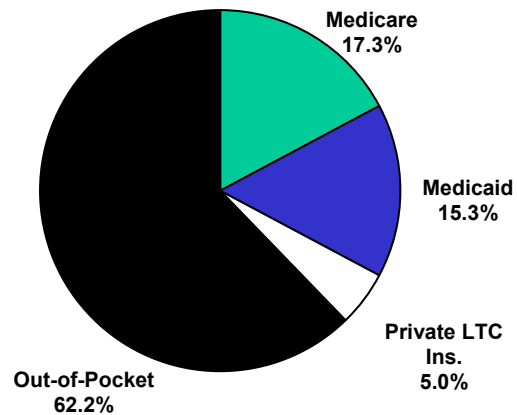
**Long Term Care Insurance – Is it the answer to the long term care crisis?**

**Sources of Payment for Long Term Care, 2000**

**Nursing Home Care**



**Home Care**



***Most long term care is paid for out-of-pocket by patients and their families.***

**Total Long Term Care Spending in 2000 is \$100 Billion**

Source: CMS, Office of the Actuary, National Health Statistics Group.

**The Basics of Long Term Care Insurance**

Long Term Care Insurance helps pay for long-term care services, but the insurance can be quite expensive and consumers must consider their ability to pay now and in the future when living on retirement income. The cost of LTC Insurance varies greatly according to age at purchase and benefits chosen. A standard policy from one company providing a maximum daily benefit of \$125 for a four-year term with 5% compound inflation protection would cost \$1,238 annually if purchased at 55, at 60 the same coverage would cost \$1,638/year, at 65 -- \$2,175/year, and at age 75 it would cost \$4,838/year. A couple may get a small discount if both are insured. Besides being based on age, premiums will depend on the benefits one chooses to purchase. Even "level" premiums will rise if the class risks change over time or if benefits are changed. Many people are turned town for LTC Insurance because of pre-existing conditions. A portion of tax-qualified long-term care policy premiums may be deducted if the policy-holder itemizes.

## **Indiana Long Term Care Insurance Program**

Indiana has a partnership with private insurance companies which provide permanent asset protection through the state-added benefit known as "Medicaid Asset Protection". Hoosiers may purchase the State-set dollar amount of benefits (\$178,679 in 2003) which will protect all of their assets, but not income. They can purchase less than this benefit amount which will protect assets equal to the amount of benefits paid out for care. The partnership allows the state to establish minimum protections and define benefit triggers that must be used by all participating insurance companies. Premiums for an Indiana Partnership policy may be taken as a deduction on your Indiana tax return. These Indiana policies will pay out benefits in any state, but the asset protection can only be honored by Indiana's Medicaid program. (Connecticut has a reciprocal agreement with Indiana and will honor the agreement on a dollar-for-dollar basis.)

### **Affordability and adequate coverage**

Some experts estimate that only 10-20% of seniors can afford long term care insurance. Those who buy long-term-care insurance tend to have significant assets and income and want to protect some portion of them, want to stay independent of the support of others, or want to pay for their own care. In order for a policy to offer adequate protection against the cost of long-term care the person must pay premiums and retain the policy (not let it lapse) until the time that care is needed; the policy must offer enough benefits to cover a reasonable portion of the costs of long-term care when the person needs it; the person must qualify for benefits under the insurer's criteria when she or he is in need of care; and the long-term care services the person needs must be covered by the policy.

Persons should not consider long-term-care insurance if the only source of income is Social Security or Supplemental Security Income (SSI), or they have trouble paying for utilities, food, medicine or other important needs.

### **Is Long Term Care Insurance the answer to the long term care crisis?**

No, it is not in the near future. Private long term care insurance pays a small fraction of long-term costs. Unless there is significant growth in a group market which will lower overall risk to insurance companies and lower the costs of premiums, it is unlikely ever to cover more than a small population. Even people of moderate means will wipe out their savings within a few months when paying for long term care out-of-pocket. A large portion of long term care will continue to be financed by public funds. With a total LTC budget estimated at \$1.4 billion, it is imperative that Indiana re-balance its LTC system so that individuals can choose between a full array of home and community-based services. Rebalancing the long term care system will save taxpayer dollars and allow for appropriate care. Senate Enrolled Act 493, which was passed by the 2003 General Assembly, is designed to do this. However, SEA 493 must be implemented as quickly as possible for our state to take advantage of these savings and be prepared to provide for the needs of the disabled and a rapidly increasing elderly population.

Resources: Contact SHIIP (Senior Health Insurance Information Program) to obtain a resource kit that will help you determine if you should buy long-term-care insurance and to find out which insurance companies participate in the Indiana Partnership. Call 1-800-452-4800 or, in Indianapolis, 317-233-3475.

---

For more information, call John Cardwell at (317) 423.7102 or Will Phillips at (317) 423.7108. Write The Generations Project, c/o AARP, Suite 1275, One North Capitol Avenue, Indianapolis, IN, 46204. You may also contact the Citizens Action Coalition Education Fund at 5420 N. College Ave., Room 100, Indianapolis, IN 46220.

The Generations Project is an alliance of AARP Indiana, ARC of Indiana, Alzheimer's Association, CICOA The Access Network, Citizens Action Coalition of Indiana, Council of Volunteers and Organizations for Hoosiers with Disabilities (COVOH), Indiana State Council of Senior Citizens, Indiana Association of Area Agencies on Aging, Mental Health Association of Indiana and United Senior Action of Indiana.

The Generations Project is underwritten in part by The Health Foundation of Greater Indianapolis and the Citizens Action Coalition Education Fund. Management support services are provided by CACEF and AARP Indiana.