Star-Telegram.com

Posted on Fri, Jul. 11, 2008

Texas Seeks to Boost Long-Term Care Coverage

The policies can protect some assets from the high costs of nursing homes.

TERESA McUSIC
The Savvy Consumer

This fall, a new long-term care insurance program will be offered in Texas aimed at getting moderate-income consumers to buy this protection.

It's called a long-term care insurance "partnership" program, a plan to encourage Texans to buy long-term care policies that will protect some of their assets from the high costs of nursing-home care.

The concept was started by four states in the 1990s. After federal legislation allowed for such partnerships in 2003, dozens more states are enacting their own plans to curb nursing-home costs to Medicaid.

In 2005, Medicaid paid for 43.9 percent of all nursing-home care nationwide, compared with just 7.5 percent paid by private insurance, according to the Department of Health and Human Services.

An additional 26.5 percent of the $112 billion spent on nursing-home care that year was paid out of pocket, HHS reports.

In Texas, the Medicaid numbers are worse, with 67 percent of all nursing-facility care paid by the federal program for low-income individuals. Fewer than 400,000 Texans have long-term care insurance.

And don't think you won't need long-term care. At least 70 percent of people over age 65 will require some long-term care services at some point in their lives, according to HHS.

What's happening in Texas

To encourage more Texans to purchase long-term care insurance, state lawmakers last year passed legislation sponsored by state Sen. Jane Nelson, R-Lewisville, to establish the long-term care partnership program.

In it, asset protection and other guaranteed features will be included in a policy offered to the general public, said John Greeley, spokesman for the Texas Department of Insurance, which is coordinating oversight of the product with HHS.

"The whole point is to get people to think about their long-term care needs to take the burden off Medicare," Greeley said.

The policy can also provide protection to a friend or relative paying for long-term care.

In 2004, more than 44 million caregivers provided long-term care for an adult family member or friend.

While final rules for the policy are still being written, Greeley said it will mirror model legislation for the National Association of Insurance Commissioners.

Central to the policy will be an asset-protection element.

"Consumers will be eligible to protect any assets equal to the insurance benefits received, so those assets will not be taken into account in qualifying for Medicaid," Greeley said.

How it works
Say a consumer purchased a long-term care policy with $100,000 in benefits and has $100,000 in assets. He enters long-term care and uses up the benefits in the policy. At that point, his $100,000 in assets will not be considered when determining if he qualifies for Medicaid.

Currently, an individual entering long-term care must have very limited assets and income to qualify for Medicaid. Often consumers must "spend down" their assets in order to be eligible for long-term care under Medicaid. (It should be noted that Medicare only covers the first 100 days in a nursing home, and that's only after a hospital stay and if you need skilled care.)

How much it costs
Kevin Lynch, an Arlington financial associate with Thrivent Financial for Lutherans, said costs for long-term care insurance could decrease with the new plan.

"If more people buy something, the price tends to come down," he said.

Lynch said one major carrier he represents quotes prices of about $2,000 a year for a standard policy for a single person in their 50s with a $150 daily benefit and total benefit of $273,000. Costs rise if you wait to purchase the product in your 60s and 70s or have a health condition.

Like individual health insurance, premiums go down slightly if you're in good health. A steep discount is offered in long-term care insurance if you buy as a couple.

While the partnership program will be a good fit for some, it won't for others, Lynch said.

"The good news is you have choices," he said.

Burk Rosenthal with Rosenthal Retirement Planning in Fort Worth said he generally recommends long-term care insurance for his clients.

"When it comes to long-term care, you can be rich and self-insured or you can be poor and Medicaid will take care of you," he said. "If you're in the middle and you're not insured, you very likely will end up poor to get the care."

Choosing long-term care insurance
Long-term care insurance currently comes with many movable parts. Here are some things to look for, according to AARP:

- **Coverage mix:** You have choices in long-term care policies that pay for only nursing-home care, home care, assisted living and adult day care, or a mix of all the above. Some policies will even pay for a family member or friend to care for you in your home.
- **Daily or monthly benefits:** This is the amount the insurer will pay for each day or month you are covered by a long-term care policy. If the cost of care is more than your benefit, you will need to pay the balance.
- **Benefit period:** This determines the length of time you will receive benefits from your policy. You can choose a benefit period that spans from two to six years, or open-ended to include the rest of your life. In general, the longer the benefit period, the higher the premium.
- **Elimination or waiting period:** During this period, you pay all of your long-term care expenses before the policy kicks in. This period generally lasts anywhere from zero to 100 days. The longer the waiting period, the lower your premiums will be.
- **Inflation protection:** This is important as healthcare costs continue to rise. The two main kinds of inflation protection are the right to add coverage at a later date and automatic coverage increases.
- **Nonforfeiture benefit:** Policies with this benefit will continue to pay for your care even if you stop paying premiums. This policy feature can add to your premium.

Teresa McUsic's column appears on Fridays. Reach her at tmcusic@savvyconsumer.net

---