A GUIDE FOR BUYING LONG-TERM CARE INSURANCE IN GEORGIA

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INTRODUCTION

Many people are expressing increased interest in obtaining insurance coverage to protect against the expense of long-term care services. However, what most people do not realize is how costly long-term care can be, or what their chances are of requiring such care or whether their other health insurance plans cover long-term care.

This guide was developed to explain long-term care services, what benefits are available to you through Medicare and Medicaid, and what long-term care insurance does and does not offer. More importantly, if you are interested in purchasing a long-term care insurance policy, this guide will help you in selecting one that meets your needs.

You may find some of the concepts or terms used in this guide to be complicated. Long-term care insurance is a relatively new subject, and, like most insurance is difficult to understand until you become familiar with the topic.

As you read this guide, make note of any questions you have. The final section will direct you to agencies and people who can help answer your questions.

LONG-TERM CARE

"Long-term care" refers to a wide range of health care, social and residential services for people who, because of illness or infirmity, need assistance in their daily activities. This range of services offers people a continuum of care to meet their varying and changing disability levels.

Although long-term care traditionally has meant just nursing homes, a growing number of programs are becoming available to help people live as independently as possible in their own homes for as long as possible. Such programs include adult day care, senior centers, respite care, retirement and life care communities, home health and other services.

WHO NEEDS LONG-TERM CARE?

People age differently, just as they live differently throughout their lives. Typically, the need for long-term care arises either gradually, as a person needs more and more assistance with their activities of daily living (eating, dressing, bathing, etc.), or suddenly, such as following a stroke or heart attack. Long-term care differs from acute care in that it is usually associated with chronic, long lasting diseases or disabilities.

National studies indicate that more than 20% of all people over the age of 65 will use a nursing home at some point in their lives. Your chances of requiring a nursing home are affected by age, health, support from family and friends, and financial resources.

Nursing home use increases dramatically with age. One out of every 100 persons in the 65 to 74 age group is in a nursing home on a given day. This number increases to 7 out of 100 in the 74 to 84 age group, and more than 1 out of 5 in the 85+ population.

Family and financial resources are important. If you have family or friends who can take care of you, or financial resources to purchase individual care services in the home, you might avoid nursing home placement.

The length of time most people stay in a nursing home tends to fall into two distinct categories. One group, the "short-stayers," generally come from the hospital. Recovering from an acute illness, they get well or die in a fairly short period of time. The other group are those who can no longer live outside an institution. These persons are usually quite elderly and often have mental problems. They are "long-stayers" and are individuals who stay in a nursing home a long time, perhaps the rest of their lives.

HOW MUCH CAN LONG-TERM CARE COST?

Long-term care can be expensive, depending on the level of disability and the care needed. On average, one year in a nursing home in Georgia may cost $20,000 or more. Home health care can also be costly if services are provided frequently for a long period of time. In 1988, the average Medicare home health charge per visit was $54.00 in Georgia. Three home care visits per week can easily run over $150.00 or cost more than $1,200.00 for a six-month period.

WHO PAYS FOR LONG-TERM CARE IN A NURSING HOME?

The cost of nursing home care is paid by individual nursing home residents, Medicaid, nonmedical state programs, Medicare (1.5% only) and private insurance.

Medicaid is a government program jointly funded by the state and federal governments for those with low income. It is the largest payment source for nursing home care and accounted for 76% of all nursing home expenditures in our state in 1984. In order to become eligible for Medicaid nursing home services in Georgia, you must have a limited income and limited assets. Some nursing home residents find that they have to spend their assets on their care before they can receive Medicaid assistance.

The second largest payment source is individual nursing home residents. In Georgia, 20% of all nursing home dollars came from this group in 1984. Nursing home residents often enter a facility paying for their own care, then, after depleting their own finances, become eligible for Medicaid coverage. On the average, it takes about one year for this "spend down" to occur.

Medicare pays for less than 2% of all nursing home expenditures. Private insurance pays about 1% because few people are currently covered by private insurance. With the increasing number of long-term care insurance policies on the market, this percentage may grow.

WHAT IS LONG-TERM CARE INSURANCE?

You can purchase insurance that makes payments to you if you require care in a nursing home. Some policies also provide payments for care in the home when such care is used in place of nursing home care. This type of policy is called long-term care insurance. Some people also refer to it as nursing home insurance.

The cost and coverage of long-term care insurance varies considerably from one policy to another. Policies must provide coverage for two years or longer for stays at the skilled, intermediate and custodial care level. Home health care must be offered on an optional basis unless automatically provided for in the policy. Individual policies must define skilled, intermediate, custodial and home care. The benefit payments may vary according to the level of care required.

WHAT TYPE OF CARE IS COVERED BY LONG-TERM CARE INSURANCE?

The following explanations can serve as a general guide to the types of available care:

Skilled nursing care is that level of care that is required for acute or chronic medical conditions of an individual. It requires nursing and rehabilitation services which can only be performed by skilled medical personnel such as registered nurses or professional therapists. Skilled nursing care must be performed under the order of a physician. One or more professional nursing methods or procedures must be performed for your benefit on a daily basis.

Intermediate nursing care usually refers to a level of care delivered in a nursing home that is somewhere between skilled nursing care and assisted living or custodial care. Intermediate care is similar to skilled nursing care in that it requires the orders of a physician. It also requires one or more nursing procedures or methods to be performed for your benefit by skilled medical personnel. It is different from skilled nursing care in that procedures may be performed on an occasional basis. Both skilled and intermediate care require a plan of medical treatment and medical records. Medicare does not cover intermediate care.

Assisted living, or custodial care, is the type of care required to assist you in meeting daily living requirements such as: walking, eating, bathing, dressing, and taking medicine. Custodial care can be provided by persons without medical skills or extensive training. Medicare does not cover custodial care.

Home care: Long-term care insurance policies provide coverage on an optional basis for home care in addition to nursing home care. Some policies may include this coverage automatically. Home care includes skilled nursing care, speech therapy, physical therapy, occupational therapy, social work, and personal care delivered in the home. Medical services provided in the home by nurses, health aides and the various therapies are paid for by both Medicare and Medicaid if the patient is home bound and meets stringent health care guidelines.

HOW DOES LONG-TERM CARE INSURANCE DIFFER FROM HEALTH BENEFITS AVAILABLE TO MEDICARE ENROLLEES?

To understand how long-term care insurance differs from Medicare, it is important to understand what each covers. To help you understand long-term care insurance, please refer also to the checklist in this Buyer's Guide.

MEDICARE

Medicare is a federal program which provides partial payments for medical services for persons 65 and older. Medicare is divided into two parts:

1. hospital insurance which is called Part A; and

2. medical insurance which is called Part B.

Most American citizens over the age of 65 are eligible for Part A which pays for hospital care. Those desiring Part B coverage for doctor bills and other medical expenses must pay a monthly premium (which is deducted from their social security checks). Neither Part A nor Part B pays for the entire cost of medical services. Either you or other supplementary insurance pays for deductibles and copayments. A deductible is an initial dollar amount which you pay before Medicare starts paying. A copayment is your share of expenses for covered services above the deductible.

Medicare is not designed to cover long-term care and, therefore, provides little nursing home coverage. Medicare provides limited skilled nursing home care. However, because of various medicare restrictions, the average user of Medicare nursing home benefits receives only 27 days of covered care per year.

You must need daily skilled nursing or skilled rehabilitation therapies to improve your condition. Medicare does not pay for intermediate or custodial care.

WHAT IS MEDICARE SUPPLEMENT INSURANCE?

Medicare supplement insurance (which may also be called "Medigap" insurance) pays for some or all of Medicare's deductibles and copayments.

Some policies may also pay for some services not covered by Medicare. Medicare pays only for services determined to be medically necessary and only up to the "allowable charges" approved by Medicare. Most Medicare supplements follow the same guidelines and pay nothing for services that Medicare finds unnecessary; nor do they make payments above the amount authorized by Medicare. In general, Medicare supplement policies do not cover the type of skilled, intermediate and custodial care included in long-term care insurance policies.

HOW TO COMPARE LONG-TERM INSURANCE POLICIES

Long-term care insurance policies vary considerably and cover levels of nursing home care beyond the limited scope of Medicare for varying periods of time. There are policies that provide home care benefits which may be used after a patient has met any required elimination period for home care.

You should review policies very carefully. Some of the major factors you should review in comparing policies are outlined in the following paragraphs:

Payments for Services

A policy usually pays a fixed amount per day (e.g. $20.00, $40.00, or $60.00 a day) while you are in a nursing home or personal care facility. However, actual charges for nursing home care may vary from $50.00 to $100.00 per day depending on the type of care required and the accommodations. Some policies will vary the amount paid per day according to the type of care required; however, the amounts for the different levels of care may not be unreasonably lower than the coverage provided for skilled nursing care.

When Benefit Payments Begin

Some long-term care insurance benefits begin on the first day of a skilled nursing home stay or when Medicare skilled nursing benefits end, or when the elimination periods have been satisfied for other levels of care. The number of days for which an insured must pay before the policy begins to pay benefits is the elimination period.

Policies that pay benefits beginning on the first day are more expensive than policies providing benefits after a longer elimination period expires. In reviewing policies, you should bear in mind that you could be in and out of a nursing home in less than 100 days.

Policy Restrictions

All policies include some restrictions. You should review each policy carefully to identify the policy limitations. The most common restrictions are listed below:

Prior Hospitalization: Some long-term insurance policies require 3 days prior hospitalization before the insurance will pay for skilled nursing home care if you have elected that option. Such policies have the requirement that the nursing home care be for the same injury or illness that caused the hospital confinement. This is to assure that the reason for skilled nursing home admission is an underlying medical need for care. At your option, the policy may not require a prior hospitalization before skilled nursing home benefits are payable.

Other Prerequisites for Specific Coverage: In Georgia, long-term care policies may not require a minimum period of skilled nursing care before a patient is eligible to receive intermediate, custodial, or home health care benefits. Those policies that cover home care can require the satisfaction of an elimination period before the home care benefits are payable.

Preexisting Condition: No long-term care insurance policy or certificate shall use a definition of "preexisting condition" which is more restrictive than the following: Preexisting condition means the existence of symptoms which would cause an ordinarily prudent person to seek diagnosis, care, or treatment, or a condition for which medical advice or treatment was recommended by or received from a provider of health care services, within 6 months preceding the effective date of coverage of an insured person. No long-term care insurance policy may exclude coverage for a loss or confinement which is the result of a preexisting condition unless such loss or confinement begins within 6 months following the effective date of coverage of an insured person. This means you would not be covered for preexisting conditions unless the loss or confinement resulting from such conditions begins after 6 months following the effective date of the policy.

Some policies may offer shorter waiting periods. Preexisting conditions are an important consideration, particularly if you are in poor health.

Physician Review: Another common requirement is that a physician must review nursing home or home care utilization to determine if it is necessary for the well-being of the individual, rather than for the convenience of the individual. Benefits are usually not payable if the physician is a member of the covered person's immediate family.

Health Status: When you apply for long-term care insurance, you are usually asked questions designed to screen out those people who are considered to be too great a risk for the insurance company. These questions usually relate to your health status, prior hospitalization and nursing home confinements. Each insurance company has its own standards for evaluating answers to these questions and determining eligibility.

Age: The risk of being admitted to a nursing home increases rapidly after 75. Some insurance companies will not offer long-term care coverage to persons older than 80 or 82.

Exclusions: Further limiting the coverage under long-term care policies are the following exclusions under which the policy will not pay:

1. war or act of war (whether declared or undeclared);

2. expenses already paid by a government entity at no cost to the insured;

3. aviation (non-fare paying passengers only);

4. attempted suicide or intentional self-inflicted injury;

5. expenses caused by mental or nervous disorders;

6. service in the armed forces or units auxiliary thereto;

7. services provided outside the United States;

8. alcoholism and drug addiction; and

9. preexisting conditions as set forth above under the "preexisting condition" paragraph.

The mental or nervous disorders exclusion is particularly important to the elderly because of the high prevalence of mental disease, Alzheimer's disease and other related disorders. Long-term care insurance policies may only exclude coverage for mental disease and disorders which are not related to a disease physically affecting the body. Long-term care insurance policies must provide benefits for persons diagnosed with Alzheimer's disease and other organic brain disorders (since these conditions affect the brain and are considered to be organic in nature).

Types of Facilities Covered: Long-term care policies require that nursing care be provided in a setting other than an acute care unit of a hospital, but must provide skilled, intermediate, and custodial care. The following facilities provide various types of nursing home care in Georgia:

Skilled Nursing Facility (SNF) is an institution licensed by the state of Georgia and is legally qualified to provide skilled care. Some hospitals have SNF wings that provide this type of care.

Intermediate Care Facility (ICF) is an institution licensed by the state of Georgia and is legally qualified to provide intermediate but not skilled care.

Intermingled Care Facility is an institution licensed by the state of Georgia and is legally qualified to provide both skilled and intermediate care.

Custodial Care Facility (CCF) is an institution licensed by the State of Georgia and is legally qualified to provide care that is primarily for the purpose of meeting personal needs and assistance with activities of daily living.

WHAT SHOULD YOU EXPECT TO PAY FOR LONG-TERM CARE INSURANCE?

Cost varies depending on the company, the policy benefits, and your health and age. Personal care and home care benefits will add to the cost. Higher or lower ages and/or higher or lower benefits will affect the cost accordingly.

Use the checklist in this Buyer's Guide to compare the benefits and costs of different long-term care policies.

Waiver of Premium

After skilled, intermediate, or custodial care benefits have been paid under the policy for not more than ninety (90) consecutive days, premiums becoming due thereafter shall be waived while you are institutionalized. Premium payments shall resume on the first premium due date on or following the date the payment of benefits ceased.

HOW DO YOU DECIDE WHAT TO BUY?

Only you can determine your needs. Three things you will want to consider are:

1. your chances of going to a nursing home;

2. coverage provided by long-term care insurance; and

3. the cost of long-term care insurance to you.

Examine the coverage you presently have through Medicare, and any other insurance you may be carrying. If you think it is too limited, then you might want to purchase long-term care insurance. When comparing policies, consider:

1. the levels of nursing care covered;

2. duration of coverage for each level of care;

3. the amount paid per day for each level of care;

4. the length of the elimination period;

5. home health benefits covered;

6. when benefits begin;

7. policy exclusions and limitations;

8. the cost of the policy; and

9. services provided by the insurance agent.

If you decide to purchase a long-term care insurance policy, choose one that offers the benefits you want with a price that fits your budget.

Remember, long-term care insurance is not Medicare supplement insurance, but is designed to cover levels of nursing home care and home health care beyond the limited scope of benefits provided by Medicare.

COMPARING LONG-TERM CARE POLICIES — USE OF CHECKLIST

The first column of the checklist in this Buyer's Guide has been completed to illustrate how the daily benefits, the day benefits begin, elimination periods, benefit periods, maximum benefit period (all confinements), waiting period for preexisting conditions and the policy cost should be set forth for a long-term care policy offered by a fictitious insurer, the ABC Insurance Company.

The two additional columns can be used to compare long-term care policies presented to you by insurance companies or their representatives.

Remember, the illustrated values for the ABC Insurance Company merely demonstrate how the checklist should be completed. The values illustrated do not represent the recommendations of the Georgia Insurance Department. Each applicant for long-term care must determine his own needs and ability to purchase the benefits selected.

	a. ABC Company	b.	c.
Skilled Intermediate Facilities			
Elimination Period (Number of Days)	20		
Day Benefits Begin	21st		
Daily Benefit -- Skilled Care	$60.00		
Daily Benefit -- Intermediate Care	$50.00		
Benefit Period -- Each Confinement	3 years		
Maximum Benefit Period -- All Confinements	Unlim.		
Prior Hospitalization Required for Skilled Nursing Care Only	Yes		
If "Yes," Requirements:			
a. Hospital Stay -- at least 3 days; and			
b. Skilled Nursing Confinement begins not less than 30 days following hospital discharge			
Custodial Care Facilities			
Elimination Period (Number of Days)	30		
Day Benefits Begin	31st		
Daily Benefit	$40.00		
Benefit Period -- Each Confinement	2 years		
Maximum Benefit Period -- All Confinements	2 years		
Home Health Care			
Elimination Period (Number of Days)	50		
Day Benefits Begin	51st		
Daily Benefit	$40.00		
Benefit Period -- Each Confinement	2 years		
Maximum Benefit Period -- All Confinements	2 years		
Preexisting Conditions			
Waiting Period -- Not to Exceed 6 Months	6 months		
Cost of Policy			
Monthly Premium	Based on age and health		
Membership Fee			
TOTAL COST	$		

WHERE DO YOU GO FOR MORE INFORMATION?

Where to Obtain Assistance

(1) The Georgia Insurance Department.

a. By phone. The Insurance Department has personnel to assist policyholders with their questions and problems. Georgians can make use of this service by dialing 404-656-2070 between 8:30 a.m. and 4:30 p.m. every business day.

b. By mail or in person. Inquiries and complaints should be sent to:

Warren D. Evans
Commissioner of Insurance
Georgia Insurance Department
716 West Tower, Floyd Building
2 Martin Luther King, Jr., Drive
Atlanta, GA 30334

When filing a complaint, please supply the following information:

1. Name of insurance company.
2. Policy Number.
3. Claim or File Number, if applicable.
4. Details of your complaint in a brief statement.
5. Copies of any correspondence or other papers which you feel would help the investigation.

(2) If you need additional help or advice on Medicare benefits or eligibility, contact your nearest Social Security Office of the Health Care Financing Administration.

Information Numbers:

Social Security Office -- 404-331-0124

Health Care Financing Administration -- 404-331-2329

(3) If you need additional help or advice on medicaid benefits or eligibility, contact your local Family and Children Services Office.

State Information Number:

Division of Family and Children Services -- 404-894-6386

(4) If you bought or are considering buying a long-term care insurance policy, the company or its agent should also be able to answer your questions.

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