

# **A Shopper's Guide to Long-Term Care Insurance**



*Published by the*  
**Texas Department of Insurance**  
May 2012



## **Getting Help from TDI**

If you believe an insurance company has treated you unfairly, first contact your company and try to resolve the problem. Most companies operating in Texas are required to have a toll-free telephone line to provide customer assistance. The number should be listed in your policy.

If you are unable to resolve the problem yourself, you can file a complaint with TDI. There are several ways to file a complaint:

- on our website at [www.tdi.texas.gov/consumer/complfrm.html](http://www.tdi.texas.gov/consumer/complfrm.html)
- by e-mail at [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us)
- by fax at **512-475-1771**
- by mail at

### **Texas Department of Insurance**

**Consumer Protection (111-1A)**

P.O. Box 149091

Austin, TX 78714-9091

**L**ONG-TERM CARE is a type of personal care service that you might need if you have a physical illness, disability, or cognitive impairment, such as Alzheimer's disease, that affects your ability to do everyday activities.



Long-term care is different from traditional medical care. Traditional medical care tries to treat or cure illnesses. Long-term care usually won't improve your medical condition, but it will help you maintain your current lifestyle. It helps with normal daily activities, such as eating, getting around, and bathing. It can also help if you need supervision, protection, or reminders to take medicines or perform other activities.

You can get long-term care services at your own home or in a hospice, adult day care center, nursing home, or assisted living facility.

There are two types of long-term care services:

- **Skilled care** is for conditions that require a medical professional, such as a nurse or a therapist. It's usually provided in a nursing home or other care center.
- **Personal care** (sometimes called custodial care) helps you do normal activities. You can get personal care in your home or in a skilled facility.

### **The Cost of Long-Term Care**

Long-term care can be expensive. The cost depends on the amount and type of care you need, where you receive it, and what type of medical professional provides it. On average in Texas, it costs about

- \$3,000 per month to live in an assisted living center
- \$6,000 per month for a private room in a nursing home
- \$40 a day for adult day care
- \$20 a day for home health care.

A long-term care insurance policy typically pays from \$50 to \$250 per day for nursing home care. To find out how much coverage you might need, call local nursing homes, home health care agencies, and adult day care centers in your area and ask about their cost for daily care. Keep in mind that costs will likely go up as you get older.

### **Paying for Long-Term Care**

People pay for long-term care in a variety of ways, including

- Medicaid
- Medicare
- long-term care insurance policy
- with their own money.

**Medicaid** is a state and federal assistance program that pays most long-term care expenses for eligible people with low incomes.

To qualify for Medicaid, you must meet income and asset guidelines. Assets are things you own – such as vehicles, savings accounts, and stocks – that you could convert into cash. Many people pay for long-term care with their own money until they become eligible for Medicaid. To learn more about Medicaid eligibility, call your local Area Agency on Aging or the Texas Health and Human Services Commission. There's a list of phone numbers at the end of this publication.



**Medicare** may pay some long-term care costs. Medicare is a federal program that pays for health care for people over age 65 and for people under age 65 with disabilities. It covers the cost of some skilled care in nursing homes or possibly in your home. Medicare might also pay for some nonmedical care in your home if you are receiving skilled care.

### **Deciding Whether Long-Term Care Insurance Is Right for You**

Long-term care insurance helps protect your assets against the high cost of extended long-term care. Long-term care insurance usually only makes sense if you have more to protect than a house, car, and a small amount of cash.

Long-term care insurance is probably not a good idea if you have trouble stretching your income to pay for utilities, food, or medicine. You might have to pay for your care out of pocket until you spend down your assets enough to qualify for Medicaid.

To decide whether long-term care insurance is right for you, consider your personal risk factors, assets, income, and estimated costs. Use the *Long-Term Care Insurance Suitability Worksheet* at the end of this publication to help you gather information.

Insurance agents must give you a worksheet and a list of things you should know to help you decide whether long-term care insurance is right for you.

#### **Personal ‘Risk Factors’**

The following factors might affect your likelihood of needing long-term care:

- **Life expectancy.** The longer you live, the more likely you will need long-term care. Consider whether your family has a tendency for long life expectancy.
- **Gender.** Women might need long-term care insurance more than men because they generally live longer.
- **Your family situation.** If you have a spouse, adult children, or other family members who can care for you at home, you might not need long-term care services.
- **Family health history.** You may have a greater need for long-term care if chronic or debilitating health conditions run in your family.

#### **Financial Considerations**

Long-term care is typically less expensive if you buy it when you’re younger. Consider talking to a trusted financial adviser for help deciding whether long-term care insurance meets your needs. Ask yourself the following questions about your finances:

- What are my assets (not including my home, car, and \$2,000 cash)? Will they change over the next 10 to 20 years? Are my assets large enough to justify the expense of a long-term care policy?
- What is my current annual income? Will it change over the next 10 to 20 years? Will I be able to afford the policy if my income decreases or if the policy premiums go up significantly?
- If I retire, how will retirement affect my ability to pay premiums?
- How much does the policy cost? Will I pay the premiums from my income, savings, or investments? Will my family help with the cost?
- How much will the policy premium increase if I wait until I’m older to buy a policy?



If you decide you want to buy a policy, use the *Long-Term Care Insurance Policy Comparison Worksheet* at the end of this publication to compare companies and coverages. You can view the list of companies offering long-term care policies in Texas at [www.tdi.texas.gov/health/lhltclst.html](http://www.tdi.texas.gov/health/lhltclst.html).

## Qualified and Non-Tax-Qualified Policies

### Tax-Qualified Policies

You may be able to deduct part of the premium for a tax-qualified long-term care policy from your taxes as a medical expense. You usually don't have to claim your qualified long-term care policy benefits as taxable income. However, in the case of an indemnity policy, you might have to pay taxes on any benefits the policy pays above costs that pay for care.

All policies sold before January 1, 1997, are automatically tax-qualified and policies sold later are either tax-qualified or non-tax-qualified. To determine whether your policy is tax-qualified, look for a statement on your policy similar to this: "This policy is intended to be a qualified long-term care insurance contract as defined by the Internal Revenue Code of 1986, Section 7702B(b)."

Ask an attorney, accountant, or tax advisor about how buying a long-term care insurance policy will affect your taxes.

To claim a tax deduction for long-term care premium payments, your out-of-pocket medical expenses, including premiums, must be more than 7.5 percent of your adjusted gross income. The maximum amount of long-term care premium you can deduct depends on your age at the end of each tax year.

### Maximum Long-Term Care Premium Deductions, 2012\*

AGE	MAXIMUM ALLOWABLE DEDUCTION
40 or younger	\$350
41 to 50	\$660
51 to 60	\$1,310
61 to 70	\$3,500
71 or older	\$4,370

\* Maximum deduction amounts change annually.

### Texas Long-Term Care Partnership Program Policies

The Texas Long-Term Care Partnership Program helps educate Texans about planning for their long-term care needs. The partnership is a joint effort between private insurers and the state. Insurers must follow state and federal guidelines, and agents must complete training to sell partnership policies.

Partnership policies are tax-qualified plans that also include an asset disregard benefit and inflation protection.

The **asset disregard benefit** is useful if you need to apply for Medicaid to pay for long-term care expenses. Partnership policies do not guarantee you'll be accepted into Medicaid. You'll still have to meet income, medical, and other eligibility criteria.



With the asset disregard benefit, every dollar of long-term care benefits your partnership policy pays will equal one dollar of countable assets that will be disregarded to determine whether you're eligible for Medicaid assistance. This means you can retain assets above the normal limit and you won't need to spend down your assets to qualify for Medicaid. In addition, the assets that were disregarded in the Medicaid eligibility process will not be subject to Medicaid liens and recoveries after you die.

**Inflation protection** helps your policy continue to pay long-term care benefits as costs rise. Partnership policies provide different levels of inflation protection based on your age:

- **Under 61 years old:** The insurer must offer you the option to buy 5 percent compound annual inflation protection. You can buy protection at a lower rate, but you must have some type of compound inflation protection. When you turn 61, you can change the inflation protection provision to meet the requirements of the next age bracket.
- **Ages 61 to 76:** You must buy and keep some form of inflation protection until you are 76.
- **After age 76:** Insurers must offer inflation protection, but you don't have to buy it or keep it.

If you're considering a long-term care policy, ask your insurance company or agent whether a partnership policy meets your needs. If you bought a long-term care policy on or after February 8, 2006, ask your agent about exchanging your policy for a partnership policy.

**Note:** *Partnership policies have a disclosure statement that says the policy is a long-term care partnership policy. If you make any changes to your partnership policy, you could lose your partnership policy status. Your agent can tell you what changes will result in a status change.*

**Moving to another state.** Texas has agreements with other states to honor the terms of your partnership policy. If you move to a state that participates in the agreement, the new state will honor your partnership policy. Be careful basing your decision to buy a partnership policy solely on this agreement, however. States can start or stop the agreement at any time. For a list of participating states, visit [www.OwnYourFutureTexas.org](http://www.OwnYourFutureTexas.org). If you move to another state, you will need to meet all the Medicaid requirements for your new state of residence.

To see a list of companies selling partnership policies in Texas, visit [www.tdi.texas.gov/consumer/hicap/partnershipcomp.html](http://www.tdi.texas.gov/consumer/hicap/partnershipcomp.html).

### **Non-Tax-Qualified Policies**

Premiums for non-tax-qualified long-term care policies are not tax-deductible. You might also have to pay taxes on any benefits the policy pays that don't pay for care.

### **Buying Coverage**

Companies use a process called underwriting to decide whether to sell you a policy. Companies will review your health status and history and will sell you a policy only if you meet their guidelines.



Some companies ask only a few questions about your health. Others may ask for more details, examine your medical records, ask for a statement from your doctor, or require you to take a medical exam. Answer all health questions truthfully and thoroughly. If a company later learns you gave incomplete or false information on your application, it could cancel your policy or refuse to pay your claim.

When you apply for insurance, the insurance agent will complete a personal worksheet with you to determine whether a long-term care policy is right for you. Answer all questions truthfully and thoroughly. The agent will also give you the company's long-term care premium rate increase history for the past 10 years. An insurance company can increase your premium rates in the future, but only if it increases the rates for policies similar to yours.

### **Replacing a Policy**

If you're considering replacing a long-term care policy, compare all of your current policy's benefits to the benefits in the new policy. Policies issued before 1992 might have fewer or more restricted benefits than a newer policy.

A new policy with better benefits will probably cost significantly more than your current policy. In addition, if you bought your current policy before January 1, 1997, it is tax-qualified. A new policy might not be.

Make sure you tell the agent if you're buying a long-term care policy to replace another one. The agent must give you a notice explaining how replacing the policy will affect you.

If you decide to replace your policy, don't cancel your current policy until the new one is in effect.

### **Ways to Buy Long-Term Care Insurance**

You can buy an individual policy, or you can buy a group policy through an employer or through membership in an association. Some companies also offer life insurance policies or annuities with long-term care insurance as a rider.

**Individual Policies.** Most long-term care insurance policies are individual policies. Individual policies can be very different from one company to the next. Each company may offer policies with different benefits. Be sure to shop around to get the coverage that best fits your needs.

**Group Policies.** Your employer might offer a group long-term care insurance plan or offer individual policies at a group discount. Employers that offer plans don't have to pay premiums, but some do. An employer's group policy might be similar to what you could buy with an individual policy. An advantage of a group policy is that you usually don't have to meet any medical requirements or there may be a relaxed screening process. Many employers also offer plans to retirees, spouses, parents, and parents-in-law. Relatives usually go through medical screening and must pay the premium.

Generally, insurance companies must let you keep your coverage after you leave or until they cancel the group plan. In most cases, you will be able to continue your



coverage or convert it to another long-term care insurance policy. Your premiums and benefits may change.

**Federal and State Government Policies.** Federal and U.S. Postal Service employees and retirees, active and retired servicemembers, and their qualified relatives are eligible to apply for long-term care insurance through the Federal Long-Term Care Insurance Program. You must pay the premiums for this plan, but it's typically lower than the premiums for an individual policy.

If you or a family member is a state or public employee or retiree, you might be able to buy long-term care insurance under a state government program. The Teacher Retirement System, Employees Retirement System, and several university systems offer group plans for their employees, retirees, and some family members. Ask your employer whether it offers a group plan.

**Association Policies.** Many associations also offer long-term care insurance to their members. Like other group policies, association policies usually give their members a choice of benefit options. In most cases, policies sold through associations must let members keep or convert their coverage after leaving the association. Most association policies will require you to go through the underwriting process. Be careful about joining an association just to buy an insurance policy. Make sure you know your rights if the association decides to stop offering the policy.

If you decide to buy a policy, use the *Long-Term Care Insurance Policy Comparison Worksheet* at the end of this publication to compare companies and coverages before you purchase a policy.

## **How Policies Work**

Long-term care insurance policies are not all the same. Companies sell policies that combine benefits and coverage in different ways.

### **Benefit Criteria**

Policies have different benefit eligibility criteria (also called triggers) that you must meet before the company will pay benefits. These are based on how many of the six activities of daily living (ADLs) you cannot perform or whether you have a cognitive impairment. The six ADLs are bathing, eating, dressing, using the bathroom, continence, and moving from a bed or chair.

Tax-qualified policies require that you have a cognitive impairment, such as Alzheimer's, or be unable to perform two of the six ADLs without help for at least 90 days. You must also have a plan of care from a doctor.

Non-tax-qualified policies have different benefit eligibility criteria, but most are based on ADLs and cognitive impairment. Criteria are not restricted to two ADLs. Medical necessity or other measures of disability can be benefit criteria.

### **Elimination Period**

The elimination period is the amount of time you have to wait before a policy will pay any benefits. The most common options are for benefits to start at zero, 20, 30, 60, 90, or 100 days after you enter a nursing home or start receiving other services. Benefits begin on the day after your elimination period ends. You can lower



your premium by choosing a longer elimination period. However, keep in mind that you'll have to pay all your expenses out of pocket for a longer time before the policy will pay.

Some policies have only one elimination period, while others require an elimination period for each new period of care. Be sure to check how the elimination period works before buying a policy.

### **Benefit Period and Benefit Amount**

A benefit period is the amount of time a policy will pay benefits. Benefit periods may range from a minimum of one year to a lifetime. The most commonly offered benefit periods are one, two, three, or five years, or for a lifetime. The premiums for longer benefit periods are higher.

Some companies use a benefit amount rather than a benefit period. The benefit amount is the most a company will pay in benefits. For example, a policy with a lifetime benefit amount of \$73,000 would pay for each day of care until you reach \$73,000. If the current charge were \$200 per day, the company would pay for one year of care.

### **How Benefits Are Paid**

Companies generally pay benefits one of two ways: the expense-incurred method or the indemnity method. It's important to read your policy information and compare the benefits and premiums.

Policies using the **expense-incurred** method only pay benefits when you receive a service the policy covers. The company will pay the benefit amount – either the cost of the expense or the dollar limit of your policy, whichever is less – to you or your doctor or hospital. Most policies today pay benefits using the expense-incurred method.

Policies using the **indemnity method** pay a set dollar amount up to the limit of the policy regardless of the cost of the service you receive.

For tax-qualified policies that pay benefits using the indemnity method, you may have to pay taxes on any money you get that doesn't pay for long-term care services.

### **Services Covered by Long-Term Care Insurance**

Long-term care insurance policies may pay for several types of care, including

- **Nursing home care** in a licensed nursing home.
- **Assisted living care** in a licensed assisted living home.
- **Home health care** services provided by a licensed home health agency. Services may include skilled nursing care and physical therapy.
- **Adult day care** in a licensed center. Services may include nursing or therapeutic care, social and educational activities, and personal supervision.
- **Other services.** Some policies will pay for hospice care, respite care (care to allow time off for family members who are caregivers), care after a hospital stay, help with household chores, or caregiver training for family members.

You might not need a policy that includes all of the above services. Talk to your agent to design a policy that meets your needs.



## Coverage Amounts

A policy may pay different amounts for different types of long-term care services. Be sure you understand how much coverage you have and how it covers long-term care services.

## Daily, Weekly, and Monthly Benefit Limits

Policies usually pay benefits by the day, week, or month. For example, a policy that pays with the expense-incurred method might pay a daily nursing home benefit of up to \$200 per day or \$6,000 per month, and a weekly home care benefit of up to \$1,400 per week.

When you buy a policy, insurance companies let you choose a benefit amount for care in a nursing home. If a policy covers home care, the benefit is usually a portion of the benefit for nursing home care (for example, 50 percent or 75 percent of your daily nursing home benefit). However, many policies pay the same benefit amounts for care at home and in a facility.

You can often select the home care benefit amount that you prefer. It is important to know how much skilled nursing homes, assisted living homes, and home health care agencies charge for their services before you choose the benefit amounts. Check prices at centers in the area you're likely to receive care.

## Maximum Benefit Limit

Most policies put a limit on the total benefit they will pay over the life of the policy. Some policies state the maximum benefit limit in years (one, two, three, or more, or lifetime). Other policies list the maximum benefit limit as a total dollar amount. The maximum benefit limit may be called a total lifetime benefit, a maximum lifetime benefit, or a total plan benefit.

Most nursing home stays are short, but illnesses that last several years could mean longer nursing home stays. You will have to decide if you want protection for long stays. Policies with longer maximum benefit periods cost more. Make sure you understand the total amount of coverage your policy provides.

## Services Not Covered by Long-Term Care Insurance

Long-term care insurance policies may exclude coverage for some conditions, either completely or for a limited time. Policies typically exclude:

- **Preexisting conditions.** A preexisting condition is an illness or disability for which you received medical advice or treatment in the six months before you applied for coverage. A long-term care policy may delay coverage of a preexisting condition for up to six months after the policy's effective date.
- **Mental and nervous disorders.** A long-term care policy can exclude coverage of some mental and nervous disorders, but the policy must cover serious biologically based mental illnesses and brain diseases, such as schizophrenia and major depressive disorders, and Alzheimer's disease and other age-related disorders. (However, a company may refuse to sell a policy to someone already suffering from Alzheimer's.)
- **Care by family members.** Most policies will not pay members of your family to take care of you. However, some policies will pay to train family members to be caregivers.



## Standard Policy Exclusions

Texas long-term care policies may exclude coverage for conditions resulting from

- alcoholism and drug addiction
- suicide, attempted suicide, or self-inflicted injuries
- participation in a riot, felony, or insurrection
- war or an act of war, whether declared or undeclared
- service in the armed forces
- aviation activities, if you were not a fare-paying passenger.

Long-term care policies won't pay for care that government programs, including Medicare, pay for. The exceptions are Medicaid and expenses that Medicare pays as a secondary payer.

Long-term care policies also won't provide benefits for services or items that another long-term care or health insurance policy paid for. Insurance companies can't deny claims because you received a service outside the state you were issued the policy.

## Optional Features

Companies must offer inflation protection and a nonforfeiture benefit but may charge extra.

### Inflation Protection

It may be years before you need long-term care services. During that time, long-term care costs could go up. Inflation protection helps you keep up with the rising cost of services.

The younger you are, the more important inflation protection may be. The cost of inflation protection is based on your age at the time you buy the policy.

Be careful not to give up benefits you might need in the future for a lower premium today. If you buy a partnership policy and are under age 76, you must buy and maintain inflation protection to ensure that you won't lose your policy's partnership status.

Policies must offer inflation protection in at least one of the following ways:

- Benefits automatically increase by 5 percent or more each year, compounded annually.
- Your original benefit amount increases by 5 percent or more compounded each year on the policy's renewal date. If you don't want the increase, you must reject it in writing within 30 days after the policy renewal date.
- The policy covers a certain percentage of actual or reasonable charges for as long as you own it, with no maximum daily limit or policy limit.

The company must give you a graphic comparison of benefits on a policy with and without inflation protection over a 20-year period. If you don't want inflation protection, you must reject it in writing.



## **Nonforfeiture Benefit**

Companies must guarantee that you will receive some of the benefits you paid for, even if you cancel your policy or lose coverage. This guarantee is called a nonforfeiture benefit. The longer you pay premiums, the larger the nonforfeiture benefit will be.

A nonforfeiture benefit will generally pay the greater of

- the total amount of all premiums paid
- 30 times the daily nursing home benefit at the time the policy lapsed.

Policies with nonforfeiture benefits are usually more expensive than policies without them. If you don't want the benefit, you'll have to reject it in writing and the company will explain its contingent nonforfeiture benefit.

The contingent nonforfeiture benefit allows you to either choose a reduced benefit amount to prevent premium increases or to convert your policy to a paid-up status. If you don't choose within 120 days of the due date of the premium increase, the company can change your policy to a paid-up status. The paid-up status will be the greater of

- the total sum of all premiums paid for your policy
- 30 times the daily nursing home benefit at the time the policy lapsed.

People who buy limited premium payment policies that are paid in full within a certain time will also get a contingent nonforfeiture benefit during the payment years with different qualifying conditions. Talk to your agent about these conditions.

You'll also get an explanation of the nonforfeiture and contingent nonforfeiture benefit if your policy lapses. You can buy a nonforfeiture benefit for an additional premium that will guarantee that you will receive some of the benefits you paid for if you cancel your policy or lose coverage.

## **Optional Benefits Companies May Offer**

### **Waiver of Premium**

Many policies include a waiver of premium provision. This provision allows you to stop paying premiums when you are in a nursing home and the insurance company has started to pay benefits. Companies may waive the premium as soon as they make the first benefit payment or after a specified time, usually 60 to 90 days after the first payment. This provision may not apply if you are receiving certain benefits (home health care or adult day care, for instance).

### **Refund of Premium**

The company will refund some or all of your premiums – minus any claims paid under the policy – if you cancel the policy. Your beneficiary will receive the refund if you die. Usually, you must have paid premiums for a certain number of years before this benefit becomes effective. If you keep the policy, the company will use the refund of premiums to make future premiums cheaper or to increase future benefits.



### **Restoration of Benefits**

Some policies restore benefits to the original maximum amounts if you don't need long-term care services for a specified period, usually 180 days. For example, assume your policy has a maximum benefit period of three years and you were in a nursing home for a year. If you do not require additional long-term care services for at least six months after leaving the nursing home, your benefit period would automatically be restored to the original three years.

### **Bed Reservation**

If you must leave a nursing home to go into a hospital, some policies will pay to reserve your bed in the nursing home for a specified number of days or until you return.

### **Long-Term Care Rates**

Insurance companies determine long-term care premiums based on several factors. Some of these include:

- **Age.** The younger you are, the lower your premium will be.
- **Your health.** Your health when you buy the policy will affect your premium. Your premium will be higher if you have health problems.
- **Your area.** Long-term care costs may vary greatly from one area to another. Where you live will affect the cost of your coverage.
- **Elimination period.** The longer you can pay your expenses before the company begins paying benefits, the lower your premium.
- **Benefit amount and duration.** Rates are higher for policies with higher benefit amounts and longer payment durations.
- **Other factors.** Optional benefits you decide to add to your policy also will increase your premiums.

### **Premium Increases**

Premiums on most long-term care policies will increase over time. Companies can raise the premiums on policies that don't have fixed rates, but only if they increase the premiums for everyone with similar rates in your rate class. A company can't single you out for a rate increase, regardless of any change in your health or the number or amount of claims you've made.

Companies can base your rate class on your age, where you live, and your health status at the time you purchased your policy. The company must give you at least 45 days notice of any premium increase.

Read TDI's *Long-Term Care Insurance Rate Guide* to see rates for companies selling long-term care insurance.

### **Policy Renewals and Cancellations**

Long-term care policies are guaranteed renewable. This means the company must renew your policy each year unless you lied about your health in the application, didn't pay your premiums, or used all your benefits.

You can cancel your policy at any time by telling the insurance company. The company must return any unearned premium to you.



Unearned premium is the amount of a premium you paid that has not been used to buy coverage. For instance, if you paid in advance for a six-month premium but cancel the policy after two months, the company must refund the remaining four months of unearned premium. Unearned premium does not apply to a single premium policy or to policies that will be paid in full in one to four years. Policies that will be paid in full in five to 10 years are subject to a return of premium as described in the policy.

After a policy has been in force for two years, a company can't cancel it or refuse to pay claims because you lied on the application, unless the lies are fraudulent. If a policy has been in force less than two years, a company can deny a valid claim or cancel the policy if it can prove you lied or tried to deceive it.

### **Nonpayment of Premiums**

When you buy a long-term care policy, the company will ask you to choose someone that it can notify if your policy is about to be canceled because you haven't paid the premium. The other person can be a relative, friend, or a professional, such as your lawyer or accountant. You do not have to designate anyone to receive notice. The person you choose won't be responsible for paying the premium. The company will only notify this person if your payment is more than 30 days past due.

A company may not cancel a policy for nonpayment of premium unless you haven't paid the premium for at least 65 days past the due date. The company must wait 30 days after the due date before notifying you and the person you designated that it will cancel the policy for nonpayment. The company will mail you a notice, give you five days to receive it, and give you another 30 days to pay the premium.

You may want to consider paying your long-term care policy premiums by automatic bank draft. If you ever want to stop the draft or change the payment, you'll have to tell the company and bank in writing.

If the company cancels your policy for nonpayment, it must reinstate the policy if you send proof within about five months that you didn't pay premiums because of a mental or physical impairment. The company must also pay any claims for eligible services. You will have to pay back premium to the date the policy lapsed.

### **Alternatives to Long-Term Care Insurance**

Here are some other ways you can pay for long-term care:

#### **Life Insurance**

Some companies offer an accelerated benefits rider that you can add to your life insurance policy for an additional premium. This rider allows you to access your death benefit early if you are diagnosed with a long-term, catastrophic, or terminal illness. The amount you withdraw to pay for long-term care will be subtracted from the death benefit that will go to your beneficiaries when you die.

There are also some life insurance policies that offer long-term care insurance as a rider. If your policy includes any of these options, you may be able to pay for long-term care with the proceeds.

## **Annuity Contracts**

Some annuity contracts allow you to withdraw money without a penalty to pay for long-term care services. If your contract includes this option, you may be able to pay for long-term care expenses with your annuity.

## **Viatical and Life Settlements**

Some companies purchase life insurance policies and pay a percentage of the policy's death benefit in return. If you are terminally ill and have a life expectancy of two years or less, it's called a viatical settlement. If you no longer want or need your policy, it's called a life settlement.

If you sell your policy, the buyer becomes the policy owner, pays the premiums, and collects the policy's benefit when you die. Make sure you check with your insurance company about any cash value you may have in your policy to determine if the cash value is more beneficial to you than selling the policy.

To get a list of registered viatical or life settlement companies and brokers, call the Texas Department of Insurance (TDI) **Consumer Help Line** or visit our website

**1-800-252-3439**

**463-6515** in Austin

**[www.tdi.texas.gov](http://www.tdi.texas.gov)**

## **Reverse Mortgages**

If you own a home, you may be able to get a reverse mortgage. Reverse mortgages are special home loans available to people 62 and over. They allow you to convert part of the equity you've built up in your home into income without having to sell the home or take out a second mortgage. No payments are due on the loan until the home is no longer your primary residence. Some people use income from a reverse mortgage to pay for long-term care expenses.





## Helpful Telephone Numbers and Websites

**“Own Your Future” Texas Long-Term Care Insurance Partnership Program** (state initiative to increase awareness of the importance of long-term care planning)

**[www.ownyourfuturetexas.org](http://www.ownyourfuturetexas.org)**

**National Clearinghouse for Long-Term Care Information** (U.S. Department of Health and Human Services)

**1-202-619-0724**

**[www.longtermcare.gov/](http://www.longtermcare.gov/)**

**Medicare** (questions about Medicare coverage, requests for the *Medicare and You* handbook, and doctor and hospital directories)

**1-800-Medicare** (1-800-633-4227)

**[www.medicare.gov](http://www.medicare.gov)**

**Note:** For questions about Medicare coverage claims, use the contact numbers in your Medicare Summary Notice (if in original Medicare) or the monthly statements from your Medicare Advantage or prescription drug plan.

**Social Security Administration** (questions about Medicare enrollment and eligibility and requests for the *Medicare and You* handbook)

**1-800-772-1213**

**[www.ssa.gov](http://www.ssa.gov)**

**Texas Department of Aging and Disability Services** (statewide services for seniors and locations of Area Agency on Aging offices)

**1-800-252-9240**

**[www.dads.state.tx.us/](http://www.dads.state.tx.us/)**

**Texas Department of State Health Services** (questions about health facility compliance and licensure)

**1-888-963-7111**

**[www.dshs.state.tx.us](http://www.dshs.state.tx.us)**

**Texas Medicaid Long-term Care Services** (questions about Medicaid coverage)

**1-800-252-8263**

**2-1-1** (free information about resources in your area)

**[www.dads.state.tx.us/ltss/](http://www.dads.state.tx.us/ltss/)**

**Texas Medical Board’s Customer Service Hotline** (questions about licensing and certification of doctors and complaints about care provided in a doctor’s office)

**1-800-248-4062**

**[www.tmb.state.tx.us/](http://www.tmb.state.tx.us/)**

**Texas Medical Foundation Health Quality Institute** (questions or complaints about quality of care provided to Medicare beneficiaries and requests for publications)

**1-800-725-8315**

**<http://texasqio.tmf.org/>**

## For More Information or Assistance

For answers to general insurance questions, for information on filing an insurance-related complaint, or to report suspected insurance fraud, call the **Consumer Help Line** between 8 a.m. and 5 p.m., Central time, Monday-Friday, or visit our website

**1-800-252-3439**  
**463-6515** in Austin  
**www.tdi.texas.gov**

You can also visit **HelpInsure.com** to help you shop for automobile, homeowners, condo, and renters insurance, and **TexasHealthOptions.com** to learn more about health care coverage and your options.

For printed copies of consumer publications, call the 24-hour **Publications Order Line**

**1-800-599-SHOP** (7467)  
**305-7211** in Austin

To report suspected arson or suspicious activity involving fires, call the State Fire Marshal's 24-hour **Arson Hotline**

**1-877-4FIRE45** (434-7345)

*The information in this publication is current as of the revision date. Changes in laws and agency administrative rules made after the revision date may affect the content. View current information on our website. TDI distributes this publication for educational purposes only. This publication is not an endorsement by TDI of any service, product, or company.*

*This publication has been created or produced by Texas with financial assistance, in whole or part, through a grant from the Centers for Medicare & Medicaid Services, the Federal Medicare agency.*



LOCAL HELP FOR PEOPLE WITH MEDICARE





# Long-Term Care Insurance Suitability Worksheet

Long-term care insurance is probably not right for you if any of the following apply:

- You cannot afford the premiums.
- You have limited assets.
- Your only source of income is Social Security or Supplemental Security Income.
- You often have trouble paying for utilities, food, medicine, or other important needs.
- You are on Medicaid.

If you think long-term care insurance is right for you, consider your personal risk factors and financial considerations and then talk to a trusted financial advisor to determine if you should buy a policy.

## Personal Risk Factors

Does your family have a tendency for long life expectancy?  Yes  No

Is there a history of chronic or debilitating health conditions in your family?  Yes  No

Do you have a spouse, adult children, or other family members who can care for you at home?  Yes  No

Do you understand that you must be diagnosed with cognitive impairment or be unable to perform two of six ADLs (bathing, continence, dressing, eating, toileting, transferring) prior to receiving benefits?  Yes  No

## Financial Considerations

### Premiums

How will you pay your long-term care insurance premiums?  Income  Savings/investments

Will your family contribute anything toward your long-term care insurance premiums?  Yes  No

Can you afford the policy if premiums increased, for example, by 20 percent?  Yes  No

Are you planning to retire in the next five to 15 years? If so, how will retirement impact your ability to pay your premiums?  No impact  Major impact  Minor impact

### Income

What is your annual income? \$ \_\_\_\_\_

How do you expect your income to change over the next 10 years?  No change  Increase  Decrease

Will you be able to afford the policy if your income decreases?  Yes  No

### Assets

Not counting your home, how much are all of your assets (savings and investments) worth?  Under \$20,000  \$20,000-30,000  
 \$30,000-50,000  Over \$50,000

How do you expect your assets to change in the next 10 years?  No change  Increase  Decrease

Are your assets large enough to justify the expense of a long-term care policy?  Yes  No

# Long-Term Care Insurance Policy Comparison Worksheet

If you decide long-term care insurance is right for you, use this worksheet to compare various policies.

Call the TDI **Consumer Help Line (1-800-252-3439)** or visit our website (**www.tdi.texas.gov**) to learn a company's financial rating, complaint index, and company license status.

<b>Company Information (insert company name →)</b>						
Telephone number						
Financial rating						
Consumer complaint index						
Company licensed in Texas (yes or no)						
Number of years in business						
Policy form number						
Number of years selling policy form						
<b>Premium Amounts</b>						
Premium without riders and discounts	\$		\$		\$	
Premium with home health care	\$		\$		\$	
Premium with inflation protection	\$		\$		\$	
Premium with nonforfeiture benefit	\$		\$		\$	
Premium for optional rider	\$		\$		\$	
Premium for optional rider	\$		\$		\$	
Discounts you qualify for		%		%		%
Premium with riders and discounts	\$		\$		\$	
<b>Benefits the Policy Provides</b>						
Years of coverage provided						
Total lifetime benefit	\$		\$		\$	
Pre-existing condition wait period (yes or no)						
Benefits adjusted for inflation protection (yes or no)						
Tax-qualified policy (yes or no)						
<b>Services the Policy Provides</b>						
Nursing home care (yes or no)						
Assisted living facility care (yes or no)						
Home health care (yes or no)						
<b>Daily and Monthly Policy Limits</b>						
	<b>Daily</b>	<b>Monthly</b>	<b>Daily</b>	<b>Monthly</b>	<b>Daily</b>	<b>Monthly</b>
Nursing home care	\$	\$	\$	\$	\$	\$
Assisted living facility care	\$	\$	\$	\$	\$	\$
Home health care/adult day care	\$	\$	\$	\$	\$	\$
<b>Elimination Periods (list number of days for each )</b>						
Nursing home care						
Home health care						





**Texas Department of Insurance**  
P.O. Box 149104 • 333 Guadalupe  
Austin, Texas 78714-9104