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>> CONSUMER

Planning Today For a Secure Tomorrow

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The Connecticut Partnership for Long-Term Care is a program of the State of Connecticut that works in alliance with the private insurance industry. It is a joint effort by State government and private industry to create an option to help you plan to meet your future long-term care needs without depleting all of your assets to pay for care. Under the Connecticut Partnership, private insurance companies competitively sell special long-term care insurance policies. These policies not only offer benefits to pay for long-term care costs, they also offer Medicaid Asset Protection should you ever need to apply to Connecticut's Medicaid Program for assistance. This publication is designed to inform you why it is important to plan for your potential long-term care needs and about the unique aspects, such as Medicaid Asset Protection, of Connecticut Partnership long-term care insurance policies.

What is Long-Term Care?

Long-term care is assistance you may need over an extended period of time to manage, *rather than cure*, a chronic condition or to compensate for a limited ability to function. You may need long-term care services if you need help from another person to perform daily activities, such as bathing, dressing, or eating. You may also need long-term care services if you need ongoing supervision because of deterioration in your mental capacity (such as, from Alzheimer's Disease or other forms of dementia). **Contrary to popular belief, long-term care is not an issue just for the elderly.** According to *Chronic Care in America: A 21st Century Challenge*, published by the Robert Wood Johnson Foundation, almost 1 in 4 middle-aged adults between the ages of 45 and 64 were limited in activities in 1994 because of a chronic condition.

Long-term care can be provided in a variety of settings, including your home, in the community (for example, an Adult Day Care Center), a nursing facility, and in a variety of assisted living settings (such as, Continuing Care Retirement Communities, Residential Care Facilities, and Assisted Living Facilities).

Why Purchase Long-Term Care Insurance?

Long-term care insurance pays for part or all of the long-term care services you need. There are several reasons why you might want to consider purchasing long-term care insurance.

The cost of long-term care in Connecticut is very expensive. The statewide average cost for a semi-private room in a Connecticut nursing facility is \$299/day and over \$109,000 per year. Costs for incidentals, such as a telephone or cable TV, and the cost for a private room would be more. Nursing facility costs in Connecticut have been increasing about 5% each year for the past several years. While home care can cost less, it is only less expensive when you have family and friends available to provide the majority of care. Without this "informal" support, home care can be as, or more, expensive than the costs for nursing facility care.

Medicare and other health insurance do not pay for the majority of long-term care. Contrary to popular belief, Medicare (the federal health insurance program for elderly and disabled persons) and other health insurance plans are designed to cover mostly acute medical needs. Medicare Supplemental or "Medi-Gap" plans are designed to cover the co-payments and deductibles under Medicare, and therefore, also do not cover most long-term care costs. In addition, health insurance programs pay very little, if at all, for the ongoing needs of someone who has a functional or cognitive impairment. While Medicaid (the

federal and state health insurance program for the poor) will pay for nursing facility care and some home care, you must be poor in order to qualify for assistance. For example, a single person can have no more than \$1,600 in assets to qualify for Connecticut's Medicaid program.

The risk of needing long-term care is high. According to a national study conducted in 2005, 69% of persons who reach the age of 65 will need some long-term care before they die. Based on another study conducted in Connecticut, the average nursing facility stay in Connecticut is 2 1/2 years. This means the average financial risk for nursing facility care can be approximately \$270,000. *Because the majority of long-term care is provided in people's homes, the financial risk for any type of long-term care is far greater.*

What to Look for in Long-Term Care Insurance

When purchasing long-term care insurance you will need to make several decisions that will influence the cost and quality of the policy.

- 1 **Should you purchase long-term care insurance now or wait?** You should discuss the timing of your purchase with your family, financial and legal advisors, and insurance agent. *The younger you are at the time you purchase, the less expensive the premium and the greater the likelihood you will be accepted for coverage.* If you select inflation protection that increases both the daily and lifetime benefits of the policy, you will also have a longer period of time for the policy benefits to grow.
- 1 **What type of long-term care services do you want the policy to cover?** Some policies only pay for care received in a nursing facility or assisted living facility. Others provide a comprehensive pool of dollars that can be used to pay for care received in the home, the community, or a nursing facility. *The more comprehensive the policy, the more choices you will have in the type of services that will be paid by the policy.*
- 1 **How much of a deductible do you want to pay?** Just like car insurance, long-term care insurance has a deductible, which is referred to as the waiting period or elimination period. This refers to the number of days you are responsible for your long-term care costs before qualifying for payments from the long-term care insurance policy. By law, long-term care insurance policies sold in Connecticut cannot have an elimination period that is greater than 100 days. *The smaller the number of days selected for the elimination period, the less you will need to pay from other resources.*
- 1 **How much do you want the policy to pay out on a daily basis?** For example, if you purchase a policy that pays \$150/day, the policy will pay for long-term care costs up to \$150/day. If your long-term care services cost more than \$150/day, you will need to make up the difference from your personal resources. If one of your goals is to protect your assets, the income you have available to pay for your care plus the daily benefit of your insurance should cover the cost of care. *The higher the daily benefit, the less you will need to pay out-of-pocket for care.*
- 1 **How much in lifetime benefits do you want to purchase?** This is the total amount the policy will pay out for long-term care services. For example, if you purchase a policy that will pay \$150,000 in benefits, the policy will pay for long-term care costs up to \$150,000. If the cost of your long-term care services exceeds \$150,000, you will need to make up the difference from your personal resources. If you select inflation protection that increases the lifetime benefit of the policy, the amount of lifetime benefit will increase over time. For example, \$150,000 in lifetime benefits will increase to \$375,000 after 20 years with 5% compounded inflation protection.

The amount of the lifetime benefit divided by the daily benefit will give you an idea of how long the policy will pay for services. For example, if you purchase a policy that pays \$150/day up to \$150,000 in lifetime benefits, the policy will pay out \$150/day for 1,000 days or about 2 1/2 years. *The higher the lifetime benefit, the longer the policy will pay for long-term care services and the less you will need to pay out of pocket.*

- 1 **Should you purchase inflation protection?** While the answer to this question depends on your personal circumstances, it is important to know that long-term care costs in Connecticut have been increasing about 5% per year. If this trend continues, the cost of nursing facility care in Connecticut will average nearly \$200,000 per year 20 years from now. Without inflation protection, the daily benefit amount and the lifetime

benefits of your policy will remain the same while the cost of care continues to increase. This means your out-of-pocket expenses for long-term care services will increase over time. While inflation protection is an expensive feature, it can dramatically reduce your out-of-pocket expenses for long-term care services.

The Partnership requires that all benefits, whether daily, weekly, monthly or lifetime, automatically increase annually on a compounded basis for persons under age 65. Persons age 65 and older may be offered the option to inflate only the daily, weekly and monthly benefits on a compounded basis. This option may not be available from all insurance companies participating in the Partnership. Outside the Partnership, some insurance companies give the policyholder the option to increase benefits every few years based on the Consumer Price Index or a fixed percentage. In these instances, if the policyholder decides to take the increase in benefits, the insurance premium is increased to reflect the increased benefits at the policyholder's *current age*. This could have a significant effect on the cost of the premium over time. Some insurance companies also offer simple inflation protection, which means the inflation increase is always applied to the original purchase amount of the policy benefits.

Because of the various options available for inflation protection, you are encouraged to compare the cost of the premium with the daily and total lifetime benefits now and twenty years in the future for each inflation option you are considering.

What's Different about Partnership Policies?

Long-term care insurance policies sold under the Partnership are different from other long-term care policies in the following ways.

- 1 Partnership policies carry a special endorsement from the State for meeting additional consumer protection standards. These standards include many consumer safety features that provide assurance you are purchasing a quality product. (See Special Guarantees on the next page.)
- 1 Partnership policies allow you to protect assets equal to what your policy has paid in benefits. This feature is known as Medicaid Asset Protection. Protected assets will be disregarded or ignored if you need to apply to Connecticut's Medicaid program to help pay your long-term care bills. **Only Partnership policies provide Medicaid Asset Protection.**
- 1 Because of the Medicaid Asset Protection feature of Partnership policies, you need only purchase an amount of insurance equal to the amount of assets you wish to protect. A one or two year policy may be all you need to protect your assets, rather than buying more insurance, which is more expensive. This means Partnership policies can be a more affordable option for some people.

Special Guarantees

In addition to the standards that all long-term care insurance policies must meet, Partnership policies also provide the following consumer safety features. These features are mandatory, and therefore, are guaranteed to be included in all Partnership policies. Other long-term care insurance policies may or may not have these features.

- 1 Partnership policies provide a **minimum daily benefit** to assure that the benefits are meaningful when you need them.
- 1 Benefits of a Partnership policy **automatically increase** to account for inflation. The Partnership requires that the daily, weekly, monthly or lifetime increase annually on a compounded basis for persons under age 65. Persons age 65 and older may be offered the option to inflate only their daily, weekly and monthly benefits on a compounded basis.
- 1 Partnership policies offer a **broad array of home and community-based services** in addition to nursing facility care. In addition, all home care benefits include case management services to help coordinate, assess, and monitor your care.
- 1 Partnership policyholders in danger of having their policies lapse will be offered the **option of shorter-term coverage**. This feature allows you to decrease the amount of insurance coverage as a way to lower premiums. While the amount of coverage, along with the premium, is lowered with this option, it can be preferable to losing all the coverage by allowing the policy to lapse.

Partnership policies also guarantee the added benefits listed below.

- l Only Partnership policyholders are guaranteed a **5% discount on nursing facility rates in Connecticut.**
- l Agents and brokers who sell Partnership long-term care insurance policies must receive **special training.**

It is important to note that while all Partnership policies include the consumer safety features and benefits listed above, **Partnership policies vary considerably among insurance companies.** For a comparison of Partnership policies by company, please refer to the Connecticut Partnership's *Policy Comparisons Report*. (This report is included in the Connecticut Partnership's Consumer Information Packet. To receive a copy of the report, please call the Partnership's Consumer Information Service at **1-800-547-3443**.)

How do I Recognize a Partnership Policy?

Partnership policies have the Connecticut Partnership logo



on the Outline of Coverage (a summary of the policy's benefits), application, and front page of the policy. The front page of the policy also includes the statement; **"This is a Pre-certified Long-Term Care Insurance Policy that provides Medicaid Asset Protection under the Connecticut Partnership for Long-Term Care."**

How Medicaid Asset Protection Works

The Medicaid Asset Protection feature is designed to provide you with added coverage through the Connecticut Medicaid program, if you continue to need long-term care after your Partnership policy has paid all its benefits. It is a feature that is provided by the State of Connecticut (not the insurance companies) and is offered at no additional cost to Partnership policyholders. Medicaid Asset Protection is a lasting promise from the State of Connecticut. State law guarantees that if the Medicaid program is changed or is replaced by another program, the State of Connecticut will still provide asset protection to Partnership policyholders. In addition, the State of Connecticut cannot recover assets protected by a Partnership policy from a person's estate. Here's how it works.

You design your Partnership long-term care insurance policy according to your needs and ability to pay. You pay the insurance premiums, generally until you need the care. Once you need long-term care and you meet the benefit eligibility criteria (also known as the insured event) and deductible (elimination period) for the policy, the company will pay benefits based on the terms you selected. (By law, your premiums are waived no later than 90 days after receiving benefits.) The company will continue to pay benefits as long as you need long-term care until all obligations of the policy, usually measured in number of years or a predetermined dollar amount, are met.

When you begin receiving benefits from your policy, the insurer will send you an *Asset Protection Report* on a quarterly basis. This report will show how much your policy has paid in benefits and how much Medicaid Asset Protection was earned that quarter and to date. Also, at your request, or when your benefits are fully paid out, the insurer will send you a *Service Summary Report* that gives you an up-to-date accounting of your Asset Protection.

If you continue to need long-term care after your Partnership policy fulfills the terms of your contract, you may apply to the Connecticut Department of Social Services for Medicaid assistance. When determining your eligibility for Medicaid, the Department of Social Services will disregard (not count) any assets you have up to the amount the Partnership insurance policy has paid in benefits. The assets you are able to keep as a result of your Partnership policy are **above and beyond all the regular allowances under the Medicaid program, including any assets your spouse may be allowed to keep.** You must

still follow the other Medicaid eligibility guidelines.

You may have to spend some of your assets either for long-term care needs not covered by your insurance policy or for other financial obligations that may arise. If you deplete your assets to a level equal to what your insurance has paid, you could become eligible for Medicaid assistance *before* your insurance policy pays the full amount of benefits. The **Asset Protection Report** mentioned above will help you determine when the amount of Asset Protection earned equals the amount you have in assets. Keep in mind that it generally takes **three months to process** a Medicaid application.

Medicaid Asset Protection is earned by the individual who uses the benefits of a Partnership policy. Some insurance companies offer Partnership policies that allow a married couple to share each other's or a separate pool of benefits if each spouse buys their own policy and one spouse depletes their benefits and still needs care. Some Partnership policies allow both spouses to be covered under one policy and each spouse has access to the policy's benefits until all the benefits are utilized. *With these types of policies, keep in mind that only the spouse who actually uses the benefits will earn Medicaid Asset Protection.*

Once you are eligible for Medicaid assistance, you will receive services covered under the Connecticut Medicaid program at that time. *These services could be less than or more than the services provided to you under your Partnership insurance policy.*

Residency Requirements

The Connecticut Partnership is a program to help Connecticut residents finance their long-term care needs. For this reason, *you must reside in Connecticut to purchase a Connecticut Partnership policy.*

Your Connecticut Partnership policy will pay benefits anywhere, based on the terms of the policy you selected. Benefits paid by the policy can accumulate Medicaid Asset Protection, even if you are in another state. Generally, you must reside in the state where the Partnership policy was purchased when you apply to and receive benefits from Medicaid to take advantage of the Medicaid Asset Protection feature. If you apply for Medicaid in another state, you will need to meet that state's eligibility rules.

The exception is Connecticut has a reciprocal agreement with Indiana that allows Connecticut Partnership policyholders to receive dollar-for-dollar Medicaid Asset Protection if they apply to Indiana's Medicaid program and vice versa for Indiana Partnership policyholders. Discussions are underway with the other Partnership states but there are no guarantees additional agreements beyond the one between Connecticut and Indiana will be implemented.

Other Options Available

Long-term care insurance, whether Connecticut Partnership or other long-term care insurance, is not for everyone. To qualify for private long-term care insurance, you need to be generally healthy and within the age limits established by the insurance company. You also need to have the resources to pay the premiums. If you find you are not eligible for private long-term care insurance, you may consider one or more of the following options.

- 1 **Continuing Care Retirement Communities** - For a list of Continuing Care Retirement Communities in Connecticut, contact the Department of Social Services at **1-800-443-9946**.
- 1 **Reverse Annuity Mortgage** - Reverse annuity mortgages are available from several lending institutions. *Each institution or bank establishes its own specific terms for granting the loan.* Call the Department of Social Services at **1-800-443-9946**.
- 1 **Veterans Benefits** - For more [information](#) (see the Connecticut Department of Veteran Affairs site), contact the Department of Veteran Affairs at **1-800-447-0961**.
- 1 **Medicaid** - You may be eligible for Medicaid if your available income and assets are below the guidelines. If you receive cash payments from a public assistance program, you are automatically eligible for Medicaid. Call the Department of Social Services at **1-800-443-9946**.
- 1 **Connecticut Home Care Program for Elders** - This program helps low-income, frail persons aged 65 years and older to remain in their homes. Call the Department of Social Services at **1-800-445-5394**.

Next Steps

Discuss your options with family members, your legal and financial advisors, and your insurance agent. The Connecticut Partnership has many free services available to help with your planning efforts, including a toll-free consumer information service, free publications, speakers to present information to groups, and trained staff and volunteers to answer your questions. You can access any of these services by calling **1-800-547-3443**.

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For more information contact:

David **Guttchen**, Director

David.Guttchen@po.state.ct.us; (860) 418-6318

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