

Glossary of Long-Term Care Insurance Terms

A

Accelerated Death Benefit. A feature of a life insurance policy that lets you use some of the policy's death benefit prior to death.*

Activities of Daily Living (ADL). Those basic actions performed by a normally functioning person on a daily basis: (a) bathing; (b) dressing; (c) toileting; (d) transferring (moving to and from a bed or a chair); (e) eating; and (f) continence. Many long-term care insurance policies use the inability to perform a certain number of ADLs (such as 2 of 6) to decide when to pay benefits.

Acute Care. Care that has recovery as its primary goal. It generally requires the services of a physician, nurse, or other skilled professional. It is usually provided in a doctor's office or a hospital and is usually short term.

Adult Day Health Care. Care provided during the day at a community-based center for adults who need assistance or supervision during the day, including help with personal care, but who do not need round-the-clock care. Its purpose is to enable individuals to remain at home and in the community and to encourage family members to provide for them by offering the family members relief from the burden of constant care.

A.M. Best Rating. Independent rating by the A.M. Best Company, a private organization that evaluates and monitors the financial strength of life insurance companies. The Best Company assigns letter grades from A++ (the highest) through C.

Alzheimer's Disease. A progressive, degenerative form of dementia that causes severe intellectual deterioration.*

Assisted Living Facility. A residential living arrangement that provides individualized personal care and health services for people who require assistance with activities of daily living. The types and sizes of facilities vary; they can range from a small home to a large apartment-style complex. They also vary in the levels of care and services that can be provided. Assisted living facilities provide a way for people to retain a relatively independent lifestyle, and they are for individuals who do not necessarily need the level of care provided by nursing homes.*

Attending Physician's Statement (APS). A report from your doctor or from a medical facility which has treated you. It provides information about medical history, medications, diagnoses, etc.

B

Bathing. Washing oneself by sponge bath, or in either a tub or shower. This activity includes the task of getting into or out of the tub or shower.*

Benefit Triggers (Triggers). Term used by insurance companies to describe the criteria and methods they use to determine when you are eligible to receive benefits. Triggers may be based upon limitations in ADLs and/or degree of cognitive impairment.*

Benefits. Monetary sum paid or payable to a recipient for which the insurance company has received the premiums*.

C

Caregiver. Person providing care to someone with chronic illness or disability. The caregiver, who can be unpaid (family, friend, or volunteer) or paid, provides care in the home or community.

Care Management Services. A service in which a professional, typically a nurse or social worker, may arrange, monitor, or coordinate long-term care services (also referred to as care coordination services).*

Cash Surrender Value. The amount of money you may be entitled to receive from the insurance company when you terminate a life insurance or annuity policy. The amount of cash value will be determined as stated in the policy.*

Chronically Ill. A term used in a tax-qualified long term care contract to describe a person who needs long term care either because of an inability to perform everyday Activities of Daily Living without help or because of a severe cognitive impairment.*

Chronically Ill Individual. Someone who needs help with activities of daily living (ADLs) or who suffers from a cognitive impairment and whose condition is expected to last for at least 90 days.

Cognitive Impairment. A deficiency in a person's short or long-term memory; orientation as to person, place and time; deductive or abstract reasoning; or judgment as it relates to safety awareness.* (An example of a cognitive impairment is Alzheimer's disease.)

Community-Based Services. Services like adult day care or meals on wheels, designed to help older people stay independent and in their own homes.*

Continence. The ability to maintain control of bowel and bladder function; or when unable to maintain control of these functions, the ability to perform associated personal hygiene (including caring for a catheter or colostomy bag).*

Contingent Nonforfeiture. A policy provision automatically included in many newer long-term care policies. This feature provides a limited amount of continuing coverage even if the policy lapses due to non-payment of premium, if the non-payment is due to a "significant" increase in premium rates. The policy defines what is considered a "significant" increase in premiums based on your age at the time you bought the policy.

Continuing Care Retirement Community (CCRC). A retirement complex that offers a broad range of services and levels of care.*

Continuous Payment Options. A premium payment option that requires the person to pay premiums for the life of the policy or until they begin to receive benefits. Premiums are usually paid on a monthly, quarterly, semi-annually or annual basis. The policy is not cancelable except in the event of nonpayment of premiums; however, the insurance company can increase premiums on an entire class of policies. Premiums with this approach are usually the lowest available compared to the limited pay method.*

Custodial Care (Personal Care). Care to help individuals meet personal needs such as bathing, dressing, and eating. Someone

without professional training may provide care.*

D

Daily Maximum (or Daily Benefit Maximum). A specified dollar amount which is the maximum amount paid per day for covered services. Policies may pay the full daily maximum regardless of the cost of care or, more typically, may pay a percent of actual expenses up to the specified daily maximum amount. Some policies specify a single Daily Maximum for all covered services (e.g., nursing home care, assisted living facility, home care), while other policies have one Daily Maximum for nursing home care and a lower amount (often 50% - 75% of the nursing home amount) for other covered services.

Deductible Period. A specified amount of time at the beginning of a disability during which covered services are received but for which the policy will not pay benefits (also known as an elimination period or Benefit Waiting Period). This type of Deductible period is called a “Service Day Deductible Period,” since each day of the deductible period is satisfied by each day on which you receive covered services. A few policies do not require that you receive covered services during the entire deductible period, but only require that you meet the policy’s “benefit triggers” during that time period. This type of a deductible period is called a “Calendar Day or Disability Day Deductible Period.”

Dementia. Deterioration of intellectual faculties due to a disorder of the brain.*

Disability Method. Method of paying benefits that only requires you to meet the benefit eligibility criteria. Once you do, you receive your full daily benefit.*

Dressing. Putting on and taking off all items of clothing and any necessary braces, fasteners or artificial limbs.*

E

Eating. Feeding oneself by getting food into the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.*

Elimination Period. A type of deductible; the length of time the individual must pay for covered services or be disabled before the insurance company will begin to make payments. The longer the elimination period in a policy, the lower the premium. See Deductible Period.

Expense-Incurred Method. The most common method of paying long-term care insurance benefits. Your policy or certificate will pay benefits when you receive eligible services. Once you have incurred an expense for an eligible service, benefits are paid either to you or your provider. The coverage will pay for the lesser of the expense you incurred or the dollar limit of your policy. Most policies bought today pay benefits using the expense-incurred method (also called Reimbursement Method).

F

Free-Look. Generally, a 30-day period following your receipt of your Policy during which you may return it for any reason for a full refund of any premiums paid.

Future Purchase Option (FPO). A form of inflation protection where the insured has the right to increase benefits periodically (e.g., every year or every 3 years) to reflect increases in the cost of care. These increases can be elected without providing evidence of

insurability as long as the insured is not receiving benefits at the time. Terms of the FPO vary from one company to another.

G

Guaranteed Renewable. When a policy cannot be cancelled by an insurance company unless benefits have been exhausted or premiums have not been paid as due. The company cannot change the coverage or refuse to renew the coverage for other than nonpayment of premiums (including health conditions and/or marital or employment status). In a guaranteed renewable policy, the insurance company may increase premiums, but only on an entire class of policies, not only on your policy.*

H

Hands-On Assistance. Physical assistance (minimal, moderate or maximal) without which the individual would not be able to perform the activity of daily living.*

Health Insurance Portability and Accountability Act (HIPAA). Federal health insurance legislation passed in 1996 that allows, under specified conditions, long-term care insurance policies to be qualified for certain tax benefits.*

Home Health Care. A broad range of services delivered in the home, including: skilled nursing services; speech, occupational, physical and respiratory therapies; nutrition and medical services; administering of medication; personal care (help with activities of daily living or ADLs); and chore and homemaker services.

Homemaker Services. Basic services provided at home to help a person with a

chronic illness or disability to be as independent as possible. These services may include housekeeping, laundry, meal preparation, transportation, and shopping.

Hospice Care. Short-term, supportive care for the terminally ill which focuses on pain management, emotional, physical, and spiritual support for the patient and family. It can be provided at home, in a hospital, nursing home, or a hospice facility. Hospice care is typically paid for by Medicare and is not usually considered “long-term care.” A terminally ill person has a life expectancy of six months or less.

I

Indemnity Method. Method of paying benefits where the benefit is a set dollar amount without regard to the amount of the expense incurred. The insurance company decides if you are eligible for benefits and if the services you receive are covered under the policy. The cost of specific services is not important in determining the amount of benefits paid. The insurance company will pay benefits directly to you, up to the limit of the policy.

Inflation Protection. Policy provision that provides that benefits increase over time, either automatically or at the option of the policyholder, to help offset future increases in service costs. There are many different ways that these inflation protection provisions can be structured.

Informal Care. Care provided by family members or friends who are not paid to provide care.

L

Lapse. Termination of a policy when a renewal premium is not paid.*

Limited Payment Option. A premium payment option in which the person pays premiums for a set time period. After the last premium payment, neither the company nor the person can cancel the policy. These plans are more expensive than continuous payment policies; however, their guaranteed fixed payment and no-cancel features make them attractive to some clients.* Some policies do reserve the right to charge an additional premium if rates change on a class basis, even if your policy is “paid-up.”

Long-Term Care. A variety of services that help people with health or personal needs and activities of daily living over a period of time.

Long-Term Care Insurance. A specific type of insurance policy designed to offer financial support in paying for necessary long-term care services rendered in a variety of settings.

M

Medicaid. The U.S. Government’s public assistance (welfare) program for financing health care for the poor. It is jointly financed and administered by federal, state and local government. It pays for health care services for those with low incomes or very high medical bills in relation to income and assets.

Medicare. Federal program organized under the Health Insurance for the Aged Act, Title XVIII of the Social Security Amendments of 1965. It provides hospital and medical expense benefits for those individuals over

age 65 or those meeting specific disability standards. Benefits for nursing home and home health services are limited.

Medicare Supplement Insurance. A private insurance policy that covers many of the gaps in Medicare coverage (also called Medigap insurance coverage).*

N

National Association of Insurance Commissioners (NAIC). Membership organization of state insurance commissioners. One of its goals is to promote uniformity of state regulation and legislation related to insurance.*

Non-Cancelable Policies. Insurance contracts that cannot be cancelled by the insurance company and the rates cannot be changed by the insurance company.* Except for a single pay (paid-up) policy, no insurer today is currently offering a non-cancelable long-term care policy.

Non-Forfeiture Benefits. A policy feature that returns at least part of the premiums to you if you cancel your policy or let it lapse.*

Nursing Home. A licensed facility that provides general nursing care to those who are chronically ill or unable to take care of daily living needs. May also be referred to as a Long-Term Care Facility* or Convalescent Care Facility.

O

Outline of Coverage. A description of benefits, exclusions and provisions in a policy, which must be provided to each insured. (Also called a Disclosure Form). Most state insurance laws specify the format and content of the Outline of Coverage. The

Outline of Coverage must be provided to a prospective applicant for insurance before the application is taken.

P

Partnership Policy. A type of private long term care insurance policy that allows you to protect (keep) some or all of your assets if you apply for Medicaid after using up your policy's benefits. Only a few states currently have these policies.* Generally, the amount of spend down protection you receive is equal to the amount of benefits paid to you under your private Partnership policy. (State-specific program designs vary, however.)

Personal Care. Help with Activities of Daily Living such as bathing and dressing. The goal of personal care is to provide help with these everyday activities when a person is unable to perform them independently. *

Post-Acute. Post-acute refers to care needs subsequent to an acute illness or medical event such as surgery, stroke, or other short-term hospitalization. Post-acute care might include rehabilitation and therapy, wound care, IV therapy and other supportive services.

Pre-existing Condition. A condition for which medical advice or treatment was recommended by or received from a health care provider within a stated time period prior to the effective date of coverage (e.g., 6-12 months).

Pre-Existing Condition Exclusion. Policy provision that excludes coverage for a period of time (e.g., 6-12 months) immediately following the effective date of coverage if the care needed is the result of a pre-existing condition. The exclusion may apply to any long-term care need due to the

pre-existing condition, which begins during the specified period of time, or it may only exclude coverage during the specified period of time.

R

Reduced Paid-up Benefits. A nonforfeiture option that reduces your daily benefit but retains the full benefit period on your policy until death. For example, you buy a policy for three year of coverage with a \$150 daily benefit, but if you let the policy lapse, the daily benefit will be reduced to \$100. The exact amount of the reduction depends upon how much premium you have paid on the policy. The benefit period on your policy continues to be three years. Unlike extended term benefits, which must be used within a certain amount of time after the lapse, you can use reduced paid-up benefits at any time after you lapse (until death).*

Rescind. When the insurance company voids (cancels) a policy. *

Respite Care. Temporary care in a nursing home, Adult Day Care Center, or by a Home Health Care Agency which is intended to provide time off for those informal caregivers who ordinarily care for you on a regular basis. Respite care is usually short-term – typically 14 to 21 days of care per year.

Rider. Addition to an insurance policy that changes the provisions of the policy.* The rider is added at the election of the insured or applicant and may be available without premium or for an additional premium charge. An insurer cannot change or amend terms of a policy once issued unless such change does not reduce benefits or increase premium costs.

S

Shortened Benefit Period. A nonforfeiture option that reduces the benefit period but retains the full daily maximums applicable until death. The period of time for which benefits are paid will be shorter. For example, you buy a policy for three years of coverage with a \$150 daily benefit, but if you let the policy lapse, the benefit period is reduced to one year, with full daily benefits paid. The exact amount of the reduction depends upon how much premium you have paid on the policy. Unlike extended term benefits, which must be used within a certain amount of time after the lapse, you can use shortened benefits at any time after you let the premium lapse (until death).*

Skilled Care. Nursing care (like help with medications or caring for bandages and wounds) and therapies (like occupational, speech, respiratory and physical therapies). Skilled care usually requires the services of a licensed professional (such as a nurse, doctor or therapist).

Spend Down. A requirement that an individual use up most of his or her income and assets to meet Medicaid eligibility requirements. *

Stand-By Assistance. Caregiver stays close to the individual to watch over the individual and to provide physical assistance, if necessary.*

State Health Insurance Assistance Program. Federally funded program to train volunteers to provide counseling on the insurance needs of senior citizens.

Substantial Assistance. Hands-on or standby help required to do ADLs.*

Substantial Supervision. The presence of a person directing and watching over another who has a cognitive impairment.*

Supervisory Care. Type of long-term care that is sometimes needed because of problems with memory or orientation such as Alzheimer's disease. These types of problems are also known as Cognitive Impairment. Supervision is required to ensure that you do not harm yourself or others because your memory, reasoning, and orientation to person, place or time are impaired.

T

Tax-Qualified Long-Term Care Insurance Policy. A policy that conforms to certain standards in federal law and offers certain federal tax advantages. *

Term Life Insurance. Covers a person for a period of one or more years. It pays a death benefit only if you die during that term. It generally does not build cash value.*

Third Party Notice. A benefit which lets you name someone whom the insurance company would notify if your coverage is about to end due to lack of premium payment. This can be a relative, friend or professional, such as a lawyer or accountant, for example.* (Also called Third Party Designation or Added Protection Upon Lapse).

Toileting. Getting to and from, and on and off the toilet, and performing associated personal hygiene.*

Transferring. Moving into and out of a bed, chair or wheelchair.*

U

Underwriting. The process of selecting those people who can receive insurance and those who cannot. The purpose of underwriting is to balance the risks of needing long-term care across a typical group of people by excluding from the insurance program people who are already in need of long-term care or who are known to be at great risk of needing care in the future.

Universal Life Insurance. A kind of flexible policy that lets you vary your premium payments and adjust the face amount of your coverage. *

V

Viatical. Viaticals refers to the sale of a life insurance policy when the insured is terminally ill or chronically ill. A viatical settlement is an arrangement where a viatical settlement company buys a life insurance policy from a terminally ill patient at a discounted price, making immediate funds available to the policyholder. In exchange, the viatical settlement company becomes the policy beneficiary and receives the life insurance proceeds on the death of the policyholder.

W

Waiver of Premium. A policy provision of a long-term care insurance contract that suspends premium payment after a specified period of time during which the insured is receiving policy benefits for long-term care services. The suspension continues until recovery at which time resumption of premium payment is expected.

Whole Life Insurance – Policies that build cash value and cover a person for as long as he or she lives, if premiums continue to be paid. *

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