S. HRG. 106–328

MAKING LONG-TERM CARE AFFORDABLE

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

INDIANAPOLIS, IN

AUGUST 12, 1999

Serial No. 106–13

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE
61–654 CC WASHINGTON : 2000

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-060139-8

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CONTENTS

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THURSDAY, AUGUST 12, 1999

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Indianapolis, IN

The committee met, pursuant to notice, at 2:05 p.m., in the Senior's Building, Indiana State Fairgrounds, Indianapolis, IN, Hon. Evan Bayh presiding.

OPENING STATEMENT OF EVAN BAYH

Senator BAYH. Welcome. They gave me a gavel, I figured I ought to use it. So thank you all very, very much for joining us here today. The reason I use this gavel is not just because they put it up here, but this is actually an official hearing of the Senate Special Committee on Aging which I am privileged to sit on representing all of you in the room here today, and I want to thank all of you for being here.

I know it is a busy day at the state fair. It is not only Senior's Day today, but there are many other things you could be doing, so I appreciate your taking just a little bit of your time out of your schedule to spend with us on a very, very important topic, which is what do we do about the aging of our society and what can we do to try and provide quality health care for our senior citizens and assist families who are caring for loved ones at home. I want to thank everybody who has helped to make this possible here today, the Chairman of our committee, Senator Grassley from Iowa, and the ranking minority member, Senator Breaux from Louisiana who have some statements that are available to everyone. I appreciate their leadership on these aging issues, Social Security, Medicare, nursing home quality, the other things that we are going to be dealing with, including the issues here today. I also appreciate our panelists who I am going to introduce in just a little bit.

We are going to hear from some of our citizens, the Cahees and Ms. McKinstry who is with us today, they are going to tell us about their challenges in providing health care for their loved ones, and hopefully, what we can do to provide for people in their situation and also encourage people who are not in their position yet to provide for long-term health insurance, long-term care insurance, to help ease the burden as time goes on.

Also, we have some members of the committee staff with us here today. I want to thank them for their assistance, members of my own staff and all of you who are present, as I have already mentioned. I am going to be mercifully brief. I have been in the U.S. Senate now 7 months, and I have yet to engage in a filibuster, and

I do not think this is the time or place, so you can relax, I am not going to give a long speech, but if I can just make a few introductory remarks to put this issue in perspective, I hope you will bear with me, because I would have really like to do that.

One of the greatest challenges facing our country over the next 50 years is the change in demographic trends, the aging of our population. Right here in Indiana, for example, in just the next 20 years, the number of our citizens, that number of Hoosiers age 65 years and older is going to increase by 60 percent. Nationwide, the number of our citizens age 65 and older over the next 30 years is expected to double, and as I understand it, the fastest growing age group in our country are those citizens aged 85 years and older. The demographic trends are very significant, and they are going to have major consequences, not only for our seniors who, of course, want to lead active, productive lives while receiving quality and compassionate care, but also for their loved ones, their families, who are increasingly involved in providing that care. Right here in Indiana today, many people do not realize, half a million Hoosiers, 500 thousand Hoosier families, are currently caring for a parent or a grandparent in their homes. This is a significant trend today, and with the demographic changes that we expect over the next 20 or 30 years, this trend will only increase.

There are obviously significant consequences for our health care system. We need to make sure we have the capacity and the financial ability to provide the quality, compassionate care that seniors have a right to expect, and there are also obvious consequences for taxpayers. We need to make sure we provide the care in the very best way possible to make sure we can also afford to pay for the education system and the other things as a country that we need to be involved in.

The first chart that I have with me today points out very graphically, you can see the trend line demonstrating the aging of our population here in Indiana. It starts in 1900, that's a bit before my time. [Laughter.]

But you can see from 1980 on to the year 2020 and beyond, the continual aging of our population. We need to be focusing on this to make sure we are prepared to meet the challenges of our seniors as our country ages. Charlie, why don't you change to the next graph here? There are only two graphs I am going to use today; I did not want to wear anybody out. This is the second one. It is a very interesting one, and also, you can see, this large column right here represents the amount of money currently being spent by families and friends who provide for care in the home. The two smaller bars are, the second one, the smallest one, formal health care, home health care programs, and then the third one, nursing home care.

You can see that the amount of money spent by people in our country caring for parents or grandparents in their own home is substantially more than all of the money spent on formal health care programs or nursing care programs combined. What that means to me is we really need to be sensitive to the financial strains placed upon families who are trying to care for their parents and grandparents, do something about that, and that is the

subject of our hearing. Yes, you can go ahead and applaud, that's OK. [Applause.]

So let me just take 2 minutes and say what we need to do about all of this, and then I am going to ask the Cahees and Ms. McKinstry to share their experiences with us. Also, keep in mind we are going to pass out some cards, I think, Charlie, is that right, and we are going to hear from our panel, our families and our experts, and then we are going to have some questions from the audience. We are going to distribute cards, and I am going to answer as many as I can. If the answer is, I don't know, I will tell you that, and we will go find out what the answer is. We are going to get your address, and we will communicate to you in writing with the answer, and if we run out of time and we cannot answer all the questions, still, we are going to save your cards with your address, we will find out the answer to your question, and we will communicate with you in writing so that we get you the information one way for the other, so that will be going on here in a little bit.

Three quick things, and then we are going to hear from our panel. First, any meaningful program appropriate for addressing the needs of our senior citizens has to begin with Social Security and Medicare, making sure those programs are safe, not just today, but permanently. [Applause.]

I am happy to tell you that for a change, a lot of the politics in Washington on the issue of Social Security is being put aside and that Republicans, Democrats, the President, are all in agreement that every penny that is being put into the Social Security system today is going to be saved, reserved solely, exclusively for Social Security. That's $1.8 trillion, $1.8 trillion of additional funding for Social Security over the next 10 years. What that means in laymen's terms that we can all understand is that Social Security will be solvent, at least, at least through the year 2053, an additional 54 years from today, at least in terms of preserving the health of Social Security.

Medicare, frankly, is a bigger challenge. If nothing is done on Medicare, the system is scheduled to go bankrupt by the year 2015, only 16 years from now. That's why many of us favor taking some of this surplus that we currently are projected to enjoy and putting a significant part of that into the Medicare program to extend the life of Medicare to make sure it is there for the long-term, that those of you here today, your children and grandchildren who will rely on Medicare, I think we can get that job done. I personally am in favor of that. It is $210 billion in Medicare over the 10 years to extend the life of that program, and in addition, adding another $42 billion to include a pharmaceutical drug benefit to the program. Almost any——[Applause.]

Almost any private insurance that you would get today would include a drug benefit. The health care system has changed a lot since the early 1960's when we first started Medicare. Pharmaceuticals are very important to the quality of care today. We ought to change Medicare to improve the quality so that it reflects the importance of the drug benefit and also to help senior citizens in paying for those pharmaceuticals, and that would be possible with

the proposal that I favor, and the President has also proposed that, so that is on the table, as well.

Now, in addition to that, two things that we wanted to focus on in today's hearing are the following, and I have supported legislation to Senator Grassley and others have supported legislation in Congress; the first would be to provide for those of you who care for a loved one in your home up to a thousand dollars a year tax credit, so whether you itemize or don't itemize, you receive a thousand dollars a year in a tax benefit to help defray the cost to the care giver of providing for your loved one, because we realize this is a significant financial burden on families. That is one thing we can do to help children and grandchildren who are caring for their loved ones. As you can see, many, many Americans, as represented by this bar, are doing exactly that. It would help defray the financial burden on those families who are struggling to make ends meet, and also help the taxpayers because the people are being cared for in their homes, then obviously, they are not in an institution being cared for by Medicaid, and the Medicare costs are also very often less, so it is good for taxpayers, as well.

The second thing that we are focusing on here today is the proposal to make the cost of long-term care insurance one hundred percent tax deductible, because very often what we have is that people who are younger, my age or thereabout, we just simply don't think about this, we think we are going to live forever or are going to be healthy forever. We have college savings to think about or retirement savings to think about, we do not really think about what happens in our senior years in terms of long-term care. And the statistics are overwhelming, that the longer that we wait as a country for individuals to purchase long-term health insurance, it is going to be much, much more expensive for individuals, so much so that if people wait until they are in their seventies, it becomes prohibitively expensive.

Many people just simply cannot afford the health care they need and then they are faced with the consequence of using all their life's savings, selling all their assets, qualifying for Medicaid, and being institutionalized and getting care on that program. Only 6 or 7 percent of Americans today, six or seven—put up that first chart again, Charlie. Only 6 or 7 percent of Americans today have long-term care insurance. At a time when our population is aging like this, people are doing nothing about preparing for the future, and that is part of what this hearing is about today, to get the word out about the importance of beginning to think about planning for retirement, planning for health care, and helping younger people, people in their middle years, purchase long-term care insurance by making it fully tax deductible so they will have quality long-term care.

[The prepared statement of Senator Grassley follows along with prepared statement of Senator Breaux:]

PREPARED STATEMENT OF SENATOR CHUCK GRASSLEY

The Special Committee on Aging has made addressing the challenges of long-term care a high priority. During the past two years, under my chairmanship, we've heard first-hand from individuals and family members about the financial challenges that go along with managing long-term care needs, such as those associated with Alzheimer's Disease.

In too many cases, families experience financial devastation when faced with long-term care needs. Unfortunately, many families do not plan for costs associated with long-term care. Many families are misinformed about what Medicare and Medicaid cover with respect to long-term care.

Today's average cost of nursing home care is about $40,000 a year. When individuals are faced with a chronic or disabling condition in retirement, they often quickly exhaust their resources. As a result, they turn to Medicaid for help.

In fact, the care for nearly two out of every three nursing home residents is paid for by Medicaid. As many seniors realize too late, Medicare does not cover long-term care costs.

I introduced legislation last Congress and again this Congress to provide an incentive for individuals to plan and prepare for long-term care costs. My bill is nearly identical to the provision in the Senate-passed tax bill that allows Americans who do not currently have access to employer-subsidized long-term care plans to deduct the amount of such a plan from their taxable income. This encourages planning and personal responsibility by helping to make long-term care insurance more affordable for middle-income taxpayers.

Senator Bayh is a co-sponsor of this proposal and is a highly engaged member of our Committee.

Longer and healthier lives are a blessing and a testament to the progress and advances made by our society. But Americans must be alert and prepare for long-term care needs. The role of private long-term care insurance is critical in meeting this challenge. Over the past ten years, the long-term care insurance market has grown significantly. The products that are available today are affordable and of high quality.

As policy makers, our job is to develop policies for public programs that can deliver efficient and cost-effective services. Yet, equally important is the role of private long-term care financing. We must take steps to inform Americans about the importance of planning for potential long-term care needs. And, in turn, we should provide incentives now for the families to prepare financially for their retirement.

PREPARED STATEMENT OF SENATOR JOHN BREAUX

One of the most important activities of the Special Committee on Aging has been educating the public about the challenges that our nation faces in preparing for the retirement of the baby boomers. When the 77 million strong baby boom generation begins to retire, all of our national programs and resources will be put to the test. If we don't take action now, the strains will be felt by families all across the country.

Long term care is an issue of particular importance when we think about how to prepare for the new millennium. With the average life-span for men and women increasing, many baby boomers will require long term care at some stage in their lives. This means that more seniors than ever before will have long term care needs. Because the Medicare program does not cover long term care expenses, the cost will have to come out-of-pocket, through private insurance or through the Medicaid program.

All too often, people are unprepared to meet their long term care needs. Fortunately, many individuals have families who are able to care for them. As the Ranking Member of the Aging Committee and through my involvement with the National Family Caregivers Association, I have learned a great deal about the tremendous strain felt by family caregivers. Over twenty-two million families in the United States provide care that has been valued at $194 billion per year.

But this care, though it is truly priceless, may not be enough. Families often have to turn to a nursing home or other setting to care for their loved ones. Unfortunately, the cost of institutional long term care can quickly deplete hard earned savings and financial resources. We in Congress must address this important issue. This hearing will be an important venue for learning how Hoosiers are coping with their long term care needs, and how we in Congress can help.

I commend Senator Evan Bayh for chairing this Aging Committee hearing in his home state of Indiana. Senator Bayh has been a very active and committed member of the Aging Committee. He is concerned about the long term care challenges that we all face, and is actively seeking legislative solutions for those challenges. Senator Grassley and I both thank Senator Bayh for his dedicated work on behalf our nation's elderly, and for bringing this important issue to your attention.

Now, having said all of that, let's hear from the people who are living with this issue each and every day. They can be much more

eloquent than I can on it. We are going to ask them to share their thoughts about it, then I am going to have a few questions for them. I would like to start with Linda McKinstry. Would you please—Linda, remind me; are you in Danville?

Ms. McKinstry. Yes.

Senator BAYH. Linda is from Danville, not too far away. Let me just say a word or two about Linda. Linda just became a care giver for her husband starting in February. She is a retired nurse from a home health care agency. She retired in November and now cares for her husband full-time. In February of this year, her husband was diagnosed with Alzheimer's disease. In addition, he has a lung condition and requires a breathing apparatus. Linda is going to explain to us some of the challenges that she has faced as a family care giver providing long-term care to her husband. And in addition, I hope that Linda will share with us some of the advantages that you have achieved by having purchased long-term care insurance. Again, I am very grateful for Linda being here and taking time away from her husband and to share with us their situation and give us her advice about what all of us can do to benefit from her experience. Linda, thank you very, very much for being here today.

Ms. McKinstry. Thank you, Senator Bayh.

Senator BAYH. Let's all give Linda McKinstry a round of applause. [Applause.]

STATEMENT OF LINDA McKINSTRY, CARE GIVER FOR HER HUSBAND, DANVILLE, IN

Ms. MCKINSTRY. Thank you, Senator Bayh, for giving me the opportunity and your staff to speak today on the aging and the care of your loved one in your home.

Senator BAYH. Linda, you might move that microphone up so people can hear you better.

Ms. MCKINSTRY. All right.

Senator BAYH. That's better.

Ms. MCKINSTRY. I wanted to address the care of the dementia patient in the home, or Alzheimer patient, which most of you know very much about. It is a 24-hour job. Their cognitive impairment causes them to be a threat to their health and to their safety and to the safety of others. They quickly lose their ability to make decisions and do the simplest of tasks. The care giver has to be able to supervise or assist through all activities of daily living, and eventually, the care giver will probably have to take over all of the activities of daily living, or as we say, their ADLs. Not only is it during the daytime, but during the night. Night hours seem to make them become more confused, they wander, they do not sleep well, they get up, they are in and out of every closet, every drawer, in and out of every door. You have to be alert that they are not going outside. They become agitated, frustrated, and they can become combative. You have to know how to treat the patient with Alzheimer's disease. You cannot be too demanding on them or they will turn against you.

I just wanted to give you a few examples of what has happened to me in the care of my husband. When he first became sick and I got him home from the hospital, he was up most all nights, which

meant I had to be up all night, also. He would lay down to sleep, and would go sound asleep; 5 minutes later, he would be up, I would be up. You finally get to where you get exhausted because during the day, this goes on, also. One night, I was exhausted, I fell asleep, he got up. Something woke me, and I immediately smelled something hot in the house. He had gone to the kitchen, taken a pie plate, put a cake rack inside of it, put oil on it and turned the stove on. For some reason, when it started smoking, he did turn off the burner, and that's when I arrived on the scene. I asked him what he was trying to do. He said, "I'm making toast." The toaster was there, but he was making toast.

One day, we were sitting out on the porch, and the telephone rang, and I did not have my portable phone with me, I went to answer it, and I said, "Now, just sit here, and I will be back in just a moment." The next thing I knew, a neighbor was hollering at me, "Your husband is on the ground." He fell off the porch. Thankfully, he only got some bruises and a few scratches, no breaks.

Going on a little further, I knew, well, I can't leave him at any time, but one day, he was very, I thought, lucid, and it was one of the very hot days a couple of weeks ago, and he was sitting in the living room with his oxygen on watching TV, although they do not comprehend much that they see, but I said, "You know, we need a few things from the store." He said, "Well, why don't you run out and get them?" I said, "It won't take me very long," and he said, "I'm just going to sit here, I won't do a thing," and I said, "Well, that would be fine."

I was gone just for a short period of time when I arrived back at home. He met me outside in the garage, his oxygen was off, he was very short of breath, and he said to me, "Honey, I'm sorry, I couldn't—I can't even cook anything for you," and I thought, "Good." He said, "I couldn't turn the stove on," and I thought, "That's a blessing." Well, when I walked into the house, not only did he have one burner on, he had all four burners on and they were red hot. I was very thankful that I did not have anything close by. He said, "I was trying to fix supper for you." They have to be attended, as I said, you have to be aware of what they are doing 24 hours a day. Your neighbors are willing to come in and help you for short periods of time, but when we are talking about Alzheimer's disease, this does not go on for 3 months, 5 months, a year, it can go up to 10 to 20 years, depending on the age of when it first started.

My husband is only 67 years old. When you start to think about getting paid help, private help from a home health agency who their people know how to treat and care for the Alzheimer's on a private-paid basis, it starts out at $25 per hour. What can you do in 1 hour? So you think what would it cost you for 6 hours, and most people cannot afford that very often. When I started looking into nursing home care, I found out the cheapest in and around the area of Indianapolis I called was $96 per day for intermediate care. Usually it was from $96 to $128, and then for your skilled care, it runs up to $150 per day. I feel that the cost of caring for your loved one in the home is much less if we could just have people who would help us out to give us a break. The person in the home cannot go 24 hours a day forever.

I just wanted to mention, I do have—me and my husband had the foresight of purchasing long-term care insurance 3 years ago. The premiums are high, but it will be well worth it for what we have paid when I do have to put my husband in a nursing home. A tax break of getting your premium back, that would be a big help. I think this is an incentive for the younger generation. If the bill would be passed to purchase long-term care, to help defray the cost of it, it will be very helpful to the spouse or the loved one that is left, because if they go into a—if the children take over their care, usually one or both people are working, one of them would have to quit work to stay at home, so that is the big advantage of having your long-term care insurance. Hopefully, our insurance agent, if this bill passes, will be able to sell this to the younger people. Thank you.

Senator BAYH. Linda, thank you very much, Linda. [Applause.]

Thank you very much. I am going to wait for questions until we have heard from Jerry and Sue, as well, but I would just say, hearing from people like you, that is the reason we have hearings, to get the government out of Washington, out here to places like the state fair, so we can find out what the challenges really are that we are facing so we can try and do something to help them, and I am just grateful for your sharing your personal experience with us. It is going to help us communicate to a lot people that they need to start planning for situations just like yours, so thank you very much.

Now, I want to have Sue and Jerry share their experiences with us now, and then I will have just a few questions for them. Also, the cards that I spoke of are in these yellow information packets that we talked about, so if you want to fill out the cards with questions, please do that, and then we are going to pass them over to the aisle where we will collect them after our second panel.

The Cahees are from Seymour, IN, Jackson County, Jerry, is that right, Jackson County, God's Country, and they are kind enough to be with us here today. They both provide care for Jerry's mother in their home. His mom was diagnosed with Alzheimer's about 3 years ago, and after 3 years of caring for her, they are now considering community-based care. They would, however, understandably prefer to keep her at home. A tax credit for care givers would assist people like the Cahees in helping to care for their mother in their home.

In addition, they also have two loving and very supportive children, and I also understand that Sue and Jerry are considering purchasing long-term care insurance to make sure that someday, their children may be assisted in providing for their needs, should the occasion arise. Therefore, eventually, Sue and Jerry may be able to benefit from both the tax credit for caring for your mom in your home, as well as the tax deduction, should you go out and purchase long-term care insurance. Again, Sue and Jerry, just in your own words, if you would share with us the experiences you have gone through and what you think we can help with by doing something about assisting you. Thank you, let's give Sue and Jerry a round of applause for special appreciation. [Applause.]

STATEMENT OF JERRY CAHEE, CARE GIVER FOR HIS MOTHER, SEYMOUR, IN

Mr. CAHEE. Thank you, thank you very much. We are here to talk about our mother. My mother has had Alzheimer's for 5 years. We tried to keep her in our own home. We did keep her in her own home for 2 years, having nurses stop in and give her her medication, take care of her, but then we found out that Alzheimer's is not covered by Medicare, it is not a disease that you can—so we had to stop it, they took that, so we took her from Michigan and brought her down to live with us in Seymour, and that has been 3 years now. My mother is 81 years old. I'm sorry.

Senator BAYH. Jerry, take your time, that's all right. Go ahead. Tell you what, Jerry; you and Sue take your time. One thing I would like to say—obviously, this is a very emotional situation. It is important for all of us to realize what Alzheimer's is doing and will continue to do to our country. Some of the doctors, some of the leading experts in this country, predict that if we live long enough, if many of us live long enough, that eventually, most of us would contract Alzheimer's, so as the population ages and ages, we are going to find more and more of our loved ones, more and more of each of us will be experiencing the trauma of Alzheimer's, as the McKinstry family and the Cahees have done. It is a terrible affliction, and we need to focus on this as a society and try to do something about it, and Jerry, that's one thing I hope that this legislation will do, is to help people who care for folks like your mom to do that in their home and encourage people to get this kind of care, so I am terribly sorry for what you are going through, and your story will help us communicate again to the many, many people that will be struggling with this same situation in the years to come.

Mr. CAHEE. OK, I will try again. When Mom had been living with us for 3 years, we have seen her go downhill. She is on good medication. Most of the medication is not covered by Medicaid, Medicare, also. It is new, it is Aeroset. We added another room onto the home for my mother with her own bath, we brought her to live with us, my wife gave up her job to stay home with her. We have to watch her for 24 hours. She does wander. Once she ran away and hid next door in the neighbors shed. We had the police look for her. But Alzheimer's people hide, and if you call them, they hide more.

We do have a day care center that we do send her to now. We send her 4 days a week, 5 hours a day. They provide meals for three of the days. They charge $5 an hour, I think it is, and then they charge for the meals, but it is a great relief for Sue. At home, my mother is vindictive. She is a sweet, wonderful lady, but now the way she talks and the way she acts, it is not my mother. She takes it all out on Sue because she is the initial care giver. Taking her to the center has been a Godsend because it relieves Sue, but my mother becomes a different person when she walks in that center. She becomes my mother again. I don't know what it is. It may be the people she is with, but I have actually watched from the doorway; she starts singing and she starts dancing and she talks to people. The minute she walks out, she goes back into her shell.

We wish we could keep her there all the time, just to watch her and see how she acts.

My daughter moved back in with us with my grandson to help because it is 24 hours and she is a nurse. My grandson is five, Mitchell, so we have two 5-year olds. I brought pictures. I think I gave them to the Senator. My mother crawling on the floor playing trains, cars. They get along great.

Senator BAYH. She would fit right in at our house, Jerry. [Laughter.]

Mr. CAHEE. She is great with my grandson. It has just gotten lately where we have to watch her, because the other day, she did hit him, and it was because he wanted a toy she had, and she said it was hers. She is getting very possessive. She has a dog that we brought with her, and no one can touch that dog. Now, that is hers. I feel so sorry for the dog because she keeps it tied to her chair, and when we get a chance, we do let it go. We just love her very much and we want to keep her as long as we can. The proposals that are coming up are wonderful, and I definitely will buy that insurance. I do not want my kids to go through this. Sorry.

Senator BAYH. Thank you Jerry, very much. Sue, is there something you would like to add?

STATEMENT OF SUE CAHEE, CAREGIVER FOR MR. CAHEE'S MOTHER, SEYMOUR, IN

Ms. CAHEE. Well, a lot of the things that Linda said, you know, it sounded like our story. I do not think any kind of preparation or anything anybody told me before this actually—this experience actually happened, I don't think could have prepared me for this. Like Linda said, it is a 24-hour-a-day job. You never know what kind of mood the person will be in. Sometimes Jerry's mom is—you know, she is just in a wonderful mood, but something can happen, and you do not always know what might set her off, but she can become combative. She says things that—uses words that we had never, ever even knew that she knew those words. We are just very fortunate that we have a daughter and son-in-law and grandson there with us. I do not know how somebody like Linda does it that is just there solely herself. I admire you to no end.

Just looking at these figures and how the adult population is growing, there is just going to be more and more people that are going through what we are going through, and these proposals of the Senator, I think are wonderful. You know, families like us, we need all the help we can get. We have come to meet many of the people that are in the same boat that we are. We have gone to a couple of support groups, and there is a lot of us out there.

Senator BAYH. Well, Sue, we need to do something about it, and I admire you and Jerry very much for sharing your personal experiences with us here today. More than anything any politician can say, your sharing your family situation will help convince people that this is something we need to do. The government needs to act today to help individuals in your situation. We need to encourage younger people to prepare themselves for the future so that families will be in a better circumstance for handling this. So thank you both. Let's please express our appreciation to Sue and Jerry. [Applause.]

Listening to all three of our panelists on our first panel reminded me of something that Hubert Humphrey once said when he said that the test of a society, a compassionate society, is not how it treats those in the dawn of life, the young, it is those in the twilight of life, the elderly, and those in the shadows of life, the sick and the afflicted. At a time when our economy is doing so well and the debate in Washington is what to do with this surplus that we are forced to have to contemplate over the next 10 years, surely, we can afford to do something for people who are trying to care for your loved ones who are afflicted with Alzheimer's. Surely, we can do something to help encourage our young people to prepare themselves to meet this kind of circumstance, in the future, so I am grateful to the three of you, and I just have a few brief questions.

Linda, let me ask you: You, as I understand it, you and your husband had purchased long-term care insurance. If you were talking to some younger people, middle-aged people who will be reading the paper tomorrow or be watching this on the news tonight, what advice would you have for them for long-term care insurance; is it something that they should be trying to provide for?

Ms. MCKINSTRY. I think that you will find that it is becoming a necessity, not an option to have long-term care insurance. I know the premiums are high, but the younger you are when you start out, the lower your premiums are, and if we can get the tax break they are talking about, I think it will be a great incentive for the younger people to purchase. At the present time, I am trying to tell my daughter that this is something, she should purchase and I think she knows it. She does come and help me, she has a full-time job, two children, but she will give up a Saturday or a night during the week to come to give me an outing.

Senator BAYH. Have you been pleased by your insurance, has it been——

Ms. MCKINSTRY. Well, the long-term insurance we have is only for the nursing home itself. When we took this out, as far as I knew, they did not even mention an option for all the other.

Senator BAYH. Is that right?

Ms. MCKINSTRY. And of course, the more options the more you have covered, the more your premiums are, but I do know that whenever I will have to put my husband in the nursing home, it will be a great help. It will not cover it all, but it will be a big, big help. Medicare, unfortunately, does not cover for nursing home care.

Senator BAYH. Well, thank you very much, Linda. Again, I appreciate this. It is not easy to get up in front of a bunch of people and talk about very personal things, but you performed a real, real public service, and I am grateful to you.

Ms. MCKINSTRY. I might say, we took out the long-term insurance because my dad died of Alzheimer's disease, and my mother-in-law, we have seen it.

Senator BAYH. Is that right?

Ms. MCKINSTRY. My father was in the nursing home for between 10 and 12 years, I don't remember exactly, and it took all their life savings, home, everything. My mother was deceased, so I know what it can do to you.

Senator BAYH. It is a terrible affliction, as I say, that more and more Americans are going to be experiencing as people live to be older. It was unfortunate that I lost my mother when she was only 46 but fortunate that I never had to see her suffering with something like Alzheimer's. And my father, thank God, he is not suffering from something like that, but I know many, many people do struggle with this, so thank you again for helping us get the message out to the public.

Sue, let me ask you and Jerry, many people forget, I want to ask you the financial burdens of your situation. Many people think it is just the cost of caring for someone like your mom, but Sue, in your case, you actually had to quit your job, didn't you, to be a full-time care giver? That obviously multiplies the kind of financial sacrifices that you are making, and do you think that the tax credit, would that be something that would help, the $1,000 a year, in your situation?

Ms. CAHEE. Yes, it would, it would help immensely.

Senator BAYH. Very good. And what would you have to say to younger people or middle-aged people about the importance of getting long-term care insurance?

Ms. CAHEE. I think it is, you know, a wonderful idea for—as long as people can get it. From what I understand, the younger you are when you purchase it, the lower the premiums are, so you know, I think it is something for young people to think about.

Senator BAYH. And as I mentioned earlier, only 6 or 7 percent of Americans are purchasing this kind of insurance, so we really need to get the word out about the consequences in the future about people being uninsured in this area. Jerry, I want to thank you again, you have been wonderful, for the pictures and everything else. And Sue and Linda, thank you all very much, you have been fabulous, performed a real public service here today, and I am very grateful to you. Let's please express our appreciation to them. [Applause.]

All right. Well, thank you again. We are now ready with our second panel of experts, and I am pleased that we have some of the foremost authorities in the State of Indiana to help us focus on this issue. We are first going to have the first panelists come up and join us on the stage for the questions session, so you are not only able to ask questions of me, you are able to ask questions of any of our experts on this panel or the first panel, so if you are thinking about questions you would like to ask, you are not just limited to asking me.

First we are going to hear from Dr. Steven Counsell who is the director of Clinical Programs at I.U. School of Medicine here in Indianapolis for the Center of Aging Research at IUPUI. We have an IUPUI fan here, is that right? Very good. Dr. Counsell has spent a great deal of time focused on researching what is appropriate care for seniors. He will be informing us about the demands of the new aging demographic and what that means for long-term care. Dr. Counsell is an Associate Professor of Medicine at I.U. and is a faculty member at the I.U. Center on Aging Research. Steve, I appreciate your being with us here today, and we look forward to hearing from you. Let me just introduce everybody else and then we will start with Steve.

After Steve, we are going to hear from Paul Severance who is the executive director for United Senior Action here in Indianapolis. Paul has been laboring in these vineyards for many, many years, and I appreciate the contribution you have made, Paul, to the welfare and well being to seniors across Indiana. He spent the last 30 years, in fact, working with citizens organizations. He founded the United Senior Action of Indiana in 1979 and has served as its executive director ever since. In addition to his work with Senior Action, he's also the public policy chair for the National Coalition of Consumer Organizations on Aging. Today, Paul will be testifying about United Senior Action's thoughts regarding long-term care and the need for support for care givers.

After Paul, we are going to hear from Mary Jane Phillippe of the American Association of Retired Persons. Mary Jane, welcome, good to be with you again. Mary Jane and I have known each other for many, many years. She is never hesitant, and in fact, she never hesitates to tell me what she really thinks, so I am sure you will find that rule again here today. Paul is nodding his head over here. Paul knows that Mary Jane calls it like she sees it, no matter what, and that is why we love her. She has spent a great deal of her time and energy advocating public policy for seniors. I was fortunate to have her chair our Indiana Commission on Aging when I was Governor, and for that, we are all appreciative of Mary Jane. She has worked very hard to advance legislation to protect the rights of seniors and create a better environment for retirement. She has served on the American Association of Retired Persons' Federal Affairs Program as a state coordinator and is now on that national legislative council and Indiana legislative committee. She will be providing us with AARP's thoughts on long-term care, and specifically the importance of the two tax proposals we have been discussing today, both from long-term care as well as to provide financial assistance for those who are care givers in the homes. Welcome, Mary Jane, thank you.

Ms. Phillippe. Thank you.

Senator BAYH. Let's give a round of applause to our panelists. [Applause.]

Dr. Counsell, why don't we start with you. Thank you again for being with us.

STATEMENT OF STEVEN COUNSELL, M.D., DIRECTOR OF CLINICAL PROGRAMS AT INDIANA UNIVERSITY CENTER FOR AGING RESEARCH ON THE IUPUI CAMPUS, INDIANAPOLIS, IN

Dr. COUNSELL. Thank you very much for the opportunity to present here. I represent the Indiana University Center for Aging Research which is delighted to have been asked to present testimony to the U.S. Senate Special Committee on Aging. I will begin by telling you a little about the center, then providing a brief overview of our aging population and implications for the provision of care to dependent older adults, including the critical role of families and other care givers.

The I.U. Center for Aging Research was established just over 2 years ago as a cooperative effort of the Schools of Medicine, Dentistry, Optometry, Nursing, Social Work, and Allied Health. The mission of the center is to improve the quality of life of older Americans through research aimed at improving health care and health information provided to older adults. This includes research related to common diseases such as bone loss or osteoporosis, Alzheimer's disease, as we have heard about, depression and heart attacks. In other words, we are investigating how physicians and other providers can better meet the special needs of older adults.

Studies pertaining to the social context such as how to provide effective emotional support to care givers of disabled older patients are also of great interest.

Older adults are typically defined as age 65 and older. The United States population of older adults already exceeds the entire population of Canada, as demonstrated in the poster to the right, and as Senator Bayh has pointed out, the number of elderly in this country are growing and will continue to increase through the first half of the 21st Century. By the year 2030, it is projected that one in every five Americans will be age 65 and above. This, by the way, includes both Senator Bayh and myself. [Laughter.]

Furthermore, the 85 and older age group is the fastest growing segment of our population. Already in Indiana, there are nearly one million people age 65 and older, and approximately 100,000 age 85 and older. These statistics have important implications for health care costs, since older adults use more health services than younger people. Although only 13 percent of our population currently is age 65 and older, this group accounts for over 30 percent of current health care expenditures. This is largely due to more frequent admissions to the hospital and higher use of nursing home and home health care.

The dramatic increase in the number of older people in our country is largely a result of the post-World War II baby boom, but also due to an increase in life expectancy. Currently the average 65-year-old woman can expect to live an additional 20 years, a 65-year-old man, 15 years, and for an 85-year-old, there is an expectation of over 5 years.

Although more people are living longer and significant gains have been made in life expectancy, this gain includes not only active but also dependent years. Using the example of the 65-year-old woman mentioned earlier, nearly half of the expected additional 20 years of life will come in the form of dependent years as defined

by the need for personal assistance in one or more activities of daily living. The scenarios described in the earlier testimonies are very common in the patients I see, with dependencies related to Alzheimer's disease and multiple other chronic conditions. This is, by the way, the major focus of current efforts in clinical geriatrics and aging research, that is, maximizing the number of active and independent years of seniors and preventing disability.

Despite our best efforts, about one-third of older Americans need help in one or more self-care activities. Most commonly, there is assistance required in bathing, dressing, getting in and out of bed, or using the toilet. Approximately 15 percent need help in three or more of these activities which often necessitates consideration for nursing home placement if family, friends and/or financial resources are unable to provide the necessary assistance. In fact, 5 percent of Hoosiers age 65 and older live in a nursing home, or approximately 50 thousand people. Nursing home use increases with age with 25 percent of those age 85 and over residing in extended-care facilities.

Of particular significance to our discussion today, however, is that the majority of the seniors, even those in their 80's and beyond, do not reside in nursing facilities, but rather, live independently in their own homes and communities often alone or with family. This includes many disabled older adults who require the same level of care and assistance needed by those in a nursing home. For every person living in a nursing home, there is at least two or three persons with the same care needs living in the community.

Family and friends provide the bulk of help needed by older adults, sometimes with the aid of community agencies or hired assistance, but usually on their own. As had been described in the earlier presentations, to provide this level of care for a loved one requires substantial commitment from care givers of their time, effort and resources. The policy initiatives proposed by Senator Bayh demonstrate not only a recognition and understanding of this important issue but also provide for practical first steps toward addressing the needs of older adults and their families here in Indiana and throughout our nation. Indiana University School of Medicine and the Center for Aging Research are similarly committed to helping meet these challenges and improving the quality of life of older Hoosiers and all Americans. Thank you. [Applause.]

Senator BAYH. Thank you, Steve. I will have some questions when we are done, but let me just say that I am very proud to come from a state where we have not only one of the finest medical schools in the country, but the Center for Aging Research, so I appreciate the good work you are doing and help to inform us public policymakers about what we can do to meet some of these challenges, so thank you for being here today. Paul, we would like to hear from you.

[The prepared statement of Steven Counsell follows:]

Indiana University Center for Aging Research

Mission and Goals

The mission of Indiana University Center for Aging Research, located on the IUPUI campus, is to improve the quality of life for older Americans through interdisciplinary research that improves the quality of health care and health information provided to older adults.

The Indiana University Center for Aging Research is a cooperative effort of the

- School of Allied Health Sciences,
- School of Dentistry,
- School of Medicine,
- School of Nursing,
- School of Optometry and
- School of Social Work.

In addition to these health schools multiple other schools, departments, divisions, programs and centers at Indiana University are working together to help older adults age successfully.

Indiana University is making a long-term investment in the Indiana University Center for Aging Research for the benefit of our growing population of older adults. The goal is to plant the seed for an aging research infrastructure that will benefit our older adult population for decades to come.

The Indiana University Center for Aging Research is still consciously developmental. However, there are four initial goals of the Indiana University Center for Aging Research as delineated in the Strategic Direction Charter Proposal:

- Establish and provide initial and mid-term support for the Center core scientists and staff working to establish an aging research infrastructure.
- Conduct studies to better understand how to disseminate health information to older adults and enhance self-care behaviors.
- Conduct original collaborative aging research.
- Provide support for pilot studies to promote faculty development in aging research careers.

What is Aging Research?

The purpose of aging research is to improve the health and vitality of older adults. Older adults are typically defined as people aged 65 and older, but older adults represent an extraordinarily heterogeneous group. Thus, aging research is itself heterogeneous. Aging research can be directed at:

- Understanding individual diseases that are common in older adults and also common in younger adults. Examples would be studies to investigate the causes and treatments for heart attacks, pneumonia, or breast cancer.
- Understanding individual diseases that are common in older adults, but relatively uncommon in younger adults. Examples would be studies to investigate the causes and treatment for Alzheimer's disease, Parkinson's disease, or osteoporosis.
- Changing the way physicians or other providers deliver health care services to their older patients. Examples would be studies to improve physicians' compliance with preventive health care recommendations in older adults, studies to decrease the costs of care, or studies to improve physicians' knowledge and application of the latest treatment strategies.
- Understanding the process of aging in a social context. Examples would be studies to understand how to provide effective emotional support to caregivers of disabled older adults, studies to improve older adults' attention to self-care behaviors like exercise or diet, or studies to help older adults maintain their social productivity.

Each of these areas of aging research is vitally important to improving the physical, emotional, and social health of older Americans. Each area requires a unique sphere of expertise and access to special resources in terms of laboratory facilities and study populations.

- Basic science research represents the type of research associated with biomedical laboratories and is conducted at the level of individual cells, genes, or chemical reactions.

- Clinical research is conducted on individual patients with particular disease conditions. The "laboratories" in this instance are the patients themselves.

- Behavioral research is conducted on individuals but focuses less on disease and more on physical and emotional well-being and health promotion. The "laboratory" often includes not only the individual but also their family and community.

- Health services research is conducted on the health care system and the activity of patients, providers, and payers within the local or national health care system. The "laboratories" are health care facilities.

Whether the investigator is working at the level of the cell, the human body, the community, or the health care system, we have much to learn about improving the health of older Americans.

Demographics of the Our Aging Population

Older adults are typically defined as people aged 65 and older. The United States population of older adults already exceeds the entire population of Canada, and our population age 80 and older is second in size only to that of China's oldest old.

Aging in the United States

In the year 2000, 6.7% of Americans, or about 18.5 million people will be 65-74 years of age, 4.5% or about 10 million will be 75-85 years of age, and 1.6% or about 4.3 million will be 85 and older. This means that a little more than 31 million people will be 65 years of age or older next year. By the year 2050 this number will have increased 250% to approximately 80 million people. At that time there will be nearly 19 million Americans 85 years of age or older, meaning that this age group will have increased six-fold.

Aging in Indiana

Approximately 116,000 Hoosiers were 65 years of age or older in the early 1900s, representing less than 5% of the Indiana population. At that time, life expectancy at age 65 was about 12 years. In 1996, the number of Indiana residents age 65 and older had grown to 735,000, representing over 13% of the total population of the state with life expectancy of about 18 years at age 65. Just in the last decade, the Indiana population age 65 and older has increased 18%, and the population age 85 and older has increased 30%.

Health Care Costs in the United States

Health care costs in the United States, either on a per capita basis or as a percentage of gross domestic product, are higher than anywhere else in the world. In 1997 health care spending increased 4.8 percent to $1.1 trillion, meaning each American spent approximately $3,900 on health care. The next highest per capita spending on health care was in Switzerland at $2,600 with $2,100 spent per person in Canada. As a share of gross domestic product, national health expenditures absorbed 13.5 percent of the country's output in 1997 - a share that has remained relatively constant for 5 years. This was 10.1% in Switzerland and 9.0% in Canada. The increase in spending on health care between 1990 and 1997 for all Americans was 40%. For older Americans, i.e., 65 years of age and older, the rate of increase over the same period of time, was nearly double at about 75%.

Aging and Activities of Daily Living

Although gains have been made in life expectancy, this gain includes both active and dependent years. For example, the average 65 year old woman can expect to live another 19 years but nearly half comes in the form of dependent years as defined by the need for personal assistance in one or more activities of daily living.

The major focus of geriatric care is to maximize independent functioning and prevent disability. Despite our best efforts, approximately 20% of older Americans need help with eating, just over

30% need help with dressing and using the toilet, almost 40% need help in getting around inside and getting in and out of bed, while 45% need help with bathing.

Delivery of Health Care to the Elderly

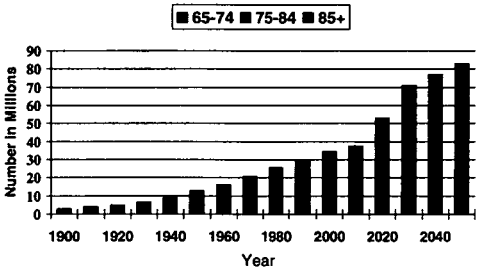
In 1990, approximately 1.6 million Americans 65 years and older lived in nursing homes; in the same year more than 45,000 elderly Indiana residents lived in nursing homes. The number increases with advancing age; 5% of Americans 65 years and over and 25% of those 85 years and older live in nursing homes. However, the converse of these numbers is important. Most elderly Americans, many of whom will have one or more chronic illnesses and disabilities, live at home either alone or with family members who frequently act as caregivers. Aided in part by a growing number of formal services available for community based care (e.g., homemaking services, congregate and in-home meals, respite care), family members deliver the majority of care to elderly persons living in the community. Providing supports to better enable older adults to live at home, in their own community and with their family and friends should be our focus.

This raises challenges which must be faced by those who provide health care to the elderly who need long-term care, the doctors, nurses, therapists, and by the payers who absorb the much higher cost of caring for the elderly. Importantly however, this also begs the question of those who often have the major burden of caring for the elderly -- particularly, but not only, when the older chronically ill person is receiving their long-term care at home – that is, family members. This creates a considerable burden, in terms of time, effort, and finances, for the family members.

Family members who bear the task of caregiving need special consideration; to offset some of the long-term care costs recognizes the value of care offered by family members. Tax credits without the cumbersome requirement of saving receipts is ideal. At the same time, many of us need to be encouraged to purchase our own long-term care insurance to protect our assets and more importantly, to preserve our standard of living should long-term care be required. The proposal to provide tax deductions for the purchase of long-term care insurance would provide relief for middle and lower income tax payers and peace of mind for our families.

Policy initiatives such as those proposed by Senator Bayh are critical to addressing issues related to health care and our aging population here in Indiana and throughout our nation. Indiana University School of Medicine and the Center for Aging Research are similarly committed to helping meet these challenges and identifying practical means by which to improve the quality of life of all older Hoosiers and other Americans.

Growth of U.S. Older Adult Population



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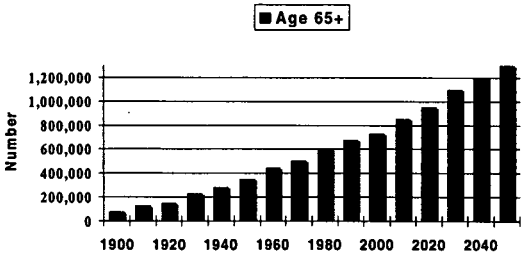
Indiana University School of Medicine

Growth of Indiana's Older Adult Population



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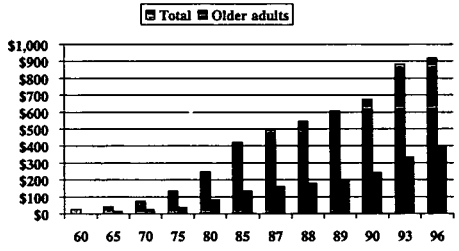
U.S. Health Care Expenditures
1960-1996 in Billions



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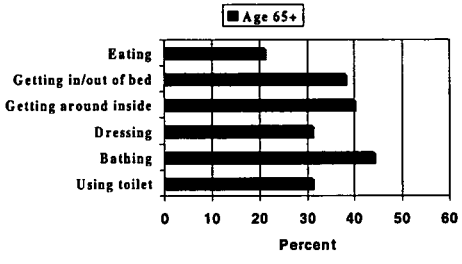
Average Percent Needing Help with Activities of Daily Living (ADL) - 1982 to 1994



Source: Manton KG, Stallard E, Corder LS. "The Dynamics of Dimensions of Age-Related Disability 1982 to 1994 in the U.S. Elderly population." Journal of Gerontology: Biological Sciences, 1998; 53A (1): B59-B70

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STATEMENT OF PAUL SEVERACE, EXECUTIVE DIRECTOR OF UNITED SENIOR ACTION, INDIANAPOLIS, IN

Mr. SEVERANCE. Thank you, Senator Bayh. I want to thank Senator Bayh for holding this hearing and for focusing attention on the vital issue of long-term care. Before getting into my testimony, I want to express special thanks to Senator Bayh and the Special Committee on Aging for the important work that this committee has done on the tragedy of abuse and neglect in nursing homes throughout the country. As Governor of Indiana, Senator Bayh vetoed the nursing home industry's Certificate of Need legislation which is designed to protect existing nursing homes from competition. Because he stood up for consumer choice against the powerful nursing home lobby, United Senior Action presented to him our Hubert Clifelter long-term care award which we were proud to do.

Senator BAYH. Thank you, Paul.

Mr. SEVERANCE. United Senior Action is an independent Indiana senior citizens' organization with 17 thousand dues-paying members. We are celebrating our 20th anniversary this year. Long-term care has been a top priority for United Senior Action for many years, reflecting the deep concern of older Hoosiers over the affordability and quality of long-term care for our elderly and disabled citizens. Long-term care is indeed a critical issue for Americans. Because Medicare does not cover long-term care, the majority of people who come to need this care exhaust their savings and have to turn to Medicaid. Most of you know this story.

The Medicaid system denies our elderly and disabled citizens real choice. In Indiana, as across the county, thousands of people are forced into nursing homes every year because that is what Medicaid will pay for. And the Senate Special Committee on Aging has shown the pattern of poor care that has resulted from this system. Clearly, the failures of our long-term care system will be magnified many, many times by the aging of the Baby Boom Generation, unless we act to change this system now.

This issue is being discussed against the backdrop of national debate over tax and budget policy. We should remember, at least at this time, we do not really have a budget surplus at all, if you take Social Security out of the equation, and we still have an unprecedented national debt which includes huge interest expenditures every year by the Federal Government. We at United Senior Action cannot believe that it would be sound fiscal policy to make tax cuts at this time that would undermine our nation's ability to eliminate our national debt, to deal with the future of Social Security and Medicare, and to build a long-term care system that will serve not only today's elderly and disabled, but also the coming age wave. We applaud Senator Bayh's commitment to a tax credit for people with long-term care needs or for their care givers. This kind of tax cut directly addresses the critical need in our country. It will support families who are desperately working to keep their loved ones at home, like the folks you heard from earlier. It is a step toward reducing expenditures for nursing home care by allowing people to stay at home longer.

The burden on families who are trying to provide long-term care at home are tremendous, and again, you heard this firsthand. These families typically face substantial expenses for special care,

such as nursing visits, they often have lost wages because of the demands of caring for their loved ones, and there can be a great cost to the health of the care giver as a result of the constant demands of care giving. $1,000 through a tax credit is clearly a relatively small portion of the cost a family faces. The cost of long-term care can be as much as thousands of dollars a month, and people of lower income who would not be paying $1,000 in income taxes would not receive the full benefit of this tax credit because, at least as proposed, it is not a refundable tax credit. But this proposal is a very important first step.

One of the important aspects of this tax credit proposal that Senator Bayh has proposed is that it promotes consumer choice in long-term care services, unlike the Medicaid system which says, go thee to a nursing home. The tax credit will allow families to use the money to pay for the services that make sense to them and to their loved ones. We believe that Senator Bayh's proposal for a tax credit for care givers and their loved ones will make a real difference for thousands of Hoosier families caring for their loved ones and is an important first step, and I want to emphasize first step, toward building a national long-term care system that will work in the years to come. Thank you.

[The prepared statement of Paul Severace follows:]

Paul J. Severance

I want to thank Senator Bayh for holding this hearing, and for focusing attention on the vital issue of long-term care.

Before getting into my testimony, I ant to express special thanks to Senator Bayh and the Senate Special Committee on Aging for your important work on the tragedy of abuse and neglect in nursing homes throughout this country.

As Governor of Indiana, Senator Bayh stood up to the nursing home industry and vetoed their Certificate of Need legislation which was designed to protect nursing homes from competition. Governor Bayh stood up for consumer choice in long-term care against the powerful nursing home lobby and as a result, United Senior Action presented to him our Hubert Clodfelter Long-Term Care Award.

United Senior Action is an independent Indiana senior citizens organization with over 17,000 dues-paying members. We are celebrating our 20th anniversary this year. Long-term care has been a top priority for United Senior Action for m any years, reflecting the deep concern of older Hoosiers over the affordability and quality of long-term care for our elderly and disabled citizens.

Long-term care is indeed a critical issue for America. Because Medicare does not cover long-term care, the majority of people who come to need this care exhaust their savings, and have to turn to Medicaid.

The Medicaid system denies our elderly and disabled citizens real choice. In Indiana, as across the country, thousands of people are forced into nursing homes each year because that's what Medicaid will pay for. And the Senate Special Committee on Aging has shown the pattern of poor care that has resulted from this system.

Clearly, the failures of our long-term care system will be magnified many times by the aging of the baby boom generation unless we act to change this system now.

This issue is being discussed against the backdrop of national debate over the budget and tax policy. We should remember that we don't really have a surplus at all at this time, if Social Security is taken out of the budget calculations. And we still have an unprecedented national debt, which requires huge interest expenditures every year by the federal government.

We cannot believe that it would be sound fiscal policy to make tax cuts at this time that would undermine our nation's ability to eliminate our national debt, and to deal with the future of Social Security and Medicare, and build a long-term care system that will serve not only today's elderly and disabled, but also the coming age wave.

We applaud Senator Bayh's commitment to a tax credit for people with long-term care needs or their caregivers. This kind of a tax cut directly addresses a critical need in our country. It will support families who are desperately working to keep their loved ones at home. And it is a step toward reducing expenditures for nursing home care by allowing people to stay at home longer.

The burden on families who are trying to provide long-term care at home is tremendous: They typically face substantial expenses for special care, such as nursing visits; they often have lost wages because of the demands of caring for their loved one; and there can be a great cost to their own health as a result of the constant demands of caregiving.

$1,000 clearly is a relatively small portion of the costs a family faces. The costs of long-term care can be as much as thousands of dollars a month. And people of lower income who would not be paying $1,000 in incomes taxes would not receive the full benefit because this would not be a refundable tax credit. But this proposal is a very important first step.

One of the important aspects of this proposal is that a tax credit, as Senator Bayh has proposed, promotes consumer choice in long-term care services. Families can use this money to help pay for the services that make sense to them and their loved ones.

We believe Senator Bayh's proposal will make a real difference for thousands of Hoosier families caring for their loved ones, and it is an important first step toward building a national long-term care system that will work in the years to come.

Senator BAYH. Thank you, Paul. Paul, I will have some questions in just a moment after we have heard from Mary, but I would like to say I am sure that Hubert is with us in spirit here today looking down at us, and it was a tremendous honor to be given that recognition in his memory, so thank you for mentioning Hubert here today.

Mary Jane, our panelists have been excellent here today. This may be a case of saving the best for last. Could you please share your thoughts with us?

STATEMENT OF MARY JANE PHILLIPPE, MEMBER OF THE AMERICAN ASSOCIATION OF RETIRED PERSONS' NATIONAL LEGISLATIVE COUNCIL, INDIANAPOLIS, IN

Ms. PHILLIPPE. Thank you, Senator Bayh. On behalf of the members of AARP, I want to thank you for providing us this opportunity to discuss a very critical issue that faces both our younger and our older population, and that is, as we have all been talking about, long-term care. Today people of all ages need long-term care because they have serious chronic illnesses that lead to disability. As the population ages and Americans live longer, the demand for long-term care will increase, as has already been alluded to by the Senator and the other panelists. Our nation must look for innovative and cost-effective ways to provide care and to help care givers, as was indicated here with other panelists, Senator Bayh. For these reasons, AARP is glad that shaping a better long-term care policy for this nation is on your radar screen. And in that vein, we appreciate the recent introduction of your tax credit and tax deduction bills to address this issue.

People receive long-term care in many settings; at home, as has been indicated here, and the other places in the community, or in a nursing home. But it is very important to recognize that most long-term care is unpaid care provided by family and friends, as the charts so indicated. And that care is often expensive in dollar terms, as well as in human terms, again, as has been expressed here today. Medicaid pays for about half of all nursing home care, but to qualify, people must spend down their resources until they face poverty. AARP believes that there must be a better option and that long-term care is a shared responsibility. It is not practical for government or for the individual to pay the full cost, which we have seen here today, that is almost impossible for an individual to do that. So there must be a strong partnership between private and the public sector to solve this problem. Research, as has been indicated, has repeatedly shown that people prefer to receive the long-term care in their homes.

In recognition of this fact, earlier this year, as most of us know, President Clinton announced his plan to provide a tax credit for Americans to purchase long-term care services, just as you have done, Senator Bayh, in your subsequent bills. The proposal would give middle-income people with serious chronic illnesses or disabilities or their care giver a modest tax benefit, up to, as has been indicated, $1,000 a year. About two million people are expected to benefit from this proposal. Although the maximum credit is $1,000, many people would receive less because they do not have that much Federal tax liability, and of course, for people who do not file

a tax return because their income is too low and they could not take care—take advantage of the tax credit or tax deduction. There are other tax proposals that would subsidize the cost of long-term care. For example, the tax bill that recently based the House and the Senate contains a proposal to give tax deductions for long-term care insurance premiums, and an additional incentive for the care givers who provide the care in their home for older relatives. It seems clear that the tax code is a way and has bipartisan support.

Despite their limitations, the tax proposals are long overdue for the recognition of families that we have seen here today who have assumed enormous burden in caring for their loved ones. These are indeed, Senator, modest steps, but they are steps in the right direction. They would provide some flexibility in purchasing services and insurance coverage. While long-term care insurance is an option for some people, it remains out of reach for low-income and many middle-income people. Moreover, and I think this is very important, that the cost of the long-term insurance, depending on your age, is very, very great. But again, this is not the total answer to long-term care problems.

In closing, Senator, let me reiterate that AARP believes that tax credits, tax deductions, and other proposals that are currently on the table are indeed important first steps. They are modest, but they should provide some relief and some direction. Perhaps most importantly, at AARP, it is our hope that these provisions will encourage a broad public discussion about how to serve this enormous long-term challenge that faces us. There are few issues that loom so large in the 21st Century. AARP is looking forward to working with you and working with the Senate Committee on Aging, as well as others in Congress and the administration to help develop a bipartisan solution that will truly address the needs of millions of Americans who today and in the future will squarely confront the shortcomings that the folks here have presented to us in the nation's long-term care program. Thank you, Senator Bayh.

[The prepared statement of Mary Jane Phillippe follows:]

Mary Jane Phillippe

Thank you, Senator Bayh. My name is Mary Jane Phillippe and I am a member of AARP's National Legislative Council and Governor O'Bannon's Commission on Aging. On behalf of many members of AARP, I want to thank you for this opportunity to discuss an issue of critical importance to many of our younger and older members: long-term care.

Today, people of all ages need long-term care because they have serious chronic illnesses that lead to disability and increase their use of long-term care services. As the population ages and Americans live longer, the demand for long-term care will increase during the 21st century. Our nation must look for innovative and cost-effective ways to provide care and to help caregivers. The older population is diverse, their needs are diverse, and the solutions must be diverse. AARP is glad that better long-term care is on your radar screen.

People receive long-term care in many settings -- at home, at other places in the community, or in nursing homes. But, it is very important to recognize that most long-term care is unpaid care provided by family or friends.

All of the many settings for long-term care have a big price tag. For example, across the country a stay in a nursing home costs $46,000 or more a year. Getting professional care at home is nearly as expensive. Most people have little protection against the high costs of long-term care. Although Medicaid pays for about half of all nursing home care, many people qualify by spending down their resources until they face poverty.

AARP believes there must be better options and that long-term care is a shared responsibility. It is not practical for the government or for an individual to pay the full cost. There must be a strong partnership between the private and public sectors.

Research has shown repeatedly that people who need long-term care prefer to receive it at home. In recognition of this fact, earlier this year President Clinton announced his plan to provide tax credit for Americans who need long-term care. He proposed to give middle-income people with serious chronic illness or disabilities, or their caregivers, a modest tax benefit -- up to $1000 a year. About two million people are expected to benefit from this proposal. Although the maximum tax credit is $1000, many people could receive less because they do not have that much federal tax liability. And, of course, people who don't file a tax return because their income is too low could not take advantage of a tax credit or a deduction.

There are other tax proposals that would subsidize the cost of long-term care. For example, the tax bill that passed recently in the House and Senate contains proposals to give an "above-the-line" deduction for long-term care insurance premiums, and an additional tax exemption for caregivers who provide care at home for older relatives. It seems clear that using the tax code in this way has bipartisan support.

Despite their limitations, the proposals are long overdue recognition of families who assume the enormous burden of providing high quality care. These tax breaks are modest steps but, nevertheless, steps in the right direction. They could provide flexibility in purchasing services and insurance coverage.

An option for some people is long-term care insurance, which covers the cost of long-term care at home or in a nursing home. However, because it is expensive, only a small proportion of older people have purchased policies. The cost of a policy varies dramatically, depending on the age of the purchaser. The premiums for a basic policy could be about $365 or more a year at age 50, but could increase to $3900 or

more a year at age 79. If we choose to allow tax dollars to be used for long-term care insurance, there must be strong consumer protections to ensure that tax dollars are well spent.

While long-term care insurance is an option for some people, it remains out of the reach of low-income and many middle-income people, and alone it is not the answer to the nation's long-term care problems. As a result, only a specific segment of the population could benefit from a long-term care insurance tax credit or a tax deduction.

Finally, AARP believes that tax credits, tax deductions, and other current proposals provide only partial solutions to our nation's long-term care problems. We need a serious dialogue and continued innovation to develop more public and private responses to produce cost-effective answers. We look forward to working with the Administration and Congress on a bipartisan basis to help develop these solutions.

Senator BAYH. Mary Jane, thank you. Just a quick comment, and then I am going to have one for each of you and then we are going to ask Geneva Shedd if she can collect the questions, and we will hear from our members of the audience, their concerns.

Mary Jane is moving on Saturday, and yet, she has been kind enough in the middle of her move to come here and share her thoughts with us, and I am particularly appreciative of that. And I was struck by something that you mentioned, Mary Jane, and Paul mentioned, and that is this is an important step but a first step, but there is an old Chinese proverb that goes, "Even the longest journey begins with a single step," and that is what we are about. As you can see, this is going to be an issue that we are going to be focusing on for literally years and years, and it is time that we got the debate beyond the talking stage to the acting stage, and that is the idea here, to begin to take one step, then another step, and build one upon another until we have a comprehensive system here.

Finally, Paul, just an observation on what you mentioned, and I am not going to get into a big discussion unless some members of the audience want that, about the Federal budget and the tax proposals and that kind of thing, but I thought you made a very good point, and that is what we really have here is a matter of a tax cut while addressing specific needs and challenges that our families face, so really, it is a combination of cutting taxes in ways that address our values and family problems, not just in only theory but in practice, as our first few panelists mentioned very clearly, so I thought your comments were right on target with regard to that.

Dr. Counsell, let me begin with you. If I could just ask you a couple of things. First, if you could describe some of the research you do and what it has to offer in terms of practical suggestions for citizens about what they should be doing for planning for their senior years, and second, if you had one, based upon all the data and the research you have done, if you had one piece of advice for people who are in their middle years today looking to retirement, what should they be doing to get ready, to plan for those senior years?

Dr. COUNSELL. Well, thank you. In regards to research, the Center for Aging Research right now is focusing most of its efforts on some of the kinds of things we talked about today, health services or how can we best provide the very needed services in the most cost-effective manner, but another is looking at various problems such as falls or immobility, or Alzheimer's disease and how we can prevent those kinds of things and even prevent the disabilities that may come from arthritis or strokes or Parkinson's disease or some of those other chronic conditions.

In regards to practical suggestions, probably "use it or lose it" is one of our biggest motto's—in the hospital, especially, it is not unusual to come to the hospital with pneumonia, but if you are put at bed rest and do not keep moving, you can lose other functions and strength and balance, and your pneumonia is gone, but now you cannot walk so well, so exercise and daily walking, I think, we are shifting from an "apple a day" to a "walk a day will keep the doctor away."

Advice for seniors, I think that would be it and that would go for younger people, too. I think diet, in terms of what you eat and your

health habits, as well as exercise, all are increasingly coming to bear on how we are able to function in our later years, and that a lot of what we are seeing in the aged population may not be aging, per se, but disuse, so I would think that would be my thoughts in that area. Thanks.

Senator BAYH. Doctor, thank you very much. Paul, you mentioned something, I think a critical word there. I would like to see if you wouldn't expand upon it a little bit. You mentioned the importance of choice, choice that refers to the kind of care that our seniors receive. We have got many seniors or many middle-aged people who are going to follow Dr. Counsell's advice and they are going to be able to be very vigorous, well into their senior years, others need a more intensive care, so there is a whole continuum of lifestyle and care that we are going to need to provide for as a society. Can you talk about the importance of choice a little bit and what we can do to try to make sure that people make the right choice that is appropriate for their circumstance?

Mr. SEVERANCE. Well, we think choice is critical to this whole debate, and what is missing from the current system, largely because of the fact that, No. 1, Medicare does not cover long-term care, and Medicaid which does is so directive that most of the Medicaid dollars go to nursing homes. It is really the worst kind of long-term care system that we could have, and it needs changing so much. We have people here in Indiana, Senator, and I am sure you know this, you were involved in initiating the home CHOICE care program here in Indiana, and today in Indiana, we have thousands of people on waiting lists for home care services through the CHOICE program or the Medicaid waiver program, people that could be receiving the care they need at a cost of an average of under $700 a month and instead are being forced into a nursing home at a cost to the taxpayer of $3,000 a month on average. This just does not make sense. [Applause.]

We believe that to provide choice for people means government policies that provide choice. We ought to be looking at the real solution of having Medicare cover long-term care. Medicare, I think the administrative costs for Medicare are somewhere around 3 percent, where most insurance companies who sell long-term care insurance take 40 percent off for their administrative expenses and profits and so forth, so I think we could do a lot better with that. We need to have at the Federal level Medicaid or whatever might replace that offer choice and not direct people to nursing homes, and we need to address those same issues at the state level.

Senator BAYH. Well, Paul, thank you. And by the way, I am still glad I vetoed that bill.

Mr. SEVERANCE. So are we, Senator.

Senator BAYH. Competition is a good thing, service is a good thing, more responsiveness to what the consumer needs is a good thing.

Mary Jane, I know that you have always been an advocate for seniors' concerns, but you are also concerned about the next generation. What advice would you have to younger people today to get ready for an active senior life, any thoughts you would have in terms of what middle-aged people need to be doing, younger people

need to be doing to prepare for the appropriate kind of care, long-term care?

Ms. MCKINSTRY. Well, Senator, it seems to me that the younger people, and we have to be some leaders to help them to understand that life is sort of in chapters, and if you are 80 years old, I believe they said that you have ten more years to live and that five of those years, you are going to need some help, and yet if you ask a group of people if they are going to need nursing home or some kind of assistance, their answer is no. And so somewhere or other, we need to have an educational program by every organization that is working as advocates for seniors and for younger people that life is great, and we have got to do what the doctor said at the end of the table; we have got to take care of ourselves, we have got to keep moving, we have got to watch our lifestyles, because the lifestyles to a great degree determines what old age is going to be, not exactly but to a great degree. And so I see the problem is we need an educational program, probably starts in the schools, teaching people that as you grow older, it is like an automobile; you buy an automobile and after 5 years, it has got a lot of problems, but it also depends on how you care for that automobile. So you have to expect that some parts of your body will wear out, and when it does, you will require some kind of medical assistance. And so I think we are not really dealing with reality, we just refuse to face what reality is. Now, how do we as a society help those people come to grips with what most of us know is going to happen to most of us? So I think it is an educational program, and you are so right, we could save, or society could save large sums of money and much emotional turmoil if we would just accept the fact of what is likely to happen.

Senator BAYH. Well, thank you, Mary Jane. This hearing today is part of this educational process, that is why we wanted to have the hearing, and I appreciate your assistance with that. By the way, I think you took mighty good care of that automobile, you are still running strong, so we can all benefit by your example.

Now we are going to have Geneva Shedd with our Family and Social Services Administration which, by the way, does a great job for the people of Indiana and has some very innovative programs in this area come forward with the questions from the audience. And while Geneva is doing that, Cheryl Sullivan who used to head the department is sitting back here very discreetly, but I could not be here today without acknowledging her leadership and great contributions to the quality of care for our seniors, so Cheryl, thank you for being here today. She is now at IUPUI. [Applause.]

If we could have the members of our first panel, the Cahees and Linda McKinstry up; are they still here? Do we have enough, make sure we have enough chairs here. Tom, have we got enough chairs? Is Linda already—let's thank them. Geneva, what do you think of what you have heard today?

Ms. SHEDD. Well, I think it has been a wonderful opportunity for us here in the State of Indiana to have the opportunity to hear from the care giver panel, to hear from the Federal response panel, and to have you here right in the State of Indiana during the state fair and to have this hearing, it is just a wonderful opportunity to respond to some of the questions.

Senator BAYH. Well, as long as I am on the panel, by the way, we hope to make this an annual event, so we will look forward to doing this more in the future, if I am able to do that.

Ms. SHEDD. We will schedule that right now.

Senator BAYH. Do you want to share some of the questions with us?

Ms. SHEDD. Yes. Thank you very much. We have numerous questions, and because we only have about 10 minutes left, we will not have an opportunity to go through all of them, but I have been assured that all the responses will be provided back to you by the Senator.

Senator BAYH. Did we get addresses on everybody?

Ms. SHEDD. Yes, yes.

Senator BAYH. Good.

Ms. SHEDD. So we will start with our first question, and the first one is addressed to Senator Evan Bayh. The question is: "The Wall Street Journal in months past has had many articles stating that Social Security will go bankrupt. Will Social Security go bankrupt, Senator Bayh?"

Senator BAYH. Not if I have anything to say about it, and I probably ought to quit after saying that. But Social Security, there is good news and bad news about Social Security. The good news is that there is, as I mentioned at the beginning, bipartisan agreement, Democrats, Republicans, the President, Congress are all in agreement now that every dollar that goes into Social Security should be saved solely for Social Security, locked away, not touched or spent on anything else, just spent for Social Security. Doing that will extend the life of Social Security an additional 54 years out to the year 2054, so that is the good news.

The bad news is there is still work to do. Obviously, if it goes bankrupt in 2054, we cannot allow that to happen, but we have got 54 years to at least do--probably not that long, but we have a period of time here to try to figure out the long-term permanent fix which probably is some structural change but probably some additional money, as well. But really, by locking away Social Security funds, saving them solely for Social Security, that is a big step in the right direction. There is still some work to do, so when the Journal said it would go bankrupt, they are right, but it is going to go bankrupt a long time, many, many years further in the future than would have been the case if nothing would have been done, so there is progress. There needs to be more progress, but these things are heading in the right direction now. There is universal agreement that the money for Social Security should be saved solely for Social Security.

Ms. SHEDD. Thank you. The next question is also directed to the Senator. "With all of the talking about tax cuts in DC, why can't the political parties get together and get something done?"

Senator BAYH. I don't know who asked the question, but it sounds like we could use you in the Congress.

Ms. SHEDD. These are not mine.

Senator BAYH. Well, the answer to that is we ought to get something done. There is no excuse for the kind of gridlock that we have had and all of the political wrangling and the partisanship; there is no excuse for that. What we have right now is the President has

made a proposal that the Congress will not pass. The Congress has passed a budget and tax cut that the President will not sign, so just like this, (indicating). What we need to do, frankly, I think, is find the common sense middle ground which means, as Paul said, we want to make sure that the budget continues to be balanced, that we do not rely upon some wild estimates of whether there is going to be a big surplus or not, we need to make sure that they are conservative, realistic estimates, we pay down the national debt; it is very important. Fifteen cents out of every tax dollar that you spend today, fifteen cents out of every dollar goes for nothing but interest on the national debt, and under the proposal—I am not going to give a speech here about the proposal that I am in favor of, but the proposal that I do favor would pay off 94 percent of the publicly held debt over the next 10 years, 94 percent, just under one penny on the dollar. Go from 15 cents out of every tax dollar down to one penny out of every tax dollar. [Applause.]

Then, of course, there are the questions or suggestions, or I should also say the proposals here on Senior Day, or I'm having a hearing of this committee, but we need to keep our commitment, we need to be true to our word, and we have made important commitments for our society, for seniors, in terms of Social Security and Medicare. We need to make sure that we keep those commitments for Social Security and Medicare, and then with the funds that are left over, we can decide on the right proportion of tax cuts and spending increases for things like education and other items that are going to be important, like the drug benefit for Medicare, which I personally favor for the long-term future of society. I think that there is a reasonable middle ground, and again, I am not going to get into all the details, but the proposal that I favor is cosponsored by five Republicans, five Democrats.

I think at the end of this when all the partisan rhetoric is over, it is probably right about where the President and Congress are going to end up being. So to answer the first question directly, there can be an agreement, there should be an agreement, I hope that there will be an agreement. The only thing that stands in the way of reaching an agreement would partisanship and politics, and shame on everybody who is there if we let that stand in the way. We should not let that happen. So I am actually optimistic that something will get done. The President is interested in having a legacy, so he wants to get things done, the majority party in Congress probably wants to prove that they can make the system work, so they are going to have an interest in getting something done. At the end of this day, I think the compromise is that I would hope it will happen sooner rather than later, and I hope that answers whoever's question that was.

This is not fair, Geneva, they get to be anonymous asking the questions, and we have to sit up here and you know who we are.

Ms. SHEDD. Right, we should have everyone introduce themselves.

Senator BAYH. No, no. I am just teasing, I am just teasing.

Ms. SHEDD. The next one is for the Senator, the next one after that is for the care givers. The one for the Senator, "What are the benefits of long-term care insurance, why would I want to purchase it?"

Senator BAYH. There are simple benefits for long-term care insurance. Without the benefit of long-term care insurance, if do you end up having—and as you see at the top of those pages, more and more and more of our citizens every year are going to need long-term care. If you do not have insurance, then you are going to be put in the position of either having substandard care or having to spend all of your savings and the assets you have worked hard throughout your life to accumulate, basically, until you end up in poverty and qualify for Medicaid, which as I mentioned, Medicaid will cover your long-term care, Medicare will not currently cover your long-term care. So the reason that long-term care insurance is important is it allows you to keep your savings and the assets you have accumulated and get quality care without being forced into poverty. The sooner—and I wish we had a chart, I had looked at the charts earlier today and it was too late to add charts, but I wish we had a chart that would show the amount a person would spend during the course of your lifetime if you purchased long care insurance at, say, age 50 or 55 versus how much you would spend during the course of your lifetime if you waited until you are 70 or so to purchase long-term care insurance. The differences are dramatic. You know, sure, starting earlier takes money, it is not inexpensive, as the panelists mentioned, it is not cheap; that is why we need to provide some help from the government in terms of affording it. But it is over time much less expensive if you start earlier that if you wait until later when it is just prohibitively expensive, and so that is another reason why we need to try and get the word out about making it more affordable and encouraging more of our middle-aged people and younger people to start planning for that as a part of their family budget.

So basically, to answer the question again, the benefit of long-term care insurance is that it will hopefully assure you of getting quality care without being forced into poverty after having spent down all of your savings and assets that you have worked so hard to accumulate during the course of a lifetime.

Ms. SHEDD. Thank you. The next question goes to the care givers. We would like a response from Linda, Jerry, and Sue, so each of them, if you could just move to the mike while you are speaking, and then each of you please respond, "What should I do to prepare to be an effective care giver?"

Mr. CAHEE. There are a lot of support groups in your community. We go to two of them every month, and all the people that are care givers meet there and they are able to share everything, and what you don't know what to do, they are able to help you with. It is a great, great thing to sign—or go to, and that is the care groups.

Ms. MCKINSTRY. I think one of the most important things to do is learn to have patience, that is patience that you can give to your loved one, because they will try it to the very end, and you cannot get mad at them, although they get mad at you.

Ms. CAHEE. I think I would have to agree with both Linda and Jerry, but with Linda especially. Your patience will be tested, and you need a lot of patience, and you can get a lot of help from these support groups, people that have been there, and they share their experiences, and they can offer you a lot of helpful hints.

Ms. SHEDD. Thank you. We have time for one more question. This one is for the Senator. "Senator Bayh, why not have Medicare include payment for Alzheimer's disease and the medication needed for it? This could be a starting point."

Senator BAYH. That is an excellent suggestion. I do not know what else to say. It is an excellent suggestion. I would have to—obviously with anything with regard to that, we would have to figure out where our budget would be and where we would get the money, but I think it is an excellent idea. And really, I think one of the big issues, and we did not, by the way, choose our panelists today because they had both had experiences with Alzheimer's in their family, that just happened by accident, but one of the big issues for our society over the next 40 or 50 years is not just the charts of people getting older, but Alzheimer's is going to be just a huge, huge issue for our country. And so I think eventually, we are going to include that in Medicare in some way, shape or form.

Obviously, we have the drug benefits that we are adding which I hope we will be starting this year. That would help provide some coverage and payments for Medicaid, including Alzheimer's, and I think that it may very well get to be such a serious challenge for our country that we would go beyond that and do even more, so I think it is a excellent idea. I would have to look at the details, but that sounds like something we should do.

Why don't we take one more, Geneva? Dr. Counsell feels left out. Does anybody want to ask him anything? I am easy to get a hold of. They might not know where to reach Dr. Counsell. One more for me and then we will be done.

Ms. SHEDD. The next one, Senator Bayh. "Will you address spending caps and the impact they have on funding services for seniors and older adults?" Senator Bayh. You know, I knew I made a mistake for asking for one more question. [Laughter.]

Senator BAYH. It is kind of—actually, that's an excellent, excellent question, and this hearing is bipartisan, and I do not want to get into all of the pluses and minuses of the different budget approaches in Washington. I am going to spend some time down here when we are done, so those of you who would like to speak to me, we will get back to you and answer every question we have got, if you want to come up and speak to me personally when we are done, but the issue of spending caps basically is this: We have had a terrible problem with budget deficits in our country the last several years, as we all know. A couple of years ago, Congress and the President came together and said, look, if we are really going to get on top of this, we have to put very strict limits on discretionary spending, Congress and the Federal Government together, and they put into place something called spending caps which are basically spending limits, which started off being fairly strict and then as we went along, got stricter and stricter. And for the next couple of years, actually, we were supposed to have lower and lower spending before it is finally turned up again and they are allowed to increase it. So Congress passed them at a time, and they said, we will make it a little harder on ourselves today, and we will make it even harder in the future, hoping that maybe that day would never arrive.

What we have now going on in Congress is that a lot of these estimates which relate to part of what Paul was saying, there really is not a budget surplus this year or next year, if you do not count on Social Security revenue, which we are not doing. And also, they are basing these estimates on assuming that Congress is going to continue to live by these very tight spending caps, spending less and less through the next couple of years, even though now, the economy is turned up and we really have the prospect of surpluses rather than deficits. So if you continue to adhere to these spending caps, what it means is it puts incredible pressure on health care programs and senior programs and education programs and all different things that the government funds, even at a time when we are not running deficits anymore, which is sort of an ironic situation, so that is the problem with the caps.

My own feeling is that the caps will probably be loosened a little bit, you can see it already with some of the items that Congress is now calling, quote—there is an exception to the caps. If you have an emergency, the spending is considered to be exempt, it does not count toward those limits, and so Congress has now fallen in the habit of starting to characterize all sorts of things as emergencies as a way to get around the limits that really are not what most of us would consider to be emergencies. So one way or another, I think that there will be some relief on this.

I think there probably will be some relief, although you did not ask about this, on Medicare appropriations. Spending on Medicare was really being cut more substantially than it had been projected to be cut. I think some of that might be restored, so really, the caps are putting incredible pressure on some of these programs, and I think there will probably be some loosening in recognition of our better fiscal circumstances and of the fact that some of the cuts may really be not just cutting the fat, but maybe getting too close to muscle and bone in terms of the quality of services we are providing to seniors, sick people and children.

That is my response on the caps.

Ms. SHEDD. That concludes the question-and-answer session because we have used our time allotted. However, I do want to leave you all by saying this packet of information that has been pulled together by the Senator and the Senator's staff is wonderful, it has information on today's meeting on the hearing, it has fact sheets, it has information on services available, and I encourage you all to take an opportunity to read this material at your leisure and also to attend a panel that will be following this meeting at 3:30 p.m. on Medicare. Thank you. [Applause.]

Senator BAYH. Thank you, Geneva. I want to thank all the members of the audience who have been so patient. I really do appreciate your time. You know, you are what this is all about, not about me and not about the Federal Government. This is about bringing the government closer to the people, hearing from folks who have experienced these challenges firsthand so that we can be more informed in our decisionmaking, and so I am just very pleased that we could have the Special Committee on Aging conduct the hearing today. I would like to thank Chairman Grassley and Senator Breaux and the staff of the committee, as well as my own staff for

helping to make it possible. I would like to thank our panelists again, and I am just very grateful to all of you.

On a personal note, I am pleased to have Susan and the boys with me. We are going to take the kids to the fair this weekend, because I think they ought to grow up having roasted ears and seeing the animals and doing all of that, just like I did when I was a kid, so we are already planning on raising them right and thinking out into the future. And again, I am just pleased to represent you, it is an honor, and I thank you for your time, and I will be standing right down here, for those of you who want to come up and talk to me. Thank you very much. The hearing is now adjourned.

[Whereupon, at 3:35 p.m., the committee was adjourned.]

APPENDIX

What you should know about long term care.

Answers to the most commonly asked questions from the Indiana Long Term Care Program.

A Message from the Governor...

Thank you for taking the responsible action of looking into how you may cover your future long term care costs.

The State of Indiana is encouraging its citizens to look into the option of long term care insurance through the Indiana Long Term Care Program. The Indiana Long Term Care Program (also known as *the Partnership*) is an innovative approach to financing the high cost of long term care. It represents a partnership among state government, the private insurance companies who offer these high quality, affordable policies, and you. In addition to long term care insurance coverage, only Partnership policies provide the unique financial security of Medicaid Asset Protection—State government's share of the partnership.

What is Medicaid Asset Protection? How can it benefit you? Why isn't Medicare enough to cover your future long term care costs? You'll find the answers to these and other commonly asked questions in this booklet.

I believe you'll find that a Partnership policy is a way for you to provide for your future care, your peace of mind, and your financial security. After all, taking care of tomorrow is just good policy.

Sincerely,

Frank O'Bannon

Frank O'Bannon
Governor

Long Term Care: what it is, what it costs.

Q What is long term care?

A Long term care is what people need when they are unable to care for themselves because of prolonged illness, disability or frailty. It can be as simple as in-home help with daily activities like dressing or bathing, or as specialized as skilled medical attention received in a nursing home.

Q What are the chances I'll need long term care?

A Your likelihood of needing long term care increases as you get older, if you live alone, and if you're a woman. Your family and individual medical history also play a major role in determining whether or not you will need long term care.

However, general population statistics are very informative. For instance, one-half of all women and one-third of all men reaching age 65 will enter a nursing home at some point in their lives. Even more will require some kind of in-home care or assistance. Of those entering a nursing home, many will only need short stays for rehabilitation, but a full 25% will remain over a year.

Q How much does long term care cost?

A Long term care can be very expensive. The average cost of nursing home care in Indiana is nearly $40,000 a year (in 1998), and some facilities charge much more. In-home care can be costly too, with the annual price of three nursing visits a week costing over $14,000. Plus, the cost of long term care has been rising steadily for years. For instance, at a 5% annual growth rate, the average daily cost of nursing home care would rise from $103 in 1998 to $168 in 2008.

One-half of all women and one-third of all men reaching age 65 will enter a nursing home at some point in their lives.

Q Won't Medicare pay my long term care costs?

A Medicare was not designed to pay for long term care. Strict criteria must be met to qualify for Medicare coverage for this type of care. Even when you meet Medicare's criteria, the coverage it provides is for a limited length of time (approximately three months in a nursing home). Those who believe Medicare will pay their long term care expenses may end up unexpectedly spending their life savings on long term care costs.

Q Can't I rely on Medicaid for long term care?

A You can, but Medicaid is only available if you meet strict income and asset limits--currently defined as having total countable assets of $1,500 or less, if you are single. That means most people will have to spend down their life savings to this amount before Medicaid will assist with long term care costs.

Q Is there another way to pay these costs?

A Yes. Long term care insurance is specifically designed to pay for long term care services. This type of insurance helps cover nursing home care, in-home care, and community based care such as adult day care. It usually pays the actual charges for the care up to a daily maximum dollar amount when a person needs the type of care covered by the policy. Coverage can last for a period of years or until a maximum dollar amount is reached. (You choose the maximum daily and maximum total amounts when you buy a policy.)

Q Is long term care insurance right for everyone?

A Long term care insurance is not the right option:

- If you have little or no assets. At a minimum, your assets should be equal to the cost of one year in a nursing home (about $40,000 in 1998).

Indiana is one of only four states to offer such an innovative long term care financing program.

- If you are already disabled or have a serious health problem which puts you at high risk for needing long term care. In these instances, you will probably not be able to pass the medical underwriting required by the insurance company to get the insurance coverage.
- If you have a limited ability to pay premiums. You should not deny yourself the essentials of daily living (food, shelter, utilities, medicine) to pay premiums.

Q What is the Indiana Long Term Care Program?

A The Indiana Long Term Care Program is a *partnership* between state government and private insurance companies. Insurance companies voluntarily agree to participate in the program by offering long term care insurance policies that meet more stringent state requirements than other policies. (Policies approved under the program are better known as "Partnership policies.") As of May 1993, Indiana residents, when shopping for long term care insurance, have a choice between traditional long term care policies or Indiana Partnership policies. Partnership policies protect assets through a feature which places their purchasers under different, more favorable Medicaid eligibility rules. Indiana is one of only four states (California, Connecticut and New York) to offer such an innovative long term care financing program. Taking and keeping control of your financial independence and emotional peace-of-mind has never been easier!

Q How do Partnership policies change the Medicaid eligibility rules?

A Partnership policies contain a special State-added feature known as "Medicaid Asset Protection." With this feature, Partnership policies offer Indiana residents a way to provide for their long term care needs without the fear of having to spend down their life savings. These policies guarantee that the buyer will receive asset protection from Medicaid at least equal to the amount of benefits used.

Q How does the Medicaid Asset Protection feature work?

A It's simple. For persons who initially purchase less than the State-set dollar amount* in benefits, a dollar of assets is protected for each dollar of Partnership policy benefits paid out. For individuals who initially purchase the State-set dollar amount* or more in benefits, all of their assets are protected once they use all of their Partnership policy benefits. (Only assets are protected—not income.)

Q Can I rely on this asset protection from Medicaid to protect my assets?

A In a word, YES! For example, if you bought a Partnership policy with a maximum benefit pay out of $100,000 (the approximate cost of 2.5 years of nursing home care —the length of the average stay), you could protect $100,000 of

your assets. If you want to protect more or less of your assets, you may select a policy with a higher or lower benefit pay-out. If you want to protect all of your assets, you would need to purchase, at a minimum, the State-set dollar amount* of Partnership policy benefits.

* State set dollar amount for policies issued in 1998 equals $140,000. For policies issued in 1999 — $147,000. For policies issued in 2000 — $154,350.

Partnership policies offer Indiana residents a way to provide for long term care without having to spend down their life savings.

Q When does the asset protection actually start?

A The peace-of-mind starts immediately, but the actual asset protection begins when your Partnership policy starts paying benefits. For instance, if you went into a nursing home and used up your policy benefits of $100,000, you could apply to Medicaid to pay for your continuing nursing home care. Medicaid will disregard $101,500 of your assets ($100,000 of protected assets which equals the insurance benefits used plus $1,500 which is the normal Medicaid allowance) during the eligibility process.

If you purchased the State-set dollar amount* of Partnership policy benefits, entered a nursing home, and used up all of the policy benefits; then, you could apply to Medicaid to pay for your continuing nursing home care. Medicaid will not require you to spend down any of your assets. All of your assets will be protected.

With either type of asset protection, you would never have to spend your protected assets for your long term care costs. Once on Medicaid, your income, but not your protected assets,

will be used to offset the cost of care.

A traditional long term care insurance policy cannot provide these guarantees. With a traditional policy once benefits were paid out, you would still have to spend all of your assets down to $1,500 to qualify for Medicaid assistance.

Q Can't a traditional long term care policy, not approved by the Program, protect my assets too?

A Yes, but only while your policy is actually paying benefits. If your benefits run out and you still need care, you would have to pay for it yourself. You would have to spend down your assets to $1,500 to qualify for Medicaid assistance.

You could purchase lifetime coverage in a policy, but this can be very expensive. Only policies approved by the Indiana Long Term Care Program offer guaranteed asset protection, plus more affordable, shorter terms of coverage.

Only policies approved by the Indiana Long Term Care Program offer guaranteed asset protection, plus more affordable, shorter terms of coverage.

Q What assets can I protect through using my Partnership policy?

A Virtually all. Some assets protected with a Partnership policy include: savings, stocks, bonds, certificates of deposit, money market certificates, second homes, the cash value of life insurance, the assessed value of your primary home (if you have no spouse). Medicaid already provides exemptions for

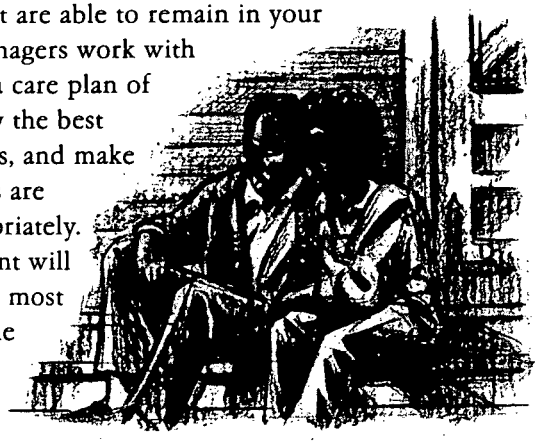
your home, if a spouse or dependent is living there; rental property, if providing income; irrevocable burial trusts; personal possessions; and cash value of life insurance, if less than $1,400. However, the value of these exempt assets can be recovered from your estate to repay Medicaid for its costs of your care, if they are not protected through purchase and use of a Partnership policy.

Q Will all of the benefits paid from the policy count toward the asset protection?

A Yes, all benefits under the policy will count toward the asset protection up to the actual cost of care. If your policy covers home and community-based services, these services must be part of a care plan developed by an approved case management agency in order to qualify for asset protection.

Q What is case management and why is it important?

A Case management agencies help you if you need long term care services, but are able to remain in your home. Case managers work with you to develop a care plan of services, identify the best service providers, and make sure the services are provided appropriately. Case management will help you get the most out of your home and community benefits.



National Long-term Care Fact Sheet

By 2030 the number of Americans in nursing homes will double and the cost of caring for them will quadruple. ("Another Looming Crisis", National Journal, 1999)

Currently, about 12.8 million Americans report needing long-term care. (The National Academy on Aging Society, 1997)

By 2018 it is estimated that there will be 3.6 million elderly persons in need of a nursing home bed, an increase of 2 million from current figure. (The National Academy on Aging Society, 1997)

Of America's noninstitutionalized long-term care beneficiaries 67% depend exclusively on family or friends for their long-term care services. (The National Academy on Aging Society, 1997)

In 1996, an estimated 22 million people provide unpaid help with personal needs or household chores to a relative or friend who is at least 50 years old. (One out every four U.S. households) (Policy Brief, March 1999)

85% of all home care is provided by family members and friends; 71% of all long-term care is provided in the community. Only 14% of home care is rendered by paid providers. (Long-term Care Campaign, 1999.)

In 1996, approximately 2.6 million people provided full-time care that included assisting with at least two personal care activities such as bathing and dressing. (Policy Brief, March 1999)

More than 6% of caregivers choose early retirement or give up work entirely. (Policy Brief, March 1999)

A recent study (1999) estimates that only 6% to 7% of the elderly currently have long-term care insurance policies. (Policy Brief, March 1999)

In 1997, only 7% of long-term care spending was paid for by private insurance. (Policy Brief, March 1999)

In 1995, $106.5 billion was spent on long-term care. (Public programs, out of pocket spending and private insurance) (The National Academy on Aging Society)

The average cost for a nursing home a year is $46,000. ("Another Looming Crisis", National Journal, 1999)

Families pay more than one third of all nursing home costs out of pocket. (Long-term Care Campaign, 1999.)

Median household income for persons over 65 is a little over $19,499 a year. (Long-term Care Campaign, 1999.)

Indiana Long-term Care Fact Sheet

There are close to 734,000 Hoosiers that are over the age of 65, about 12.6% of the total population. *(IU Center for Aging Research 1999, American Health Care Association, Facts and Trends, 1997)*

In Indiana, the estimated value of informal caregiving provided is $4.3 billion. *(Economic Value of Informal Caregiving in the United States, By State: Methodological Approach and Findings", For the Alzheimer's Association, March 9, 1999)*

There are approximately 568,307 caregivers working a total of 529 million hours a year. *(Economic Value of Informal Caregiving in the United States, By State: Methodological Approach and Findings", For the Alzheimer's Association, March 9, 1999)*

3 out of 5 individuals needing long-term care in Indiana receive their assistance from family or friends. *(Family Social Services Agency)*

There are 614 nursing homes in the State of Indiana. *(Indiana State Department of Health)*

There are approximately 50,579 nursing home beds in Indiana. (Family Social Services Agency)

44,263 residents are located in Indiana nursing homes. *(Indiana State Department of Health)*

There are currently 13 insurance companies approved to participate in the Indiana Long-term Care Program (ILTCP). *(Indiana Long-term Care Program)*

There have been 5,239 ILTCP polices purchased. *(Indiana Long-term Care Program)*

60% of all ILTCP purchasers are female, 72% of purchasers are married. *(Indiana Long-term Care Program)*

The average age of the ILTCP purchasers is 67 years. *(Indiana Long-term Care Program)*

In 1998, Indiana's long-term care program, Community and Home Options to Institutional Care for the Elderly and the Disabled (CHOICE) program cost $3 million while nursing home costs for those same seniors would have been $15.6 million, five times more. (Family Social Services Agency)

Tax Deduction for Purchase of Long-term Care Insurance (The Grassley Bill)

Senator Bayh is a cosponsor of S.35, a bill proposed by Senator Grassley (Iowa), to provide a 100% deduction for the purchase of long-term care insurance. This effort has bipartisan support.

Who will benefit:
All taxpayers purchasing long-term care insurance would benefit. When today's 45 year-olds reach age 85, one year of nursing home care will cost $244,000. A 45 year-old purchasing long term care insurance now will have only paid a total of $16,800 by age 85, far less than the expected cost for just one year of nursing home care.

In Indiana, there is a unique program that allows individuals to purchase long-term care insurance that protects the insurance purchasers assets. The Indiana legislature just this Spring passed legislation that would allow purchasers of that insurance to deduct the cost from their Indiana State taxes. However, the amount of the deduction allowed is capped. The deduction for long-term care insurance supported by Senator Bayh on the federal level would be an additional benefit for those participating in this asset protection program since most of the policies in the asset protection program will qualify for the federal tax deduction.

Long-term care insurance premiums are generally charged on an entry-age level basis. Premiums vary widely by age, benefits chosen, and, in some companies, by health history. For example, the policy, the premium for some aged 65 is twice that of someone who is 55. Rates nearly double for every ten years. The annual premiums would be as follows:

Age	*Premium*
40	$580
55	$1,000
60	$1,500
65	$2,000
70	$3,000
75	$4,000
80	$5,500

Currently:
The cost of long-term care in a nursing home can range from $40,000 to $70,000. A recent study (1999) estimates that 6% to 7% of the elderly currently have long-term care insurance policies. Only 7% of long-term care spending was paid for by private insurance.

There are currently 13 insurance companies approved to participate in the Indiana's unique Long-term Care Program. There have been 5,239 polices purchased.

The legislation proposes:
Allowing all taxpayers to deduct the cost of Long-term care insurance as an adjustment to their income. There would be no requirement to itemize the deduction and the 7.5% threshold that normally prevents such deductions would not apply. The deduction would be available for all qualified long-term care insurance plans.

Cost: $6 billion over five years.

Senator Bayh's Caregivers Assistance and Resources Enhancement Tax Credit, S. 1518

Seniors with long-term care needs or their caregivers would receive a $1,000 tax credit beginning in 2000.

Who will benefit:

Approximately 2 million people, (about 1.2 million elderly, 500,000 nonelderly adults and about 250,000 children nationwide will benefit from this tax credit). Almost all the recipients will be middle class (about 75% of the elderly taxpayers have income below $50,000).

Currently:

Currently, about 12.8 million Americans report needing long-term care. 85% of all home care is provided by family members and friends. An estimated 22 million people provide unpaid help with personal needs or household chores to a relative or friend who is at least 50 years old. However, there is no federal economic assistance provided to caregivers right now.

There are 568,307 caregivers in Indiana.

Eligibility:

Three types of people could receive this tax credit:

- Taxpayers with long-term care needs
- Taxpayers whose spouses have long-term care needs
- Taxpayers with dependents with long-term care needs.

A person with long-term care needs is defined as someone with:

- 3 or more limitations in activities of daily living (such as bathing, dressing, eating, toileting, transferring and continence management); or

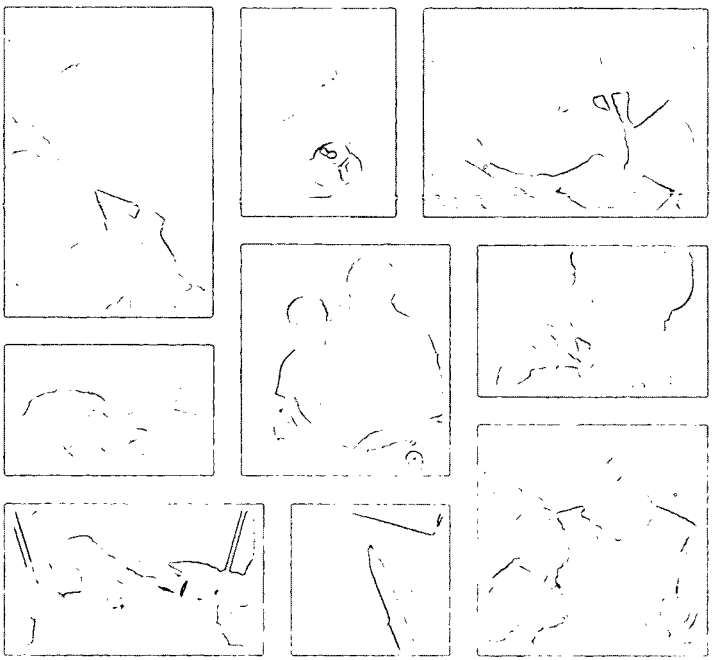
- severe cognitive impairments which require substantial supervision to be protected from threats to their health and safety due to this condition and have difficulty with one or more of the activities of daily living.

In addition, children under the age of six are considered to be in need of long-term care if they have trouble with the activities of daily living and if under the age of two require a skilled caregiver in the parents' absence or specific durable medical equipment.

Cost:

About $5.5 billion over five years.

A Shopper's Guide to



A Shopper's Guide to

LONG-TERM CARE INSURANCE

NAIC

National Association of Insurance Commissioners

About the NAIC ...

The National Association of Insurance Commissioners (NAIC) is the oldest association of state government officials. Its members consist of the chief insurance regulators in all 50 states, the District of Columbia and four U.S. territories. The primary responsibility of the state regulators is to protect the interests of insurance consumers, and the NAIC helps regulators fulfill that obligation in a number of different ways. This guide is one example of work done by the NAIC to assist states in educating and protecting consumers.

Another way the NAIC lends support to state regulators is by providing a forum for the development of uniform public policy when uniformity is appropriate. It does this through a series of model laws, regulations and guidelines, developed for the states' use. States that choose to do so may adopt the models intact or modify them to meet the needs of their marketplace and consumers. As you read through this guide, you will find several references to such NAIC model laws or regulations related to long-term care insurance. You may check with your state insurance department to find out if these NAIC models have been enacted in your state.

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email: www.naic.org

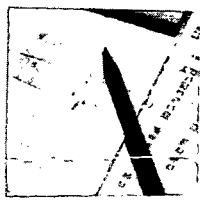
Revised 1999

Table of Contents

About This Shopper's Guide

The **National Association of Insurance Commissioners** (NAIC) has written this guide to help you understand long-term care and the insurance options that can help you pay for long-term care services. The decision to buy long-term care insurance is very important and one you shouldn't make in a hurry. By state law, insurance companies or agents must give you this guide to help you better understand long-term care insurance and decide which, if any, policy to buy.

Take a moment to look at the table of contents and you'll see the questions this guide answers and the information that is in it. Then, read the guide carefully. If you see a term you don't understand, look in the glossary starting on page 29. (Terms in **bold** in the text are in the glossary.) Take your time. Decide if buying a policy might be right for you.



If you decide to shop for a long-term care insurance policy, start by getting information about the long-term care services and facilities you might use and how much they charge. Use the first worksheet that starts on page 38 to write down this information. Then, as you shop for a policy, use Worksheet 2, starting on page 40. There you can write down the information you collect to compare policies and buy the one that best meets your needs.

If you have questions, call your state insurance department or the insurance counseling program in your state. The telephone numbers are listed starting on page 31 of this guide.

What Is Long-Term Care?

Someone with a long physical illness, a disability, or a **cognitive impairment** (such as **Alzheimer's disease**) often needs long-term care. Many different services help people with chronic conditions overcome limitations that keep them from being independent. Long-term care is different from traditional medical care. Long-term care helps one live as he or she is now; it may not help to improve or correct medical problems. Long-term care services may include help with **activities of daily living**, **home health care**, **respite care**, **adult day care**, care in a nursing home, and care in an **assisted living facility**. Long-term care may also include **care management** services, which will evaluate your needs and coordinate and monitor the delivery of long-term care services.

Someone with a physical illness or disability often needs hands-on help with activities of daily living (see pages 16-17). People with cognitive impairments usually need supervision, protection, or verbal reminders to do everyday activities.

The way long-term care services are provided is changing. Skilled care and personal care are still the terms used most often to describe long-term care and the type or level of care you may need.

People usually need skilled care for medical conditions that require care by medical personnel such as registered nurses or professional therapists. This care is usually needed 24 hours a day, a physician must order it, and the care must follow a plan. Individuals usually get skilled care in a nursing home but may also receive it in other places. For example, you might get skilled care in your home with help from visiting nurses or therapists.

NOTE: **Medicare** and **Medicaid** have their own definitions of skilled care. Please refer to *The Guide to Health Insurance for People with Medicare* or *The Medicare Handbook* to find out how Medicare defines skilled care. Contact your local social services office for questions about Medicaid's definition of skilled care. For copies of these publications, contact your state insurance department or **State Health Insurance Assistance Program** listed on pages 31-37.

Personal care (sometimes called **custodial care**) helps one with activities of daily living (ADLs). These activities include bathing, eating, dressing, toileting, continence, and transferring. Personal care is less involved than skilled care, and it may be given in many settings.

About Long-Term Care

How Much Does Long-Term Care Cost?

Long-term care can be expensive. The cost depends on the amount and type of care you need and where you get it. In 1997, the average cost was more than $46,000 for a year of nursing home care.[1] If a nurse came to your home to give you skilled care three times a week for two hours each visit for the entire year, the bill would be about $19,300.[2] Personal care in your home from a home health aide three times a week for a year, with each visit lasting two hours, would cost you about $10,600.[3] These costs are different across the country.

Who Pays For Long-Term Care?

People pay for long-term care in a variety of ways. These include: using the personal resources of individuals or their families, long-term care insurance, and some assistance from Medicaid. State Medicaid programs pay about one-half of the costs of nursing home care nationally.[4] Medicare, **Medicare supplement insurance**, and the major medical health insurance you may have at work usually *will not pay* for long-term care.

Individual Personal Resources

Individuals and their families pay one-third of all nursing home costs from their own funds. Many use savings and investments. Some people sell assets, such as their homes, to pay for their long-term care needs.

Medicare and Medicare Supplement Insurance

Medicare's skilled nursing facility (SNF) benefit does not cover most nursing home care. Medicare will pay the cost of some skilled care in an approved nursing home or in your home but only in some situations. The SNF benefit only covers you if a medical professional says you need daily skilled care after you have been in the hospital for at least three days. **You should not rely on Medicare to pay for your long-term care needs.**

Medicare does not cover **homemaker services**. Medicare does not pay for home health aides to give you personal care unless you are homebound and are also getting skilled care such as nursing or therapy. The personal care must also relate to the treatment of an illness or injury and you can only get a limited amount of care in any week.

Medicare supplement insurance is private insurance that helps pay for some of the gaps in Medicare coverage, such as

hospital deductibles and excess physicians' charges above what Medicare approves. Medicare supplement policies do not cover long-term care costs. However, four Medicare supplement policies — Plans D, G, I, and J — do pay up to $1,600 per year for services to people recovering at home from an illness, injury, or surgery. The benefit will pay for short-term, at-home help with activities of daily living. You must qualify for Medicare-covered home health services before this Medicare supplement benefit is available.

Medicaid

Medicaid pays for nearly half of all nursing home care. Medicaid also pays for some home and **community-based services**. To get Medicaid help, you must meet federal and state guidelines for income and assets. Many people start paying for nursing home care out of their own funds and **"spend down"** their financial resources until they are eligible for Medicaid. Medicaid may then pay part or all of their nursing home costs. You may have to spend down or use up most of your assets on your health care before Medicaid is able to help. Some assets and income can be protected for a spouse who remains at home.

State laws differ about how much money and assets you can keep and be eligible for Medicaid. (Some assets, such as your home, may not count when deciding if you are eligible for Medicaid.) Contact your state Medicaid office, office on aging, or state department of social services to learn about the rules in your state. The insurance counseling program in your state also may have some Medicaid information. (Please see the list of counseling programs on page 31.)

Long-Term Care Insurance

Long-term care insurance is one other way you may pay for long-term care. This type of insurance will pay for some or all of your long-term care. Long-term care insurance is a relatively new type of insurance. It was introduced in the 1980s as nursing home insurance but has changed a lot and now covers much more than nursing home care. The rest of this shopper's guide will give you information on long-term care insurance.

You should know that a federal law, the **Health Insurance Portability and Accountability Act** of 1996, or HIPAA, gives some federal income tax advantages to people who buy certain long-term care insurance policies. These policies are called Tax-Qualified Long-Term Care Insurance Contracts, or simply Qualified Contracts. The tax advantages of these policies are outlined on pages 8-10. Your state may have taken action to offer additional tax advantages. You should check with your state insurance department or insurance counseling program for information about tax-qualified policies. Check with your tax advisor to find out if the tax advantages make sense for you.

Q How will I know how much of my assets have been protected?

A Once you are receiving benefits from your Partnership policy, you will receive quarterly reports from the company that show the amount of asset protection you have earned. When your benefits run out, the company will send you a summary of total benefits received and total asset protection earned. This summary report will be needed when you apply for Medicaid.

Q If I buy a Partnership policy, when can I give my protected assets to my children?

A Assets only become protected as your insurance policy benefits are paid out. Once you have accumulated asset protection, your assets are protected and can be used in any way you choose—even as gifts to your children.

Q Can't I get on Medicaid by having an attorney transfer or shelter my assets?

A Medicaid eligibility is complex. Some attorneys and financial planners have found ways to transfer or shelter assets in order to have Medicaid pay for the long term care costs of persons who otherwise would not be eligible. However, there are problems with this approach.

First, the rapid rise in Medicaid costs assures that state and

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to close these loopholes. Second, Medicaid looks back 36 months (60 months for trusts and annuities) from the time you apply for assistance to see whether you have transferred assets for less than fair market value for purposes of qualifying for Medicaid. If so, you will be penalized a period of time in which Medicaid will not provide assistance. Third, by transferring your assets to a family member or trustee, you surrender your financial independence.

Insurance is now more affordable for middle income persons while still guaranteeing the asset protection provided by more expensive policies.

Q Are there other advantages of Partnership policies?

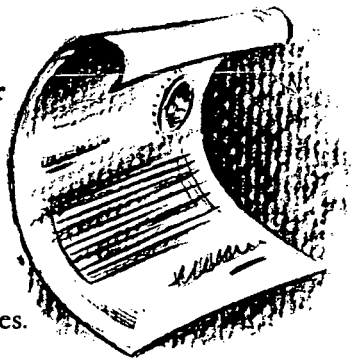
A Yes! All long term care insurance policies are not created equal. Indiana Partnership policies:

- provide for guaranteed asset protection
- have benefits that increase annually to keep up with the rising cost of care (commonly referred to as inflation protection)
- if covering home and community care, include: home health care, home health aide, attendant care, respite care, adult day care, and case management services.
- use the same criteria for when benefits are paid. This criteria is based on your inability to do activities of daily living or your having a cognitive impairment like Alzheimer's disease.

- require insurance agents to receive 15 hours of training on long term care insurance and the Indiana Long Term Care Program prior to selling
- require an adequate minimum daily pay out
- incorporate more consumer protection and disclosure features than other policies.

In addition to the features listed above, Indiana Partnership policies are available for shorter terms which have lower premiums. This means insurance is now more affordable for middle income persons while still guaranteeing the asset protection provided by more expensive, longer term policies.

Q Does the Program receive any portion of the premiums paid for the policies?



A No, the Indiana Long Term Care Program is not in the insurance business. The Program is a State-funded program and receives no money from the insurance companies.

Q How much does a Partnership policy cost?

A That depends on your age, the amount of benefits you select, the company you choose to buy from, and a variety of different policy features you choose. Since the Medicaid Asset Protection feature is a State-added benefit, it does not affect the cost of your policy. Similar to other health and life insurance, the older you are when you buy the policy, the higher your premium will be. Your premium will, however,

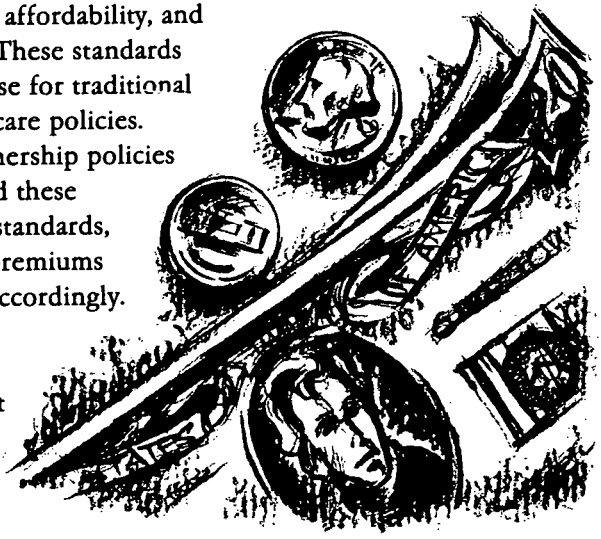
remain level and cannot be increased unless the insurance company raises it (after first obtaining Department of Insurance approval) for everyone with the same policy.

Q Why not wait as long as possible before buying a Partnership policy?

A If you wait to buy a policy until you are older, you will pay a higher premium. The younger you are when you purchase a policy, the more affordable the premium will be. In addition, by waiting, you run the risk of your health declining so that you may not be able to be insured at all.

Q Are all Partnership policies the same?

A They are all similar in that they meet the minimum standards of the Indiana Long Term Care Program for consumer protection, affordability, and coverage. These standards exceed those for traditional long term care policies. Some Partnership policies may exceed these minimum standards, and their premiums may vary accordingly. As with all insurance products, it pays to shop and compare.

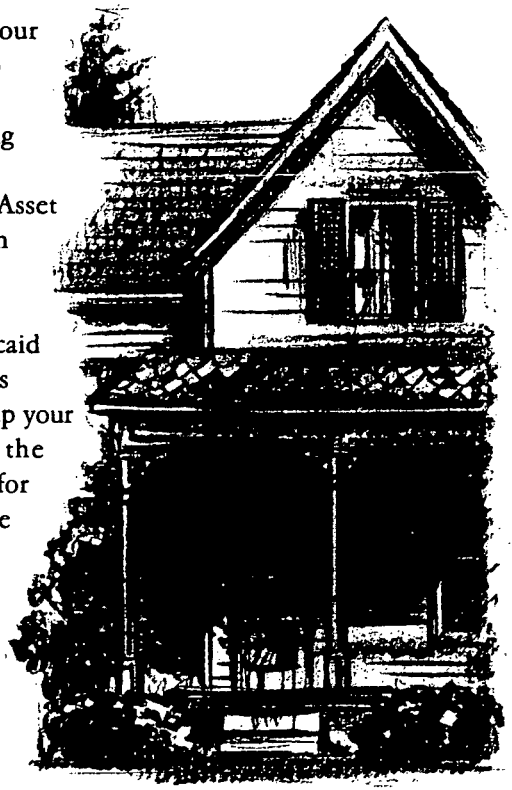


Q If I already have long term care insurance, can I get a Partnership policy without losing my original investment?

A That will depend on whether or not your insurance company is participating in the Indiana Long Term Care Program. If so, they may offer you the opportunity to upgrade to a Partnership policy. Call your insurance agent and ask.

Q What happens to my Partnership policy if I move to another state?

A You are entitled to your insurance benefits no matter where in the country you are living when you use them. However, Medicaid Asset Protection, offered in Indiana Partnership policies, is only valid from Indiana's Medicaid program. This means when you have used up your policy benefits and the time comes to apply for Medicaid, you must be living in Indiana and apply to the Indiana Medicaid program in order to have your protected assets disregarded during the eligibility process.



Q Who offers Partnership policies?

A A number of private insurance companies offer policies that meet the Program's stringent guidelines. A complete list of these companies is available from the Senior Health Insurance Information Program (SHIIP) by calling 1-800-452-4800.

To identify a Partnership policy look for the following box on the front page of the policy, the outline of coverage, and the application:

> This policy qualifies under the Indiana Long Term Care Insurance Program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana Long Term Care Program.

Traditional long term care insurance policies either won't have the boxed language or will have a longer box of language in which the first sentence reads "This policy does not qualify under the Indiana Long Term Care Program for Medicaid Asset Protection."

Q What happens to my policy and protected assets if Indiana eliminates the Program?

A The Program has strong bipartisan support and could only be eliminated through legislative action. If it were eliminated, however, Indiana's Medicaid program would honor the asset protection in Partnership policies already purchased, no matter when in the future the policyholders used their policy benefits.

Q Once I use all of the benefits in my Partnership policy and am eligible for Medicaid, will Medicaid provide me with the same benefits that I had under my policy?

A Once you are eligible for Medicaid assistance, you will receive services covered under the Indiana Medicaid program at that time. These services could be less than or more than those services provided to you under your Partnership insurance policy. (Example: While using the policy for nursing home care, you may have been in a private room. Indiana's Medicaid program does not currently cover a private room unless it is medically necessary.)

Q How can I get more information about the Indiana Long Term Care Program?

A Call the Senior Health Insurance Information Program (SHIIP) at **1-800-452-4800**. This is a free counseling service operated by the Indiana Department of Insurance. Trained volunteers are available to provide information to seniors on health insurance-related matters (Medicare, Medicare Supplements, Long Term Care insurance). They also offer a free *Self-Assessment Guide for Long Term Care Insurance* developed to help people evaluate their long term care insurance decision.

To learn about company specific Partnership policy features or policy costs, your best resource will be a local insurance agent who is "certified" to sell Indiana Partnership policies. To receive a free copy of the *Indiana Partnership Select Agent Directory*, call the Indiana Long Term Care Program office at **317-233-1470** or visit our website at www.ai.org/fssa/HTML/PROGRAMS/2d.html.

Taking care of tomorrow is just good policy

Indiana Long Term Care Program
Family & Social Services Administration
402 W. Washington Street, W382
Indianapolis, Indiana 46204

Taking care of tomorrow is just good policy

CONSUMER INFORMATION BULLETIN

Tax Breaks for Owners of Certain Long Term Care Insurance Policies

STATE Indiana residents who pay premiums for ***Indiana Partnership long term care insurance policies*** can receive a ***state tax deduction***, beginning with tax year 2000. A taxpayer may take this deduction only for premiums paid (during the tax year) for an Indiana Partnership policy for himself/herself, a spouse, or both taxpayer and spouse. The law authorizing this new deduction was signed by Governor O'Bannon on May 13, 1999.

How do I know if I have an Indiana Partnership Policy?

To know if the policy you own is an Indiana Partnership policy, look for the following box of information on the outline of coverage, the application, or the front page of the policy:

> This policy qualifies under the Indiana Long Term Care Program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana Long Term Care Program.

FEDERAL The Health Insurance Portability and Accountability Act of 1996 is a federal law providing limited federal tax breaks for owners of long term care (LTC) insurance policies that meet specific standards. Policies meeting these standards are called tax-qualified. The Act went into effect on January 1, 1997. It allows all LTC insurance policies bought before January 1, 1997, to qualify as tax-qualified.

What tax breaks does this federal tax law provide?

(1) **Premiums**: Premiums paid for federally tax-qualified LTC insurance policies are tax deductible as part of the standard deduction for medical expenses on a federal tax return. This deduction applies for each taxpayer who pays premiums, and began with the 1997 tax year. These deductions are limited according to the age of the taxpayer as indicated below (amounts listed are for tax year 1999 and change annually for inflation):

Age	Maximum Amount of Premium Deduction
40 or less	$ 210
41 to 50	$ 400
51 to 60	$ 800
61 to 70	$2,120
71 and over	$2,660

- turn over -

Indiana Long Term Care Program
Family & Social Services Administration
402 W. Washington St., W353 • Indianapolis, Indiana 46204

317 232-2187 • 317 233-4693 *fax*

(2) **Benefits:** Benefits one receives from a federally tax-qualified LTC insurance policy are not considered income for tax purposes. (The federal government has not yet determined whether or not benefits from a "non-tax-qualified" policy would count as taxable income.)

How do I know if a policy is a federally tax-qualified LTC insurance policy?

Look for language on the outline of coverage and on the policy that is similar to the following:

"This Policy is intended to be a Qualified Long Term Care Insurance Contract under section 7702B(b) of the Internal Revenue Code of 1986, as amended."

What are some of the features included in federally tax-qualified LTC policies?

(1) Benefit Triggers: A benefit trigger is the event that must occur in order for the policy to begin paying out its benefits. The policyholder must meet the criteria of one of the benefit triggers. Federally tax-qualified policies will contain the following benefit triggers: (a) needing substantial assistance with at least 2 of 5 (or 6) activities of daily living, and (b) needing substantial supervision due to a severe cognitive impairment. A licensed health care practitioner must certify that the triggering condition exists and, to the best of their knowledge, will continue to exist for the next 90 days. (Activities of daily living may include bathing, continence, dressing, eating, toileting, and transferring.)

(2) Nonforfeiture Benefit: The applicant must be offered the chance to purchase a nonforfeiture benefit as part of their policy. A nonforfeiture benefit is a guarantee from the company that you will get some of the benefits in the policy you have bought, should you cancel the policy after a set period of time. This benefit increases the price of a policy.

(3) Required Consumer Protection Standards:

- To get benefits from the policy, they cannot require you to be in the hospital first.
- To keep up with rising costs in health care, an inflation protection benefit must be offered to you.
- The policy must be guaranteed renewable. This means the policy will continue as long as you keep paying the premium. Your premium cannot be raised because you get older or have used some of the benefits in your policy.

For More Information

- For answers to your questions, call 1-800-452-4800—press 5.
- For a free copy of the *Indiana Partnership Select Agent Directory*, call 317-233-1470.

Companies with Indiana Partnership Long Term Care Policies (12/98)

INSURANCE COMPANY	*POLICY TYPES	AM BEST[1]	MOODY'S[1]	STANDARD & POOR'S[1]
American Travellers Life Insurance Company	1	A	Baa-1	A+
Bankers Life and Casualty Company	3,4	A	Baa-1	A+
Bankers United Life Assurance Company	1,2	A	Aa-3	AAA
CNA (Continental Casualty Company) Individual & Group policies	1,2,3,4	A	A-1	A+
Central States Health & Life Company of Omaha	3,4	A-	Not Rated	AQ
Continental General Insurance Company	1	A-	Not Rated	BBBQ
GE Capital Assurance Company	1,3,4	A+	Aa-2	AA
John Alden Life Insurance Company	1	A-	Aa-2	BBB+
John Hancock Mutual Life Insurance Company	3	A++	Aa-2	AA+
Life Investors Insurance Company of America	1,2	A+	Aa-3	AAA
Mutual of Omaha Insurance Company	3	A	Aa-3	AA
Penn Treaty Network America Insurance Company	1,2	B++	Not Rated	A-
The Travelers Insurance Company	3	A+	Aa-3	AA-

*(1) Comprehensive policy covers both nursing home and home & community based care. (2) LTC Facility policy only covers care in a long term care facility such as a nursing home. (3) Tax-Qualified Comprehensive policies meet the requirements for federal tax deductions. (4) Tax-qualified LTC Facility policies meet the requirements for federal tax deductions.

[1]Financial Stability Ratings - Rating scales on reverse side. Since company ratings can change, consumers are encouraged to check their local public libraries for the most current rating.

Experience shows the best resource for specific policy information is your local certified Indiana Partnership agent. To obtain a free copy of the *Indiana Partnership Select Agent Directory*, call 317-233-1470.

Rating Scales and Definitions

A.M. Best Company

A++	Superior
A+	
A	Excellent
A-	
B++	Very Good
B+	
B	Adequate
B-	
C++	Fair
C+	
C	Marginal
C-	
D	Very Vulnerable
E	Under State Supervision
F	In Liquidation

Moody'sInvestment Service

Aaa	Exceptional
Aa	Excellent
A	Good
Baa	Adequate
Ba	Questionable
B	Poor
Caa	Very Poor
Ca	Extremely Poor
C	Lowest

Modifiers:

1 = High end generic category
2 = Middle of generic category
3 = Low end of generic category

Standard & Poor's

Secure Range:

AAA	Superior
AA	Excellent
A	Good
BBB	Adequate

Vulnerable Range:

BB	May be adequate, but vulnerable
B	Vulnerable
CCC	Extremely Vulnerable

R	Regulatory Action
Q	Rating based on public information only

Modifiers:

Plus (+) or Minus (-): Relative standing within major rating category

About Long-Term Care

Who May Need Long-Term Care?

The need for long-term care may begin gradually as you find that you need more and more help with activities of daily living, such as bathing and dressing. Or you may suddenly need long-term care after a major illness, such as a stroke or a heart attack.

If you do need care, you may need nursing home or home health care for only a short time. Or, you may need these services for many months, years, or the rest of your life.

It is hard to know if and when you will need long-term care, but there are some studies that may help.

For example:

- One national study[5] projecting nursing home use noted: "Of the approximately 2.2 million persons who turned 65 in 1990, more than 900,000 (43%) are expected to enter a nursing home at least once before they die." The same study reported that among people who live to age 65, only 1 in 3 will spend three months or more in a nursing home. About 1 in 4 will spend one year or more in a nursing home. Only about 1 in 11 will spend five years or more in a nursing home. In other words, 2 out of 3 people who turned 65 in 1990 will either never go to a nursing home or will spend less than three months in one.
- Women are more likely to need nursing home care than men. The study discussed above projected that 13% of women will spend five or more years in a nursing home. Only 4% of men will be in a nursing home that long.
- As you grow older, your risk of needing nursing home care also goes up.

Do You Need Long-Term Care Insurance?

With the passage of the Health Insurance Portability and Accountability Act, more individuals are becoming aware of the need for long-term care insurance. Whether you should buy a long-term care insurance policy will depend on your age, health status, overall retirement goals, income, and assets. For instance, if your only source of income is a Social Security benefit or Supplemental Security Income (SSI), you probably shouldn't buy long-term care insurance.

On the other hand, if you have a large amount of assets but don't want to use them to pay for long-term care, you may want to buy a long-term care insurance policy. Many people buy a policy because they want to stay independent of government aid or the help of family. They don't want to burden anyone with having to

care for them. However, you should not buy a policy if you can't afford the premium or aren't sure you can pay the premium for the rest of your life.

If you already have health problems that are likely to mean you will need long-term care (for example, Alzheimer's disease or Parkinson's disease), you probably won't be able to buy a policy. Insurance companies have medical **underwriting** standards to keep the cost of long-term care insurance affordable. Without such standards, most people would not buy coverage until they needed long-term care services.

Some states have a regulation requiring the insurance company and the agent to go through a worksheet with you to decide if long-term care insurance is right for you. The worksheet describes the premium for the policy you're thinking about buying and asks you questions about the source and amount of your income and the amount of your savings and investments. You don't have to fill out this worksheet, but it might help you decide if long-term care insurance is right for you.

Not everyone should buy a long-term care insurance policy. For some, a policy is affordable and worth the cost. For others, the cost is too great, or the policy they can afford doesn't offer enough benefits to make it worthwhile. You should not buy

Is Long-Term Care Insurance Right For You?

You should NOT buy Long-Term Care Insurance if:

- You can't afford the premiums
- You have limited assets
- Your only source of income is a Social Security benefit or Supplemental Security Income (SSI)
- You often have trouble paying for utilities, food, medicine, or other important needs

You should CONSIDER buying Long-Term Care Insurance if:

- You have significant assets and income
- You want to protect some of your assets and income
- You want to pay for your own care
- You want to stay independent of the support of others

long-term care insurance if the only way you can afford to pay for it is by not paying other important bills. Look closely at your needs and resources, and discuss it with a family member to decide if long-term care insurance is right for you.

Insurance companies must be licensed in your state to sell long-term care insurance. If you decide to buy a policy, be sure the company and the agent, if one is involved, is licensed in your state. If you're not sure, contact your state insurance department.

Tax-Qualified Policies

What Is a Federally Tax-Qualified Long-Term Care Insurance Policy?

You may be asked to choose between a "tax-qualified" long-term care insurance policy and one that is "non tax-qualified." There are important differences between the two types of policies. These differences were created by the Health Insurance Portability and Accountability Act (HIPAA). A federally tax-qualified long-term care insurance policy, or a qualified policy, offers certain federal income tax advantages. If you have a qualified long-term care policy, and you itemize your deductions, you may be able to deduct part or all of the premium you pay for the policy. You may be able to add the premium to your other deductible medical expenses. You may then be able to deduct the amount that is more than 7.5% of your adjusted gross income on your federal income tax return. The amount depends on your age, as shown in the table. Check with your personal tax advisor to find out how much you can deduct.

YOUR AGE	MAXIMUM AMOUNT THAT YOU CAN CLAIM
40 years old or younger	$210
More than 40 but not more than 50	$400
More than 50 but not more than 60	$800
More than 60 but not more than 70	$2120
More than 70	$2660

1999 figures. These amounts will increase annually by the Medical Consumer Price Index.

Tax-Qualified Policies

Regardless of which policy you choose, make sure the benefits and triggers will meet your needs. For example, benefits paid by a qualified long-term care insurance policy are generally not taxable as income. Benefits from a long-term care insurance policy that is not qualified may be taxable as income.

If you bought a long-term care insurance policy before January 1, 1997, that policy is probably qualified. HIPAA allowed these policies to be "grandfathered," or considered qualified, even though they may not meet all of the standards that new policies must meet to be qualified. The tax advantages are the same whether the policy was sold before or after 1997. You should carefully examine the advantages and disadvantages of trading a grandfathered policy for a new policy. In most cases, it will be to your advantage to keep your old policy.

Long-term care insurance policies that are sold on or after January 1, 1997, as tax-qualified must meet certain federal standards. To be qualified, policies must be labeled as tax-qualified, must be **guaranteed renewable**, include a number of consumer protection provisions, cover only qualified long-term care services, and generally can't have a **cash surrender value**. (See **Benefit Triggers**, pages 16-17.)

Qualified long-term care services are those generally given by long-term care providers. These services must be required by chronically ill individuals and must be given according to a plan of care prescribed by a licensed health care practitioner.

You are considered **chronically ill** if you are expected to be unable to do at least two of five (out of six) activities of daily living without substantial help from another person for at least 90 days. Another way you may be considered to be chronically ill is if you need **substantial supervision** to protect your health and safety because you have a cognitive impairment. A policy issued to you before January 1, 1997, doesn't have to define chronically ill this way. (See Benefit Triggers, pages 16-17.)

Some life insurance policies with long-term care benefits may be tax-qualified. You may be able to deduct the premium you pay for the long-term care benefits that a life insurance policy provides. However, be sure to check with your personal tax advisor to learn how much of the premium can be deducted as a medical expense.

The long-term care benefits paid from a tax-qualified life insurance policy with long-term care benefits are generally not taxable as income. Tax-qualified life insurance policies with long-term care benefits must meet the same federal standards as other tax-qualified policies, including the requirement that you must be chronically ill to receive benefits.

Tax-Qualified Policies

TAX-QUALIFIED POLICIES	NON TAX-QUALIFIED POLICIES
1. Premiums can be included with other annual uncompensated medical expenses for deductions from your income in excess of 7.5% of adjusted gross income up to a maximum amount adjusted for inflation.	1. You can't deduct any part of your annual premiums.
2. Benefits that you may receive will not be counted as income.	2. Benefits that you may receive may or may not count as income. The U.S. Department of the Treasury has not yet ruled on this issue.
3. Benefit triggers may be more restrictive than those which may be allowed in non tax-qualified policies. The federal law requires you be unable to do 2 of 5 out of 6 possible ADLs without **substantial assistance**.	3. Policies can offer a different combination of benefit triggers. Benefit triggers may not be restricted to 2 of 6 ADLs.
4. "Medical necessity" can't be used as a trigger for benefits.	4. "Medical necessity" and/or other measures of disability can be offered as benefit triggers.
5. Disability must be expected to last for at least 90 days.	5. Policies don't have to require that the disability be expected to last for at least 90 days.
6. For cognitive impairment to be covered, a person must require "substantial supervision."	6. Policies don't have to require "substantial supervision" to trigger benefits for cognitive impairments.

How Can You Buy Insurance to Pay for Long-Term Care?

Private insurance companies sell long-term care insurance policies. You can buy an individual policy from an agent or through the mail. Or, you can buy a group policy through an employer or through membership in an association. You can also get long-term care benefits through a life insurance policy.

Individual Policies

Today, most long-term care insurance policies are sold to individuals. Insurance agents sell many of these policies but companies also sell policies through the mail or by telephone. You will find that individual policies can be very different from one company to the next. Each company may also offer policies with different combinations of benefits. Be sure to shop among policies, companies, and agents to get the coverage that best fits your needs.

Policies From Your Employer

Your employer may offer a group long-term care insurance plan. The employer-group plan may be similar to what you could buy in an individual policy. One advantage of an employer-group plan is you may not have to meet any medical requirements to get a policy. Many employers also let retirees, spouses, parents, and parents-in-law apply for this coverage. Relatives must usually pass the company's medical screening to qualify for coverage and must pay the premium.

Insurance companies may let you keep your coverage after your employment ends or your employer cancels the group plan. You may be able to continue your coverage or convert it to another long-term care insurance policy. Your premiums and benefits may change, however.

If an employer offers long-term care insurance, be sure to think about it carefully. An employer-group policy may offer you options you can't find if you buy a policy on your own.

Association Policies

Many associations let insurance companies and agents offer long-term care insurance to their members. These policies are like other types of long-term care insurance. Like employer-group policies, association policies usually give their members a choice of benefit options. Policies sold through associations usually let members keep their coverage after leaving the association. Be careful about joining an association just to buy any insurance coverage. Review your rights if the policy is terminated or canceled.

Policies Sponsored by Continuing Care Retirement Communities

Many continuing care retirement communities (CCRC) offer or require you to buy long-term care insurance. A CCRC is a retirement complex that offers a broad range of services and levels of care. You must be a resident or on the waiting list of a CCRC and meet the insurance company's medical requirements to buy its long-term care insurance policy. The coverage will be similar to other group or individual policies.

Partnership Programs

Some states have long-term care insurance programs designed to help people with the financial impact of spending down to meet Medicaid eligibility standards. These programs, usually called "partnerships," let you buy certain long-term care insurance policies from insurance companies. You then have full or partial protection against the normal Medicaid requirement to spend down your assets to become eligible.

Check with your state insurance department or counseling program to see if partnership policies are available in your state. Please keep in mind that partnership programs have specific requirements in each state in which they are offered.

Life Insurance Policies

Some companies let you use your life insurance death benefit and cash value to pay for specific conditions such as terminal illness, for permanent confinement in a nursing home, or for long-term care expenses. A life insurance death benefit you use while you are alive is known as an **accelerated death benefit**. A life insurance policy that uses an accelerated death benefit to pay for long-term care expenses may also be known as a "life long-term care" policy. It may be an individual or a group life insurance policy. The company pays you the actual charges for care when you receive long-term care services, but no more than a certain percent of the policy's death benefit. Policies may pay part or all of the death benefit for long-term care expenses. Some companies let you buy more long-term care coverage than the amount of your death benefit in the form of a **rider**.

It is important to remember that if you use money from your life insurance policy to pay for long-term care, it will reduce the death benefit the beneficiary will get. For example, if you buy a policy with a $100,000 death benefit, using $60,000 for long-term care will cut the death benefit of your policy to $40,000. It may also affect the cash value of your policy. Ask your agent how this may affect other aspects of your life insurance policy. If you bought life insurance to meet a specific need after your death, your survivors may not be able to meet that need if you use your policy to pay for long-term care. If you never use the long-term care benefit, the policy will pay the full death benefit to your beneficiary.

Pooled Benefits

You may be able to buy a long-term care insurance policy that covers more than just one person or more than one kind of long-term care service. The benefits provided by these policies are often called "pooled benefits."

One type of pooled benefit covers more than one person, such as a husband and wife, or two partners, or two or more related adults. This pooled benefit usually has a total benefit that applies to all of the individuals covered by the policy. If one of the covered individuals collects benefits, that amount is subtracted from the total policy benefit. For example, if a husband and wife have a policy that provides $150,000 in total long-term care benefits, and the husband uses $25,000 in benefits from the policy, $125,000 would be left to pay benefits for either the husband or the wife, or both.

Another kind of "pooled benefit" provides a total dollar amount that can be used for various long-term care services. These policies pay a daily, weekly, or monthly dollar limit for one or more covered services. You can combine benefits in ways that best meet your needs. This gives you more control over how your benefits are spent. For example, you may choose to combine the benefit for home care with the benefit for community-based care instead of using the nursing home benefit.

Some policies provide both types of pooled benefits. Other policies provide one or the other.

How Do Long-Term Care Insurance Policies Work?

Today, long-term care insurance policies are not standardized like Medicare supplement insurance. Companies sell policies that combine benefits and coverage in different ways.

How Benefits Are Paid

Insurance companies that sell long-term care insurance generally pay benefits using one of two methods: the expense-incurred method or the indemnity method. It is important to read the literature that accompanies your policy (or certificate for group policies) and to compare the benefits and premiums.

When the expense-incurred method is used, the insurance company must decide if you are eligible for benefits and if your claim is for eligible services. Benefits are paid either to you or your provider up to the limits in your policy. Your policy or certificate will pay benefits only when you receive eligible services. Most policies bought today pay benefits using the expense-incurred method.

When the indemnity method is used, the benefit is a set dollar amount. The insurance company only needs to decide if you are eligible for benefits. The specific services are not important. The insurance company will pay benefits directly to you up to the limit of the policy.

What Services Are Covered

It is important that you understand what services your long-term care insurance policy covers and how it covers the many types of long-term care services you might need to use. Policies may cover the following:

- Nursing home care
- Home health care
- Personal care in your home
- Services in assisted living facilities
- Services in adult day care centers
- Services in other community facilities

There are several ways policies may cover home health care. Some long-term care insurance policies only pay for care in your home from licensed home health agencies. Some also will pay for care from licensed health care providers not from a licensed agency. These include licensed practical nurses; occupational, speech, or physical therapists; or licensed home health care aides. Other policies may pay for services from home health care aides who may not be licensed or are not from licensed agencies. Home health care aides help with personal care. You may find a policy that pays for homemaker or chore worker services. This type of policy, though rare, would pay for someone to come to your home to cook meals and run errands. Generally, adding home care benefits to a policy also adds to the cost of the policy.

NOTE: Most policies don't pay benefits to family members who give care in the home.

Where Services Are Covered

You should know *what* types of facilities are covered by your long-term care insurance policy. If you're not in the right type of facility, the insurance company can refuse to pay for eligible services. New kinds of facilities may be developed in the future and it's important to know whether your policy will cover them.

Some policies may pay for care in *any* state-licensed facility. Others only pay for care in *some* state-licensed facilities, such as a licensed nursing facility. Still others list the types of facilities where services will not be covered, which may include state-licensed facilities. Policies often will not cover homes for the aged, rest homes, and personal care homes. Some policies may list specific points about the kinds of facilities they will cover. Some will say the facilities must care for a certain number

of patients or give a certain kind of care. When shopping for a long-term care policy, check these points carefully and compare the types of services and facilities covered in the policy. If your policy lists kinds of facilities, be sure to check if your policy requires the facility to have a license or certification from a government agency.

NOTE: If you are NOT placed in the kind of facility specified by your policy, the insurance company may not pay for the services you require.

What is Not Covered (Exclusions and Limitations)

Most long-term care insurance policies usually do not pay benefits for:

- a mental or nervous disorder or disease, other than Alzheimer's disease or other **dementia**;
- alcohol or drug addiction;
- illness or injury caused by an act of war;
- treatment the government has provided in a government facility or already paid for; or
- attempted suicide or intentionally self-inflicted injuries.

NOTE: In most states, regulations do not allow insurance companies to refuse to pay for covered services for Alzheimer's disease that may develop after a policy is issued. Ask your state insurance department if this applies in your state. Nearly all policies specifically say they will cover Alzheimer's disease. Read about Alzheimer's disease and eligibility for benefits in the section on benefit triggers on pages 16-17.

How Much Coverage You Will Have

The policy or certificate may state the amount of coverage in one of several ways. A policy may pay different amounts for different types of long-term care services. Be sure you understand how much coverage you will have and how it will cover long-term care services you receive.

Maximum Benefit Limit. Most policies limit the total benefit they will pay over the term of the policy, but a few don't. Some policies state the maximum benefit limit in years (one, two, three, or more, or even lifetime). Others write the policy maximum benefit limit as a total dollar amount. Policies often use words like "total lifetime benefit," "maximum lifetime benefit," or "total plan benefit" to describe their maximum benefit limit. When you look at a policy or certificate be sure to check the total amount of coverage. In most states, the minimum benefit period is one year. Most nursing home stays are short, but illnesses that go on for several years could mean long nursing home stays. You will have to decide if you want protection for very long stays. Policies with longer maximum benefit periods cost more. Read your long-term care insurance policy carefully to learn what the benefit period is.

Daily/Monthly Benefit Limit. Policies normally pay benefits by the day, week, or month. For example, in an expense-incurred plan, a policy might pay a daily nursing home benefit of up to $100 per day, and a weekly home care benefit of up to $350 per week. Some policies will pay one time for single events, such as installing a home medical alert system.

When you buy a policy, insurance companies let you choose a benefit amount (usually $50 to $250 a day or $1,500 to $7,500 a month) 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. It is important to know how much skilled nursing homes, assisted living facilities, and home health care agencies charge for their services BEFORE you choose the benefit amounts in your long-term care insurance policy. Check the facilities in the area where you think you may be receiving care, whether they are local, near a grown child, or in a new place where you may retire. The worksheet on page 38 can help you track these costs.

When You Are Eligible for Benefits (Benefit Triggers)

"Benefit triggers" is the term a company usually uses to describe the way it decides when to pay benefits. This is an important part of a long-term care insurance policy. Look at it carefully as you shop. The policy and the outline of coverage usually describe the benefit triggers. Look for a section called "Eligibility for the Payment of Benefits" or simply "Eligibility for Benefits."

Different policies may have very different benefit triggers. Some policies use more than one way to decide when to pay benefits. Some states require certain benefit triggers. Check with your state insurance department to find out what your state requires.

NOTE: Companies may use different benefit triggers for home health care coverage than for nursing home care.

Types of Benefit Triggers

Activities of Daily Living. The inability to do activities of daily living, or ADLs, is the most common way insurance companies decide when you are eligible for benefits. The ADLs most companies use are bathing, continence, dressing, eating, toileting, and transferring. Typically, a policy pays benefits when you can't do a certain number of the ADLs, such as three of the six or two of the six. It will be harder for you to be eligible for benefits when a policy requires you to be unable to do more ADLs. Federally tax-qualified policies are required to use being unable to do certain ADLs as a benefit trigger. A qualified policy is allowed to require you to be unable to do at least two of a list of five ADLs to collect benefits. Or, it can require

that you be unable to do **no more** than two of six ADLs. The ADLs that trigger benefits in a tax-qualified policy must come from the list in the preceding paragraph. These triggers are specified in your policy.

If the policy you're thinking of buying pays benefits when you can't do certain ADLs, be sure you understand what that means. Some policies spell out very clearly what it means to be unable to feed or bathe oneself. Some policies say that you must have someone actually help you do the activities. That's known as hands-on assistance. Specifying hands-on assistance will make it harder to qualify for benefits than if only standby assistance is required. The more clearly a policy describes its requirements, the less confusion you or your family will have when you need to file a claim.

NOTE: The six activities of daily living (ADLs) have been developed through years of research. This research also has shown that bathing is usually the first ADL that a person can't do. Qualifying for benefits from a policy that uses five ADLs may be hard if bathing isn't one of the five.

Cognitive Impairment. Many long-term care insurance policies also pay benefits for "cognitive impairment" or mental incapacity. The policy usually pays benefits if you can't pass certain tests of mental function.

Coverage of cognitive impairment is especially important if you have been told you have Alzheimer's disease or other dementia. If being unable to do ADLs is the only benefit trigger your policy uses, it may not pay benefits if you have Alzheimer's disease but can still do most of the ADLs on your own. But if your policy also uses a test of your mental ability as a benefit trigger, it is more likely to pay benefits if you have Alzheimer's disease. Most states do not allow policies to limit benefits solely because you have Alzheimer's disease.

Doctor Certification of Medical Necessity. Some long-term care insurance policies will pay benefits if your doctor orders or certifies that the care is medically necessary. However, tax-qualified policies can't use this benefit trigger.

Prior Hospitalization. Other long-term care insurance policies sold in the past required a hospital stay of at least three days before paying benefits. Most companies no longer sell policies that require a hospital stay.

NOTE: Medicare still requires a three-day hospital stay to be eligible for Medicare payment of skilled nursing facility benefits.

Long-Term Care Insurance Benefits

When Benefits Start (Elimination Period)

With many policies, your benefits won't start the first day you go to a nursing home or start using home care. Most policies have an **elimination period** (sometimes called a deductible or a waiting period). That means benefits can start 0, 20, 30, 60, 90, or 100 days after you start using long-term care. Elimination periods for nursing home and home health care may be different. How many days you have to wait for benefits to start will depend on the elimination period you pick when you buy your policy. You might be able to choose a policy with a zero-day elimination period, but expect it to cost more.

During an elimination period, the policy will not pay the cost of long-term care services. You may owe the cost of your care during the elimination period. You may choose to pay a higher premium for a shorter elimination period. If you choose a longer elimination period, you'll pay a lower premium but must pay the cost of your care during the elimination period.

For example, if a nursing home in your area costs $100 a day and your policy has a 30-day elimination period, you'd have to pay $3,000 before your policy starts to pay benefits. A policy with a 60-day elimination period would mean you'd have to pay $6,000 of your own money. You'd spend $9,000 of your own money for nursing home care if the elimination period was 90 days.

If you only need care for a short time and your policy has a long elimination period, your policy may not pay any benefits. If, for example, your policy had a 100-day elimination period, and you received long-term care services for only 60 days, you would not receive any benefits from your policy.

On the other hand, if you can afford to pay for long-term care services for a short time, a longer elimination period might be right for you. It would protect you if you need extended care and also keep the cost of your insurance down.

You may also want to think about how the policy pays if you have a repeat stay in a nursing home. Some policies count the second stay as part of the first one as long as you leave and then go back within 30, 90, or 180 days. Find out if the insurance company requires another elimination period for a second stay.

What Happens When Long-Term Care Costs Rise (Inflation Protection)

Inflation protection can be one of the most important additions you can make to a long-term care insurance policy. Inflation protection increases the premium. However, unless your daily benefit increases over time, years from now you may find that it hasn't kept up with the rising cost of long-term care. A nursing home that costs $110 a day will cost $292 a day in 20 years, if inflation is 5% a year. And the cost of nursing home care has been rising at an annual rate of 8% for the past several years. Obviously, the younger you are when you buy a policy, the more important it is for you to think about adding inflation protection.

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You can usually buy inflation protection in one of two ways: automatically or by special offer. The first way automatically increases your benefits each year.

Policies that increase benefits for inflation automatically may use simple or compound rates. Either way, the daily benefit increases each year by a fixed percentage, usually 5%, for the life of the policy or for a certain period, usually 10 or 20 years.

The dollar amount of the increase depends on whether the inflation adjustment is "simple" or "compound." If the inflation increase is simple, the benefit increases by the same dollar amount each year. If the increase is compounded, the dollar amount of the benefit increase goes up each year. For example, a $100 daily benefit that increases by a simple 5% a year will go up $5 a year and be $200 a day in 20 years. If the increase is compounded, the annual increase will be higher each year and the $100 daily benefit will be $265 a day in 20 years.

Automatic inflation increases that are compounded are a good idea but not all policies offer them. Some states now require policies to compound inflation increases. Check with your state insurance department to find out if this applies in your state. All individual and some group tax-qualified policies must offer compound inflation increases as a required optional provision. Compounding can make a big difference in the size of your benefit.

The second way to buy inflation protection lets you choose to increase your benefits periodically, such as every three years. With a periodic increase option, you usually don't have to show proof of good health, *if* you regularly use the option. Your premium will increase if you increase your benefits. How much it increases depends on your age at the time. Buying more benefits every few years may help you afford the cost of the additional coverage. If you turn down the option to increase your benefit one year, you may not get the chance again. You may get the

Effect of Inflation on Daily Rates for Nursing Home Care

Rate of Inflation	1995	2000	2005	2010
5%	$110	$140	$179	$229
6%	$110	$147	$197	$264
7%	$110	$154	$216	$303
8%	$110	$162	$237	$349

Source: *Long Term Care Planning: A Dollar and Sense Guide.* (1997). Washington, D.C.: United Seniors Health Cooperative.

chance later, but you may have to prove good health, or it may cost you more money. If you don't accept the offer, you need to check your policy to see how it will affect future offers.

NOTE: Most states have adopted regulations that require companies to offer inflation protection. It's up to you to decide whether to buy the coverage. If you decide not to take the protection, you may be asked to sign a statement saying you didn't want it. Be sure you know what you're signing.

Additional Benefits

Third Party Notice. This benefit lets you name someone who the insurance company would contact if your coverage is about to end because you forgot to pay the premium. Sometimes people with cognitive impairments forget to pay the premium and lose their coverage when they need it the most.

You can choose a relative, friend, or a professional (a lawyer or accountant, for example) as your third party. After the company contacts the person you choose, he or she would have some time to arrange for payment of the overdue premium. You can usually name a contact without paying extra. Some states now require insurance companies to give you the chance to name a contact. You may even have to sign a waiver if you choose not to name anyone to be contacted if the policy is about to **lapse**.

Other Long-Term Care Insurance Policy Options You Might Choose

You can probably choose other policy features. Each may add to the cost of your policy. Ask your insurer what features increase your policy's cost.

Waiver of Premium. This option lets you stop paying the premium once you are in a nursing home and the insurance company has started to pay benefits. Some companies waive the premium as soon as they make the first benefit payment. Others wait 60 to 90 days. The waiver of premium may not apply if you are getting home health care.

Restoration of Benefits. This option gives you a way to keep the maximum amount of your original benefit even after your policy has paid you benefits. With this option, if you go for a stated period without getting more long-term care services, your benefit goes back to the amount you first bought. For example, assume your policy paid you $5,000 in long-term care benefits out of a policy maximum of $75,000. You would have $70,000 in benefits left. With a restoration of benefits option, if you didn't use any long-term care services for a specified time, your maximum benefit would go back to the original $75,000.

Premium Refund At Death. This benefit pays to your estate any premiums you paid minus any benefits the company paid. To get a refund at death, you must have

paid premiums for a certain number of years. Some refund premiums only if the policyholder dies before a certain age, usually 65 or 70. The premium refund option may also add to the cost of a policy.

Downgrades. While it may not always appear in the contract, most insurers let policyholders ask to change the policy if they have trouble paying the premium. When you downgrade to a less comprehensive policy, you probably will pay a lower premium. This may allow you to keep the policy in force instead of dropping it.

What Happens If You Can't Afford the Premiums Anymore?

Nonforfeiture Benefits. If, for whatever reason, you drop your coverage and you have a nonforfeiture benefit in your policy, you will receive some value for the money you've paid into the policy. Without this type of benefit, you get nothing even if you've paid premiums for 10 or 20 years before dropping the policy.

Some states may require insurance companies to offer long-term care insurance policies with a written offer of nonforfeiture benefit. In this case, you may be given benefit options with different premium costs. In one type of benefit, when you stop paying your premiums, the company gives you a paid-up policy with a shorter benefit period. That means the policy will pay the same daily benefit that you bought but for fewer years. How many years depends on how long you paid premiums. Since it's paid-up, you won't owe any more premiums.

Other insurers may offer a "return of premium" nonforfeiture benefit. They pay back to you all or part of the premiums that you paid in if you drop your policy after a certain number of years. This is generally the most expensive type of nonforfeiture benefit. A nonforfeiture benefit can add roughly 10% to 100% to a policy's cost. How much it adds depends on such things as your age at the time you bought the policy, the type of nonforfeiture benefit, and whether the policy has inflation protection.

You have the option to add a nonforfeiture benefit if you're buying a tax-qualified policy. The "return of premium" nonforfeiture benefit isn't available in tax-qualified policies, but you may be able to get a "reduced paid-up policy" if you drop the policy. You should consult a tax advisor to see if adding a nonforfeiture benefit would be good for you.

Contingent Nonforfeiture. In some states, if you don't accept the offer of a nonforfeiture benefit, a company is required to provide a "contingent benefit upon lapse." This means that when your premiums increase to a certain level (based on a table of increases), the "contingent benefit upon lapse" will take effect. For example, if you're 70 years old and have **not** accepted the insurance company's offer of a nonforfeiture benefit, when the premium rises to 40% more than the original premium

you will be offered the opportunity to accept one of the "contingent benefits upon lapse." The benefits offered are: 1) a reduction in the benefits provided by the current policy so that premium costs stay the same; *or* 2) a conversion of the policy to paid-up status with a shorter benefit period. You may also choose to keep your policy and continue to pay the higher premium.

Will Your Health Affect Your Ability to Buy a Policy?

Companies that sell long-term care insurance "underwrite" their coverage. They look at your health and health history before they decide to issue a policy. You may be able to buy coverage through an employer or another type of group without any health underwriting.

Insurance companies' underwriting practices affect the premiums they charge you now and in the future. Some companies do what is known as "short-form" underwriting. They ask you to answer a few questions on the insurance application about your health. For example, they may want to know if you have been in the hospital in the last 12 months or must use a wheelchair.

Sometimes companies don't check your medical record until you file a claim. Then they may try to refuse to pay you benefits because of information found in your medical record after you file your claim. This practice is called "post-claims underwriting." It is illegal in many states. Companies that thoroughly check your health before selling you a policy aren't as likely to do post-claims underwriting.

Some companies do more underwriting. They may ask more questions, look at your current medical records, and ask your doctor for a statement about your health. These companies may insure fewer people with health problems. Having certain conditions that are likely to mean you'll soon need long-term care (Parkinson's disease, for example) probably will mean you can't buy coverage from these companies.

No matter how the company underwrites, you must answer certain questions that the company uses to decide if it will insure you. When you fill out your application, be sure to answer all questions correctly and completely. A company depends on the information you put on your application. If the information is wrong, an insurance company may decide to void, **rescind**, or cancel your policy and return the premiums you have paid. It can usually do this within two years after you buy the policy. Most states require the insurance company to give you a copy of your application when it delivers the policy. At this time, you can review your answers again. You should keep this copy of the application with your insurance papers.

What Happens If You Have Pre-Existing Conditions?

A long-term care insurance policy usually defines a **pre-existing condition** as one for which you received medical advice or treatment or had symptoms within a certain period before you applied for the policy. Some companies look further back in time than others. That may be important to you if you have a pre-existing condition. A company that learns you didn't tell them about a pre-existing condition on your application might not pay for treatment related to that condition and might even cancel your coverage.

Many companies will sell a policy to someone with a pre-existing condition. However, the company may not pay benefits for long-term care related to that condition for a period after the policy goes into effect, usually six months. Some companies have longer pre-existing condition periods; others have none.

Can You Renew Your Long-Term Care Insurance Policy?

In most states, long-term care insurance policies sold today must be guaranteed renewable. When a policy is **guaranteed renewable**, it means that the insurance company guarantees you a chance to renew the policy. It does not mean that it guarantees you a chance to renew at the same premium. Your premium may go up over time as your company pays more and larger claims.

Insurance companies can raise the premiums on their policies but only if they increase the premiums on all policies that are the same in that state. **No individual can be singled out for a rate increase**, no matter how many claims have been filed. In some states, the premium can't increase just because you are older.

If you bought a policy in a group setting and you leave the group, you may be able to keep your group coverage or convert it to an individual policy but you may pay more. You can ask your state insurance department if your state requires this option.

What Do Long-Term Care Insurance Policies Cost?

A long-term care insurance policy can be expensive. Be sure you can pay the premium and still afford your other health insurance and other expenses. It's not unusual for a couple aged 65 to spend around $7,500 per year for all of their health insurance coverage. The annual premium for long-term care insurance policies with inflation protection can be as much as $2,000 or more for a person aged 65.

The premium will be lower if you're younger, higher if you're older. If you buy a policy at age 75, the premium will usually be much higher and can be more than double than if you had bought the policy at age 65.

If you buy a policy with a large daily benefit, a longer maximum benefit period, or a home health care benefit, it will also cost you more. Inflation protection can add 25% to 40% to the premium. Nonforfeiture benefits can add 10% to 100% to the premium, as noted on page 21.

When you buy a long-term care policy, think about how much your income is and how much you could afford to spend on a long-term care insurance policy now. Also try to think about what your future income and living expenses are likely to be and how much premium you can pay then. If you don't expect your income to increase, it probably isn't a good idea to buy a policy if you can barely afford the premium now.

Some states have laws that limit rate increases. Check with your insurance department to learn how your state regulates rate increases.

NOTE: Don't be misled by the term "level premium." Some agents might tell you that your long-term care insurance premium is "level" and suggest that it will never increase. Except for **whole life insurance** policies and **noncancellable policies** or riders, companies can't guarantee premiums will never increase. Many states have adopted regulations that don't let insurance companies use the word "level" to sell guaranteed renewable policies. Companies must tell consumers that premiums may go up. Look for that information on the outline of coverage and the policy's face page when you shop.

If You Already Own a Policy, Should You Switch Plans or Upgrade the Coverage You Have Now?

Before you switch to a new long-term care insurance policy, make sure it is better than the one you already have. Even if your agent now works for another company, think carefully before making any changes. First check to see if you can upgrade the coverage on your current policy. If not, you may replace your current policy with a different one that gives you more benefits, or even choose a second policy. Be sure to discuss any change in your coverage with your financial advisor.

If you decide to switch to a new long-term care insurance policy, make sure the new company has accepted your application and issued the new policy before you cancel the old one. When you cancel a policy in the middle of its term, many companies will not give back any premiums you have paid. If you switch policies, new restrictions on pre-existing conditions may apply. You may not have coverage for some conditions for a certain period.

Switching may be right for you if your old policy requires you to stay in the hospital or to receive other types of care before it pays benefits. Before you decide to change, though, make sure you are in good health and can qualify for another policy. If you bought a policy when you were younger, you might ask the insurance company if you can improve it. For example, you might add inflation protection or take off the requirement that you stay in the hospital. It might cost less to improve a policy you have now than to buy a new one.

What Shopping Tips Should You Keep in Mind?

Here are some points to keep in mind as you shop.

Ask questions.

If you have questions about the agent, the insurance company, or the policy, contact your state insurance department or insurance counseling program. (See page 31.)

Check with several companies and agents.

Contacting several companies (and agents) before you buy is wise. Be sure to compare benefits, the types of facilities you have to be in to get coverage, the limits on your coverage, what's excluded, and, of course, the premium. (Policies that have the same coverage and benefits may not cost the same.)

Take your time and compare outlines of coverage.

Never let anyone pressure or scare you into making a quick decision. Don't buy a policy the first time you see an agent. Ask for an outline of coverage. It outlines the policy's benefits and points out important features. Compare outlines of coverage for several policies. In most states the agent must leave an outline of coverage when he or she first contacts you.

Understand the policies.

Make sure you know what the policy covers and what it doesn't. If you have any questions, call the insurance company before you buy.

An agent may give you answers that are vague or different from the information in the company literature. You may have questions about the policy. If either happens, tell the agent you will get back to him or her later. Don't hesitate to call or write the company to ask your questions. Don't trust any sales pitch that claims you have only one chance to buy a policy.

Some companies may sell their policies through the mail, skipping agents entirely. If you buy a policy through the mail, check with the company if you don't understand how the policy works.

Talk about the policy with a friend or relative. You may also want to contact your state insurance department or insurance counseling program. A list of insurance departments and counseling programs starts on page 31.

Don't be misled by advertising.

Most celebrity endorsers are professional actors paid to advertise. They are not insurance experts.

Medicare does not endorse or sell long-term care insurance policies. Be wary of any advertising that suggests Medicare is involved.

Don't trust cards you get in the mail that look as if the federal government sent them. Insurance companies or agents trying to find buyers may have sent them. Be careful if anyone asks you questions over the telephone about Medicare or your insurance. They may sell any information you give to long-term care insurance marketers, who might call you, come to your home, or try to sell you insurance by mail.

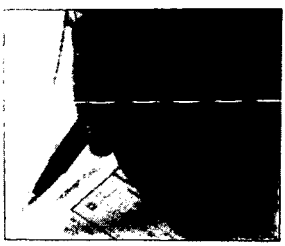
Don't buy more than one long-term care insurance policy.

You don't have to buy more than one policy to get enough coverage. One good policy is enough. For more information, reread the section "If You Already Own a Policy, Should You Switch Plans or Upgrade the Coverage You Have Now?" on page 24. Be sure to discuss any change in your coverage with your financial advisor.

Shopping Tips

Be sure you accurately complete your application.

Don't be misled by long-term care insurance marketers who say your medical history isn't important – it is! Give correct information. If an agent fills out the application for you, don't sign it until you have read it. Make sure that all of the medical information is right. If it isn't and the company used that information to decide whether to insure you, it can refuse to pay your claims and can even cancel your policy.



Never pay in cash.

Use a check or money order made payable to the insurance company.

Be sure to get the name, address, and telephone number of the agent and the company.

Get a local or toll-free number for both the agent and the company.

If you don't get your policy within 60 days, contact the company or agent.

You have a right to expect prompt delivery of your policy. When you get it, keep it somewhere you can easily find it. Tell a trusted friend or relative where it is.

Be sure you look at your policy during the free-look period.

If you decide you don't want the policy soon after you bought it, you can cancel it and get your money back. You must tell the company you don't want the policy within a certain number of days after you get it. How many days you have depends

on the "free-look" period. In some states the insurance company must tell you about the free-look period on the cover page of the policy. In most states you have 30 days to cancel, but in some you have less time. Check with your state insurance department to find out how long the free-look period is in your state.

If you want to cancel,

- Keep the envelope the policy was mailed in. Or ask the agent for a signed delivery receipt when he or she hands you the policy.
- Send the policy to the insurance company along with a short letter asking for a refund.
- Send both the policy and the letter by certified mail. Keep the mailing receipt.
- Keep a copy of all letters.

It usually takes four to six weeks to get your refund.

Read the policy again and make sure it gives you the coverage you want.

Check the policy to see if the benefits are what you expected. If you have any questions, call the agent or company right away. Also, reread the application you signed. It is part of the policy. If it's not filled out correctly, contact the agent or company right away. You may want to fill out Worksheet 3 on page 44.

Think about having the premium automatically taken out of your bank account.

Automatic withdrawal may mean that you won't lose your coverage if an illness makes you forget to pay your premium. If you decide not to renew your policy, be sure you tell the bank to stop the automatic withdrawals.

Check on the financial stability of the company you're thinking about buying from.

Several insurer rating services analyze the financial strength of insurance companies. The ratings can show you how some analysts see the financial health of individual insurance companies. Different rating services use different rating scales. Be sure to find out how the agency labels its highest ratings and the meaning of the ratings for the companies you are considering.

You can get ratings from some insurer Rating Services for free at most public libraries. Or you can call the services directly at the numbers listed below and on the following page. (Note that calls to a "900" number will mean an extra charge on your telephone bill.) And now you can get information from these services on the Internet.

Rating Services

A.M. Best Company
(900) 555-BEST (billed to telephone) or (800) 424-BEST (charged to credit card)
or on the Internet at http://www.ambest.com

Rating Services (continued)

Duff & Phelps, Inc.
(312) 368-3157 or (312) 629-3833 or on the Internet at http://www.dcreo.com

Fitch Investors Service, Inc.
(212) 908-0500 or on the Internet at http://www.fitchibca.com

Moody's Investor Service, Inc.
(212) 553-0377 or on the Internet at http://www.moodys.com

Standard & Poor's Insurance Rating Services
(212) 208-1527 or on the Internet at http://www.ratings.standardpoor.com

Weiss Research, Inc.
(800) 289-9222 or on the Internet at http://www.weissinc.com

References

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[5] Kemper, P., & Murtaugh, C.M. (1991). Lifetime use of nursing home care. *The New England Journal of Medicine*: 324 (9): 595-600.

GLOSSARY

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 (ADLs) - Everyday functions and activities individuals usually do without help. ADL functions include bathing, continence, dressing, eating, toileting, and transferring. Many policies use the inability to do a certain number of ADLs (such as 2 of 6) to decide when to pay benefits.

Adult Day Care - Care during the day for adults, usually at senior or community centers.

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.

Benefit Triggers - Term used by insurance companies to describe when to pay benefits.

Care Management Services - A service in which a professional, typically a nurse or social worker, may arrange, monitor, or coordinate long-term care 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.

Chronic Illness - An illness with one or more of the following characteristics: permanency, residual disability, requires rehabilitation training, or requires a long period of supervision, observation, or care.

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.

Community-Based Services - Services designed to help older people stay independent and in their own homes.

Custodial Care (Personal Care) - Care to help individuals meet personal needs such as bathing, dressing, and eating. Care may be provided by someone without professional training.

Daily Benefit - The amount of insurance benefit in dollars a person chooses to buy for long-term care expenses.

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

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

Guaranteed Renewable - When a policy cannot be cancelled and must be renewed when it expires unless benefits have been exhausted. 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).

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 - Services for occupational, physical, respiratory, speech therapy, or nursing care. Also included are medical, social worker, home health aide, and homemaker services.

Homemaker Services - Household services done by someone other than yourself because you're unable to do them.

Glossary

Inflation Protection - A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of long-term care services.

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

Medicaid - A joint federal/state program that pays for health care services for those with low incomes or very high medical bills relative to income and assets.

Medicare - The federal program providing hospital and medical insurance to people aged 65 or older and to certain ill or disabled persons. 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.

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

Noncancellable Policies - Insurance contract that cannot be cancelled and the rates cannot be changed by the insurance company.

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

Pre-existing Condition - Illnesses or disability for which you were treated or advised within a time period before applying for a life or health insurance policy.

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

Respite Care - Offers a few hours to several days of help to relieve family caregivers.

Rider - Addition to an insurance policy that changes the provisions of the policy.

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

State Health Insurance Assistance Program - Federally funded program to train volunteers to provide counseling on the insurance needs of senior citizens. See pages 31-37 for a list of State Health Insurance Assistance Programs (SHIP).

Substantial Assistance - Means hands-on or stand-by help required to do ADLs.

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

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 a cash value.

Third Party Notice - A benefit that lets you name someone who 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.

Underwriting - The process of examining, accepting, or rejecting insurance risks, and classifying those selected, in order to charge the proper premium for each.

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

Waiver of Premium - A provision in an insurance policy that relieves the insured of paying the premiums while receiving benefits.

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

List of State Insurance Departments, Agencies on Aging and State Health Insurance Assistance Programs

Each state has its own laws and regulations governing all types of insurance. The insurance departments, which are listed in the left column, are responsible for enforcing these laws, as well as providing the public with information about insurance. The agencies on aging, listed in the right column, are responsible for coordinating services for older Americans. Centered below each state listing is the telephone number for the insurance counseling programs. Please note that calls to 800 numbers listed here can only be made from within the respective state.

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
Insurance Department Consumer Services Division 135 South Union Street PO Box 303351 Montgomery, AL 36130-3351 (334) 269-3550	ALABAMA (800) 243-5463 (334) 242-5743	Commission on Aging 770 Washington Avenue, Suite 470 PO Box 301851 Montgomery, AL 36130 (800) 243-5463 (334) 242-5743
Division of Insurance 800 East Diamond, Suite 560 Anchorage, AK 99515 (907) 349-1230	ALASKA (800) 478-6065 (907) 269-3680	Older Alaskans Commission PO Box 110209 Juneau, AK 99811-0209 (907) 465-3250
Insurance Department Office of the Governor Pago Pago, AS 96799 011-684/633-4116	AMERICAN SOMOA (800) 586-7299	Territorial Admin. On Aging Government of American Somoa Pago Pago, AS 96799 (684) 633-1252
Insurance Department 2910 N 44th Street Phoenix, AZ 85018 (602) 912-8444	ARIZONA (800) 432-4040 (602) 542-6595	Department of Economic Security Aging and Adult Administration 1789 West Jefferson Street, #950A Phoenix, AZ 85007 (602) 542-4446
Insurance Department Seniors Insurance Network 1123 S. University Ave. Suite 400 Little Rock, AR 72204 (800) 852-5494	ARKANSAS (800) 852-5494 (501) 371-2785	Div. of Aging and Adult Services P.O. Box 1437/Slot 1412 7th and Main Streets Little Rock, AR 72203-1437 (501) 682-2441
Department of Insurance 300 Capitol Mall, #1500 Sacramento, CA 85814 (800) 927-4357 (916) 445-5544	CALIFORNIA (800) 434-0222 (916) 323-7315	Department of Aging Health Insurance, Counseling and Advocacy Branch 1600 K Street Sacramento, CA 95814 (916) 332-5290, fax (916) 324-1903
Insurance Division 1560 Broadway, Suite 850 Denver, CO 80202 (303) 894-7499, Ext. 356	COLORADO (800) 544-9181 (303) 894-7499, Ext. 356	Div. of Aging and Adult Services Dept. of Social Services 110 16th Street., #200 Denver, CO 80202-5202 (303) 620-4147

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
	COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS	Department of Community and Cultural Affairs, Civic Center Commonwealth of the Northern Mariana Islands Saipan, CM 96950 (607) 234-6011
Insurance Department P.O. Box 816 Hartford, CT 06142-0816 (860) 297-3863	CONNECTICUT (800) 994-9422 (860) 994-9422	Elderly Services Division Department of Social Services 25 Sigourney Street, 10th Floor Hartford, CT 06106-5033 (800) 994-9422 (860) 424-5277
Insurance Department Rodney Building 841 Silver Lake Boulevard Dover, DE 19904 (800) 282-8611 (302) 739-4251	DELAWARE (800) 336-9500 (302) 739-6266	Div. of Services for Aging & Adults Dept. of Health and Social Services 1901 North Dupont Highway 2nd Floor Annex Admin. Bldg. New Castle, DE 19720 (302) 577-4791
Insurance Dept. Consumer and Professional Services Bureau 441 4th Street, NW, Suite 850 North Washington, DC 20001 (202) 727-8000	DISTRICT OF COLUMBIA (202) 676-3900	Office on Aging 441 4th Street, NW, 9th Floor Washington, DC 20001 (202) 724-5626 (202) 724-5622
	FEDERATED STATES OF MICRONESIA	State Agency on Aging Office of Health Services Federated States of Micronesia Ponape, E.C.I. 96941
Department of Insurance 200 E. Gaines Street Tallahassee, FL 32399-0300 (904) 922-3100	FLORIDA (800) 963-5337 (850) 414-2060	Department of Elder Affairs Building B – Suite 152 4040 Esplande Way Tallahassee, FL 32399-7000 (800) 96ELDER (850) 414-2000
Insurance Department 2 Martin L. King, Jr. Drive 716 West Tower Atlanta, GA 30334 (404) 656-2056	GEORGIA (800) 669-8387	Division of Aging Services Department of Human Resources 2 Peachtree Street, NW, #36-385 Atlanta, GA 30303 (404) 657-5258
Insurance Department Dept. of Revenue & Taxation P.O. Box 23607 FMF Barrigada, Guam 96921 (617) 475-5000	GUAM (808) 586-7299	Division of Senior Citizens, Dept. of Public Health and Social Services P.O. Box 2816 Agana, Guam 96932 (617) 477-2930
Department of Commerce and Consumer Affairs Insurance Division P.O. Box 3614 Honolulu, HI 96811 (808) 586-2790	HAWAII (808) 586-7299	Executive Office on Aging No. 1 Capitol District 250 South Hotel Street Suite 109 Honolulu, HI 96813-2831 (808) 586-0100

Directories

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
Insurance Department SHIBA Program 700 West State Street, 3rd Floor Boise, ID 83720-0043 (208) 334-4350	IDAHO S.W. (800) 247-4422 North (800) 488-5725 S.E. (800) 488-5764 C. (800) 488-5731	Commission on Aging 700 W. Jefferson, Room 108 Boise, ID 83720-0007 (208) 334-2423
Insurance Department 320 West Washington Street 4th Floor Springfield, IL 62767 (217) 782-4515	ILLINOIS (800) 548-9034 (217) 785-9021	Department on Aging 421 East Capitol Avenue, #100 Springfield, IL 62701-1789 (800) 252-8966 (217) 785-2870
Insurance Department 311 West Washington Street Suite 300 Indianapolis, IN 46204 (800) 622-4461 (317) 232-2395	INDIANA (800) 452-4800 (317) 233-3475	Div. of Aging and Home Services 402 West Washington Street P.O. Box 7083 Indianapolis, IN 46207-7083 (800) 545-7763 (317) 232-7020
Insurance Division Lucas State Office Building East 12th and Grand St., 6th Floor Des Moines, IA 50319 (515) 281-5705	IOWA (800) 351-4664 (515) 281-5705	Department of Elder Affairs 200 - 10th Street, 3rd Floor Des Moines, IA 50309-3709 (515) 281-5187
Insurance Department 420 S.W. 9th Street Topeka, KS 66612 (800) 432-2484 (913) 296-3071	KANSAS (800) 860-5260 (316) 337-7386	Department on Aging New England Building 503 South Kansas Topeka, KS 66603-3404 (785) 296-4986
Insurance Department 215 West Main Street Frankfort, KY 40602 (502) 564-3630	KENTUCKY (800) 372-2973 (502) 564-7372	Aging Services Office of Aging Cabinet for Human Resources 275 East Main Street, 5 West Frankfort, KY 40621 (502) 564-6930
Louisiana Dept. of Insurance P.O. Box 94214 Baton Rouge, LA 70804-9214 (800) 259-5301 (504) 342-5301	LOUISIANA (800) 259-5301 (504) 342-0825	Office of Elderly Affairs P.O. Box 80374 412 N. 4th Street Baton Rouge, LA 70802 (225) 342-7100
Bureau of Insurance 34 State House Station Augusta, ME 04333 (207) 582-8707	MAINE (800) 750-5353 (207) 624-5335	Bureau of Elder and Adult Services State House, Station 11 Augusta, ME 04333 (207) 624-5335
Insurance Administration Complaints and Investigation Unit Life and Health 501 St. Paul Place Baltimore, MD 21202-2272 (410) 333-2793 (410) 333-2770	MARYLAND (800) 243-3425 (410) 767-1100	Department on Aging 301 West Preston Street Room 1004 Baltimore, MD 21201 (410) 767-1100

Directories

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
Insurance Division Consumer Services Section 470 Atlantic Avenue Boston, MA 02210-2223 (617) 521-7777	MASSACHUSETTS (800) 882-2003 (617) 727-7750	Executive Office of Elder Affairs 1 Ashburton Place, 5th Floor Boston, MA 02108 (800) 882-2003 (617) 727-7750
Insurance Bureau P.O. Box 30220 Lansing, MI 48909 (517) 373-0240 (Gen. Assistance) (517) 335-1702 (Senior Issues)	MICHIGAN (800) 803-7174 (517) 373-8230	Office of Services to the Aging P.O. Box 30676 Lansing, MI 48909-8176 (517) 373-8230
Insurance Department Department of Commerce 133 East 7th Street St. Paul, MN 55101-2362 (612) 296-4026	MINNESOTA (800) 333-2433	Board on Aging 444 Lafayette Road St. Paul, MN 55155-3843 (651) 296-2770
Insurance Department Consumer Assistance Division P.O. Box 79 Jackson, MS 39205 (601) 359-3569	MISSISSIPPI (800) 948-3090 (601) 359-4929	Council on Aging Div. of Aging and Adult Services 750 North State Street Jackson, MS 39202 (800) 948-3090 (601) 359-4929
Department of Insurance Consumer Assistance Division P.O. Box 690 Jefferson City, MO 65102-0690 (800) 726-7390 (314) 751-2640	MISSOURI (800) 390-3330 (517) 893-7900	Division of Aging Department of Social Services P.O.Box 1337 615 Howerton Court Jefferson City, MO 65102-1337 (573) 751-3082
Insurance Department 126 North Sanders Mitchell Building, Room 270 P.O. Box 4009 Helena, MT 59601 (406) 444-2040	MONTANA (800) 332-2272 (406) 444-7781	Senior Long Term Care Division 111 Sanders Street P.O. Box 4210 Helena, MT 59604 (800) 332-2272 (406) 444-4077
Insurance Department Terminal Building 941 "O" Street, Suite 400 Lincoln, NE 68508 (402) 471-2201	NEBRASKA (402) 471-2201	Department on Aging State Office Building 301 Centennial Mall South Lincoln, NE 68509-5044 (402) 471-2306
Dept. of Business and Industry Division of Insurance 1665 Hot Springs Road, Suite 152 Carson City, NV 89710 (800) 992-0900	NEVADA (800) 307-4444 (702) 486-4602	Dept. of Human Resources Division for Aging Services 340 North 11th Street, Suite 203 Las Vegas, NV 89101 (702) 486-3545
Insurance Department Life and Health Division 169 Manchester Street Concord, NH 03301 (800) 852-3416 (603) 271-2261	NEW HAMPSHIRE (800) 852-3388 (603) 225-9000	Dept. of Health & Human Services Div. of Elderly & Adult Services State Office Park South 115 Pleasant St., Annex Bldg. No. 1 Concord, NH 03301 (603) 271-4394

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INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
Insurance Department 20 West State Street Roebling Building, CN 325 Trenton, NJ 08625 (609) 292-5363	NEW JERSEY (800) 792-8820	Department of Community Affairs Division on Aging 101 South Broad Street, CN 807 Trenton, NJ 08625-0807 (800) 792-8820 (609) 984-3951
Insurance Department P.O. Drawer 1269 Santa Fe, NM 87504-1269 (505) 827-4601	NEW MEXICO (800) 432-2080 (505) 827-7640	State Agency on Aging La Villa Rivera Building 228 East Palace Avenue, Ground Fl. Santa Fe, NM 87501 (800) 432-2080 (505) 827-7640
Insurance Department 160 West Broadway New York, NY 10013 (212) 602-0203 Outside of New York City (800) 342-3736	NEW YORK (800) 333-4114 (212) 869-3850, NY City Area	State Office for the Aging New York State Plaza Agency Building #2 Albany, NY 12223-0001 (800) 342-9871 (518) 474-5731
Insurance Department Seniors' Health Insurance Information Program (SHIIP) P.O. Box 26387 Raleigh, NC 27611 (919) 733-0111 (SHIIP) (800) 662-7777 (Consumer Serv.)	NORTH CAROLINA (800) 443-9354 (919) 733-0111	Division of Aging CB 29531 693 Palmer Drive Raleigh, NC 27626-0531 (919) 733-0443
Insurance Department Senior Health Ins. Counseling 600 East Boulevard Bismarck, ND 58505-0320 (800) 247-0560 (701) 328-2440	NORTH DAKOTA (800) 247-0560 (701) 328-2977	Department of Human Services Aging Services Division 600 South 2nd St., Suite 1C Bismarck, ND 58504 (800) 755-8521 (701) 328-8909
Insurance Department Consumer Services Division 2100 Stella Court Columbus, OH 43215-1067 (800) 686-1526 (614) 644-2673	OHIO (800) 686-1578 (614) 644-3458	Department of Aging 50 West Broad Street, 9th Floor Columbus, OH 43215-5928 (800) 282-1206 (614) 466-5500
Insurance Department P.O. Box 53408 Oklahoma City, OK 73152-3408 (800) 522-0071 (405) 521-6628	OKLAHOMA (800) 763-2828 (405) 521-6628	Department of Human Services Aging Services Division 312 NE 28th Street Oklahoma City, OK 73125 (405) 521-2327
Dept. of Consumer and Business Services, Senior Health Insurance Benefits Assistance 350 Winter St. N.E. Room 440 Salem, OR 97310 (800) 722-4134 (503) 378-4484	OREGON (800) 722-4134 (503) 947-7250	Department of Human Resources Senior and Disabled Services Div. 500 Summer Street, N.E. 2nd Floor Salem, OR 97310-1015 (800) 232-3020 (503) 945-5811

Directories

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
	PALAU	State Agency on Aging Department of Social Services Republic of Palau P.O. Box 100 Koror, Palau 96940
Insurance Department Consumer Services Bureau 1321 Strawberry Square Harrisburg, PA 17120 (717) 787-2317	PENNSYLVANIA (800) 783-7067 (717) 783-8975	Department of Aging "APPRISE" Health Ins. Counseling and Assistance 400 Market Street Rachel Carson State Office Building Harrisburg, PA 17101 (800) 783-7067
Office of the Commissioner of Insurance P.O. Box 8330 San Juan, PR 00910-8330 (809) 722-8686	PUERTO RICO (800) 981-4355 (787) 721-8590	Governor's Office of Elderly Affairs P.O. Box 50063 Old San Juan Station San Juan, PR 00902 (787) 721-5710
	REPUBLIC OF THE MARSHALL ISLANDS	State Agency on Aging Department of Social Services Republic of the Marshall Islands Marjuro, Marshall Islands 96960
Insurance Division 233 Richmond Street, Suite 233 Providence, RI 02903-4233 (401) 277-2223	RHODE ISLAND (800) 322-2880 (401) 222-2880	Department of Elderly Affairs 160 Pine Street Providence, RI 02903-3708 (401) 222-2858
Department of Insurance Consumer Affairs Section P.O. Box 100105 Columbia, SC 29202-3105 (800) 768-3467 (803) 737-6180	SOUTH CAROLINA (800) 868-9095 (803) 253-6177	Division on Aging 202 Arbor Lake Drive Suite 301 Columbia, SC 29223-4554 (803) 737-7500
Insurance Department 500 E. Capitol Avenue Pierre, SD 57501-5070 (605) 773-3563	SOUTH DAKOTA (800) 822-8804 (605) 773-3656	Office of Adult Services and Aging 700 Governors Drive Pierre, SD 57501-2291 (605) 773-3656
Dept. of Commerce and Ins. Ins. Assistance Office, 4th Floor 500 James Robertson Parkway Nashville, TN 37243 (800) 525-2816 (615) 741-4955	TENNESSEE (800) 525-2816 (615) 741-4955	Commission on Aging Andrew Jackson Building 9th Floor 500 Deaderick Street Nashville, TN 37243-0860 (615) 741-2056
Department of Insurance Complaints Resolution (MC111-1A) 333 Guadalupe Street (78701) P.O. Box 149091 Austin, TX 78714-9091 (800) 252-3439 (512) 463-6515	TEXAS (800) 252-9240 (512) 424-6840	Department on Aging 4900 North Lamar 4th Floor Austin, TX 78751-2316 (800) 252-9240 (512) 424-6840

INSURANCE DEPARTMENTS	STATE HEALTH INSURANCE ASSISTANCE PROGRAMS	AGENCIES ON AGING
Insurance Department Consumer Services 3110 State Office Building Salt Lake City, UT 84114-6901 (800) 429-3805 (801) 538-3805	UTAH (800) 439-3805 (800) 538-3910	Division of Aging and Adult Services 120 North 200 West Salt Lake City, UT 84103 (800) 606-0608 (801) 538-3910
Dept. of Banking and Insurance Consumer Complaint Division 89 Main Street, Drawer 20 Montpelier, VT 05620-3101 (802) 828-3302	VERMONT (800) 642-5119	Aging and Disabilities Waterbury Complex 103 South Main Street Waterbury, VT 05671-2301 (802) 241-2325
Insurance Department Kongens Gade No. 18 St. Thomas, VI 00802 (809) 774-2991	VIRGIN ISLANDS (340) 778-6311, Ext. 2338	Senior Citizen Affairs Division Department of Human Services 19 Estate Diamond Fredericksted St. Croix, VI 00840 (340) 692-5950
Bureau of Insurance 1300 East Main Street Richmond, VA 23219 (800) 552-7945 (804) 371-9691	VIRGINIA (800) 552-3402 (804) 662-9333	Department for the Aging 1600 Forest Avenue Preston Building, Suite 102 Richmond, VA 23229 (800) 552-4464 (804) 662-9354
Insurance Department 4224 6th Avenue, SE, Building 4 P.O. Box 40256 Lacey, WA 98504-0256 (800) 562-6900 (360) 753-7300	WASHINGTON (800) 397-4422 (206) 654-1833	Aging and Adult Services Admin. Dept. of Social and Health Services P.O. Box 45050 Olympia, WA 98504-5050 (360) 902-7797
Insurance Department Consumer Services P.O. Box 50540 Charleston, WV 25305-0540 (800) 642-9004 (800) 435-7381(hearing impaired) (304) 558-3386	WEST VIRGINIA (800) 642-9004 (304) 558-3317	WV Bureau of Senior Services 1900 Kanawha Boulevard, East Holly Grove-Building 10 Charleston, WV 25305-0160 (304) 558-0004
Insurance Department Complaints Department P.O. Box 7873 Madison, WI 53707 (800) 236-8517 (608) 266-0103	WISCONSIN (800) 242-1060 (608) 267-3201	Board on Aging and LTC Resources 217 S. Hamilton Street, Suite 300 Madison, WI 53703 (800) 242-1060 (608) 266-2536
Insurance Department Herschler Building, 3E 122 West 25th Street Cheyenne, WY 82002 (800) 438-5768 (307) 777-7401	WYOMING (800) 856-4398 (307) 856-6880	WDH, Division on Aging Hathaway Building 2300 Capitol Avenue, Room 139 Cheyenne, WY 82002-0710 (800) 442-2766 (307) 777-7986

Directories

WORKSHEET 1

Information About the Availability and Cost of Long-Term Care in Your Area

Find out what facilities and services provide long-term care in your area (or in the area where you would be most likely to receive care) and what the costs are for these services. List the information below.

Worksheet 1

Home Health Agency

Name of one Home Health Agency you might use _____	**Name of *another* Home Health Agency** you might use _____
_____	_____
Address _____	Address _____
_____	_____
_____	_____
Phone number _____	Phone number _____
Contact person _____	Contact person _____
Check which types of care are available and list the cost.	
❑ Skilled Nursing Care Cost/Visit $ _____	❑ Skilled Nursing Care Cost/Visit $ _____
❑ Home Health Care Cost/Visit $ _____	❑ Home Health Care Cost/Visit $ _____
❑ Personal/Custodial Care Cost/Visit $ _____	❑ Personal/Custodial Care Cost/Visit $ _____
❑ Homemaker Services Cost/Visit $ _____	❑ Homemaker Services Cost/Visit $ _____

Nursing Facility

Name of *one* Nursing Facility	Name of *another* Nursing Facility
_____	_____
Address _____	Address _____
_____	_____
_____	_____
Phone number _____	Phone number _____
Contact person _____	Contact person _____

Check which types of care are available and list the cost.

❑ Skilled Nursing Care Cost/Month $ _____	❑ Skilled Nursing Care Cost/Month $ _____
❑ Personal/Custodial Care Cost/Month $ _____	❑ Personal/Custodial Care Cost/Month $ _____

Other Facility

Other Facility or Service you might use (e.g. adult day care center, assisted living, etc.)	**Other Facility or Service you might use** (e.g. adult day care center, assisted living, etc.)
_____	_____
Address _____	Address _____
_____	_____
_____	_____
Contact person _____	Contact person _____
What services are available? _____	What services are available? _____
_____	_____
_____	_____
What are the costs for these services?	What are the costs for these services?
_____	_____
_____	_____

Worksheet 1

WORKSHEET 2

How to Compare Long-Term Care Insurance Policies

Fill in the information below so that you can compare long-term care insurance policies. Most of the information you need is in the outline of coverage provided in the policies you are comparing. Even so, you will need to calculate some information and talk to the agent or a company representative to get the rest.

Worksheet 2

Insurance Company Information	Policy 1	Policy 2
1. Name of the insurance company		
Agent's name		
2. Is the company licensed in your state?	yes / no	yes / no
3. Insurance rating service and rating (Refer to pages 27-28)		

What levels of care are covered by this policy? (Refer to page 14)

4. Does the policy provide benefits for these levels of care?		
• Skilled nursing care?	yes / no	yes / no
• Personal/custodial care?	yes / no	yes / no
(In many states, both levels of care are required.)		
5. Does the policy pay for any nursing home stay, no matter what level of care you receive?	yes / no	yes / no
• If not, what levels aren't covered?		

Where can you receive care covered under the policy? (Refer to pages 14-15)

6. Does the policy pay for care in any licensed facility?	yes / no	yes / no
• If not, what doesn't it pay for?		
7. Does the policy provide home care benefits for:		
• Skilled nursing care?	yes / no	yes / no
• Personal care given by home health aides?	yes / no	yes / no
• Homemaker services?	yes / no	yes / no
• Other _____?	yes / no	yes / no
8. Does the policy pay for care received in:		
• adult day care centers?	yes / no	yes / no
• assisted living facilities?	yes / no	yes / no
• other settings? (list)		

Worksheet 2

	Policy 1	Policy 2
How long are benefits paid and what amounts are covered? * (Refer to pages 13-16)		
9. How much will they pay per day for:		
• nursing home care?	$	$
• home care?	$	$
10. Are there limits on the number of days or visits per year for which benefits will be paid?	yes / no	yes / no
If yes, what are the limits for:		
• nursing home care?	days	days
• home care? (days or visits?)		
11. What is the length of the benefit period that you are considering?	yrs	yrs
12. Are there limits on the amounts the policy will pay during your lifetime?	yes / no	yes / no
If yes, what are the limits for:		
• nursing home care?	$	$
• home care? (days or visits?)	$	$
• total lifetime limit	$	$
How does the policy decide when you are eligible for benefits? (Refer to page 16)		
13. Which of the "benefit triggers" does the policy use to decide your eligibility for benefits? (It may have more than one)...		
• unable to do activities of daily living (ADLs)	yes / no	yes / no
• cognitive impairment (older policies may discriminate against Alzheimer's; newer ones don't)	yes / no	yes / no
• doctor certification of medical necessity	yes / no	yes / no
• prior hospital stay	yes / no	yes / no
When do benefits start? (Refer to page 18)		
14. How long is the waiting period before benefits begin for:		
• nursing home care?	days	days
• home health care?	days	days
15. Are the waiting periods for home care cumulative or consecutive?		
16. How long will it be before you are covered for a pre-existing condition? (Usually 6 months)	months	months
17. How long will the company look back in your medical history to determine a pre-existing condition? (Usually 6 months)	months	months

* You may be considering a policy that pays benefits on a different basis, so you may have to do some calculations to determine comparable amounts.

Worksheet 2

	Policy 1	Policy 2
Does the policy have inflation protection? (Refer to pages 18-19)		
18. Are the benefits adjusted for inflation?	yes / no	yes / no
19. Are you allowed to buy more coverage?	yes / no	yes / no
If yes,		
• When can you buy more coverage?		
• How much can you buy?	$	$
• When can you no longer buy more coverage?		
20. Do the benefits increase automatically?	yes / no	yes / no
If yes,		
• What is the rate of increase?	%	%
• Is it a simple or compound increase?		
• When do automatic increases stop?		
21. If you buy inflation coverage, what daily benefit would you receive for:		
Nursing home care:		
• 5 years from now?	$	$
• 10 years from now?	$	$
Home health care:		
• 5 years from now?	$	$
• 10 years from now?	$	$
What other benefits are covered under the policy?		
22. Is there a waiver of premium benefit? (Refer to page 20)	yes / no	yes / no
If yes,		
• How long do you have to be in a nursing home before it begins?		
• Does the waiver apply when you receive home care?	yes / no	yes / no
23. Does the policy have a nonforfeiture benefit?	yes / no	yes / no
If yes, what kind? (Refer to page 21)		
24. Does the policy have a return of premium benefit? (Refer to page 21)	yes / no	yes / no
25. Does the policy have a death benefit?	yes / no	yes / no
If yes, are there any restrictions before the benefit is paid? (Refer to pages 20-21)		
26. Will the policy cover one person or two ?	one / two	one / two

Worksheet 2

	Policy 1	Policy 2
Tax-qualified status		
27. Is the policy tax-qualified? (Refer to page 8)	yes / no	yes / no
What does the policy cost? (Refer to page 23)		
28. What is the premium excluding all riders?		
• monthly	$	$
• yearly	$	$
29. What is the premium if home care is covered?		
• monthly	$	$
• yearly	$	$
30. What is the premium if assisted living is covered?		
• monthly	$	$
• yearly	$	$
31. What is the premium if you include an inflation rider?		
• monthly	$	$
• yearly	$	$
32. What is the premium if you include a nonforfeiture benefit?		
• monthly	$	$
• yearly	$	$
33. Is there any discount if you and your spouse both buy policies?	yes / no	yes / no
• If yes, what is the amount of the discount?	$	$
• Do you lose the discount when one spouse dies?	yes / no	yes / no
34. What is the total annual premium including all riders and discounts?		
• total monthly premium	$	$
• total annual premium	$	$
35. When looking at the results of Questions 28 through 34, how much do you think you are willing to pay in premiums?	$	$

WORKSHEET 3

Facts About Your Long-Term Care Insurance Policy

For use after you buy a long-term care policy. Fill out this form and put it with your important papers. You may want to make a copy for a friend or a relative.

Worksheet 3

1. **Insurance Policy Date**
   Policy Number _____
   Date Purchased _____
   Annual Premium _____
2. **Insurance Company Information**
   Name of Company _____
   Address _____
   Phone Number _____
3. **Agent Information**
   Agent's Name _____
   Phone Number _____
   Address _____
4. **Type of Long-Term Care Policy**
   ____ Nursing home only ____ Home care only
   ____ Tax-qualified ____ Other
   ____ Comprehensive (nursing home, assisted living, home and community care)
5. **How long is the waiting period before benefits begin?** _____
6. **How do I file a claim?** (Check all that apply)
   ___ I need prior approval ___ Contact the company
   ___ Fill out a claim form ___ Submit a plan of care
   ___ Doctor notifies the company ___ Assessment by company
   ___ Assessment by care manager
7. **How often do I pay premiums:** ___ Annually ___ Semi-annually ___ Other
8. **The person to be notified if I forget to pay the premium:** _____
   Address _____ Phone number _____
9. **Are my premiums deducted from my bank account?** ___ Yes ___ No
   Name and address of my bank: _____
   Bank account number: _____
10. **Where do I keep this long-term care policy?** _____
    Other information _____
11. **Friend or relative who knows where my policy is:** _____
    Address _____
    Phone number _____

WORKSHEET 4

Long-Term Care Riders To Life Insurance Policies

The purpose of this worksheet is to help you to evaluate one or more life long-term care insurance policies. Fill out the form so you can compare your options. In addition, you will want to fill out Worksheet 2 regarding the long-term care benefits provided by the policy.

Insurance Company Information	Policy 1	Policy 2
1. Name of the insurance company		
Agent's name		
2. Is the company licensed in your state?	yes / no	yes / no
3. Insurance rating service and rating (Refer to pages 27-28)		
Policy Information		
4. What kind of life insurance policy is it?		
Whole life insurance	yes / no	yes / no
Universal life insurance	yes / no	yes / no
Term life insurance	yes / no	yes / no
5. What is the policy's premium?	$	$
6. How often is the premium paid?		
One time / single premium	yes / no	yes / no
Annually for life	yes / no	yes / no
Annually for 10 years only	yes / no	yes / no
Annually for 20 years only	yes / no	yes / no
Other		
7. Is there a separate premium for the long-term care benefit provided by the life insurance policy?	yes / no	yes / no
If not, how is the premium paid?		
• Included in life insurance premium?	yes / no	yes / no
• Deducted from the cash value of the life insurance policy?	yes / no	yes / no
8. How many people will the policy cover?		
9. Will the payment of long-term care benefits decrease the death benefit and cash value of the policy?	yes / no	yes / no
10. Will an outstanding loan affect the long-term care benefits?	yes / no	yes / no
11. Did you receive an illustration of guaranteed values?		
If yes, do the policy values equal zero at some age on a guaranteed or midpoint basis?	yes / no	yes / no
If so, at what age?		

Worksheet 4

The 1999 Self-Assessment Guide for Long Term Care Insurance

A JOINT PUBLICATION BY:

Senior Health Insurance Information Program
SHIIP
Indiana State Department of Insurance

and

Indiana Long Term Care Program
Indiana Family and Social Services Administration

State Form 45870 (R4/7-99)

The Self-Assessment Guide for Long Term Care Insurance

This guide will not provide an exact answer to what you should do, but it can help you ask the right questions and make the best decision for your situation. The guide may be completed by you alone, or with a SHIIP volunteer counselor, an insurance agent or other professional. You may want to work through the guide with family members, so these important issues can be discussed and considered.

Traditional Long Term Care Insurance

Long term care insurance policies are becoming more popular and more widely used by individuals to pay for some or all of their long term care expenses. This guide will help you think about your chances for needing long term care and the reasons you may want to buy a policy. Long term care insurance is not appropriate for everyone. Whether or not you should buy a policy will depend on your age, health status, overall retirement objectives and income.

Indiana Long Term Care Program

The Indiana Long Term Care Program, also known as the Indiana Partnership Program, gives Hoosiers another option to traditional long term care insurance. *Indiana Partnership* policies contain a unique state-added benefit of **Medicaid asset protection.** By purchasing an *Indiana Partnership* policy, you will protect your assets as the policy pays out for your care. The amount of assets you protect will depend on how much coverage you buy. Should you ever need care beyond the limits of your policy, Medicaid would act as your safety net - you would not have to spend all of your assets. To receive a free copy of the Indiana Partnership Select Agent Directory, **call 1-317-233-1470.**

Senior Health Insurance Information Program

The Senior Health Insurance Information Program (***SHIIP***) has certified volunteer counselors across Indiana to help persons, in their own communities, with their senior-related health insurance questions and concerns. Counselors can help answer your questions about:

* Medicare
* Medicare managed care
* Long term care insurance
* Medicare supplemental insurance
* Medicaid

For materials on the above topics, to get help with questions you may have, or to locate the nearest *SHIIP* site for individual assistance, **call 1-800-452-4800 or 1-317-233-3475 (Indianapolis).** You may also visit us on the Internet at: **www.state.in.us/idoi/shiip.**

You are under no obligation to share the answers of this guide with anyone else, including your SHIIP counselor or insurance agent!

Name: _____
Date: _____ Current Age: _____

THE NEED FOR LONG TERM CARE

1. **Age and Gender**

The need for long term care increases as you get older. If family members have lived to ages over 85, there is a good chance you may live as long or longer. Living longer increases your chances for needing long term care. If family members have lived to younger ages than 85, advances in medical technology may allow you to live to be over age 85.

Women tend to live longer than men. They are therefore more likely to develop a disabling chronic condition and/or to live alone, which increases their likelihood of needing long term care at some point in their lives.

a. To what age did your parents live? _____

b. To what age have other family members lived (siblings, grandparents, etc.)?

_____

_____

2. **Living Arrangements**

For elderly persons living alone, with few friends or family members living close by who could provide assistance, chances of needing nursing home care at some point in their lives are increased. If home health care is considered as an option, the person will usually need someone at their home or nearby, to help them when the home health care aides or nurses are <u>not</u> available.

a. Do you live alone, with spouse, adult children, friends or relatives, or other?

_____

_____

b. Are your adult children or other family and friends available to provide care for you should you need it? Do your children live close by? _____

_____

c. Would your children or other family members be willing and able to provide this care? _____

_____

3. **Health History**

The need for long term care usually results from a **disabling chronic condition** (such as diabetes, arthritis, heart condition, stroke, emphysema or other respiratory problems, Alzheimer's, or cancer). These conditions may be related to your family history or to health risk factors you may have (smoking, overweight, high blood pressure). If you currently have a serious chronic health condition, insurance companies may not insure you.

a. General health condition (excellent, good, fair, poor): _____

b. List medications and purpose: _____

_____

_____

c. Major surgeries or illnesses which resulted in hospitalizations in the past 5 years: _____

_____

_____

d. Family history of chronic illness (diabetes, heart disease, arthritis, Alzheimer's, Parkinson's disease, cancer, etc.): _____

_____

_____

e. Do you have any health or life style factors that may put you at risk of needing long term care (smoking, overweight, high blood pressure, mental health problems)? _____

_____

_____

f. Are you **currently** unable to perform activities of daily living without help from others? If yes, you probably will **not** be able to purchase a long term care insurance policy. Common activities of daily living are: bathing, dressing, transferring (i.e. moving from bed to chair), toileting, and eating.

If you presently have a chronic disabling condition or are unable to perform activities of daily living, PLEASE GO TO PAGE 10, "OTHER OPTIONS" SECTION.

4. **Personal Preferences**

Your feelings and preferences are important to consider, in determining whether to purchase long term care insurance.

a. How do you feel about your adult children or others providing financial support for you? _____

_____

b. How do you feel about relying on help from your adult children or others, in order to remain in your home, should you need such help?_____

_____

c. How do feel about living with your adult children or others?_____

_____

_____

d. What is your attitude about receiving Medicaid, should you need it?

_____

_____

e. How important is it to leave an estate to your children or others?_____

_____

f. Is there a specific nursing home you would like to use, should you need long term care?_____

g. How important is it for you to have a single room should you need nursing home care? **Medicaid will not pay for single rooms.** The rates for single rooms are higher than the rates for double rooms.

_____

_____

h. What are your specific concerns or priorities? Why are you looking into long term care insurance now?_____

_____

_____

i. Are you planning to live in another state?_____
(If you buy an Indiana Partnership policy, it **will** pay benefits in other states. However, should you need care beyond the limits of your Partnership policy, and turn to the Medicaid program, only *Indiana's* Medicaid program can honor the asset protection earned through your Indiana Partnership long term care policy. This means, at the time of needing Medicaid, you would need to return to live in Indiana in order to protect your assets.)

FINANCIAL CONSIDERATIONS

INCOME

Are you currently receiving SSI (Supplemental Security Income) or Medicaid?
Yes____ No____

IF YOU ANSWERED YES, LONG TERM CARE INSURANCE IS **NOT** AN OPTION! PLEASE GO TO PAGE 10, "OTHER OPTIONS" SECTION.

Monthly Income

a.	Wages	$ _____
b.	Social Security	$ _____
c.	Pension	$ _____
d.	IRA, Annuities	$ _____
e.	Interest/Dividends	$ _____
f.	Rental Income	$ _____
g.	Other Income	$ _____
h.	**Total Income** (add 'a' through 'g')	$ _____

Monthly Expenses

a.	Mortgage/Rent	$_____
b.	Household (utilities, telephone, home maintenance, insurance)	$_____
c.	Food	$_____
d.	Clothing	$_____
e.	Automobile (loan payment, gas, insurance, maintenance)	$_____
f.	Medical Expenses and Insurance Premiums	$_____
g.	Taxes (estimated income and property)	$_____
h.	Miscellaneous (recreation, etc.)	$_____
i.	**Total Expenses** (add 'a' through 'h')	$_____

Income Left Over

(Total Income - Total Expenses = Income Left Over) $_____

Will the income you have left over be enough to pay your long term care insurance premiums*?_____

* You will need to talk with a long term care insurance agent, to find out the policy premiums for the specific coverage you want to buy.

State Form 45870 (R4/7-99)

FINANCIAL CONSIDERATIONS

ASSETS

Medicaid considers assets as *exempt* or *non-exempt*. *Non-exempt* assets are usually **counted** by Medicaid, when eligibility is being determined. *Exempt* assets are **not counted.**

The numbers in ( ) refer to details found on the next page.

Type of Asset	Usually NOT counted by Medicaid	Usually COUNTED by Medicaid (1)
a. Bank Accounts, Money Markets		$_____
b. Certificates of Deposit		$_____
c. Stocks, Bonds		$_____
d. IRAs and other retirement plans (2)	$_____	$_____
e. Cash Value of Life Insurance (3)	$_____	$_____
f. Burial Trusts (4)	$_____	
g. Equity Value of Home, If Owned (current market value minus remaining mortgage and liens) (5)	$_____	
h. Equity Value of Income Producing Property (current market value of rental or commercial property minus mortgages and liens) (6)	$_____	
i. Equity Value of Other Property (current market value of second home, land, etc., minus mortgages and liens) (7)		$_____
j. Personal property (8)	$_____	
k. Automobiles, recreational vehicles (9)	$_____	$_____
l. Series EE U.S. Savings bonds (10)	$_____	$_____
m. **Total Assets** (add 'a' - 'l')	$_____	$_____

CAUTION! Medicaid eligibility is complex. Consult your local Division of Family and Children, an attorney familiar with Medicaid law, or your local Legal Services Organization (free or reduced cost assistance). **You can find these numbers in your local telephone directory.**

Assets that are *not counted* by Medicaid may change, based on future changes in federal or state laws.

(1) For married couples, the Spousal Impoverishment Protection Law provides some asset protection when one person enters a nursing home and their spouse is at home. The spouse at home can protect **up to half** of the couple's countable assets at time of admission to the nursing home (up to $81,960 in 1999, but not less than $16,392). Additional assets can be protected for the spouse at home, if they produce income to help meet the minimum income levels.

(2) IRAs (owned by either spouse) are usually *counted* by Medicaid. The $ value of an IRA is the total IRA amount minus any penalties for early withdrawal of the IRA account. Other types of retirement funds (pensions, annuities, disability plans, profit sharing plans) would be *counted, if* the person has the option of withdrawing a lump sum, even if not yet eligible to receive payments. However, a retirement fund is *not counted* if employment must end to receive payments.

(3) The cash surrender value of life insurance is *not counted,* if the death benefit (face value) of all policies (excluding term life insurance) is $1,400 or less, and the beneficiary is one's estate or the funeral home. The $1,400 limit on the face value of life insurance is less if one has an irrevocable funeral trust.

(4) Burial or funeral trusts are *not counted* if irrevocable, regardless of their value, as long as the dollar amount is tied to specific funeral/burial services.

(5) The home is *not counted* when it is the principal residence for the applicant, the applicant's spouse or children (if the children are under the age of 21 or are disabled or blind). The home is *not counted* until none of the above persons intend to or are able to live there. For further details, contact either your local Office of Family & Children or an attorney familiar with Indiana Medicaid law.

(6) Income producing property (ie: rental property, farms) is *not counted* if it produces more income than it costs to keep it (taxes, mortgage, etc.).

(7) Other real property (real estate) is *counted* and must be offered for sale or rent at current market value. Real estate in the name of the spouse at home is *not counted.*

(8) Household goods (furniture) and personal effects (clothing/jewelry) are *not counted.*

(9) One vehicle, regardless of value, is *not counted,* if used for: applicant's employment, medical treatment, or the vehicle has been modified to accommodate a disability. Otherwise, $4,500 of the current market value of one vehicle is *not counted.* One car (of any value) for the spouse at home is *not counted.*

(10) Series *EE* U.S. Savings bonds are *not counted* during the 1st six months after they were purchased.

Medicaid has the right to be repaid for medical expenses provided. This payment would be made by the recipient's estate, upon their death. Currently, Medicaid does not recover from the spouse's estate, *unless the spouse also becomes a Medicaid recipient.* Medicaid does not recover assets protected by Indiana Partnership policies.

DO YOU FIT UNDER ANY OF THESE CRITERIA?

1. - You are ***single***, your income (minus your medical expenses) is less than $494 (1998) for any month, and *counted* assets are less than $1,500.
   - You are ***married***, your income (minus your medical expenses) is less than $741 (1998) per month, and *counted* assets are less than $2,250.
   - If either of the above are true, then you are probably *eligible for Medicaid now* and you need to visit your local Office of Family and Children.

2. You have a disabling health condition or you are over age 84.

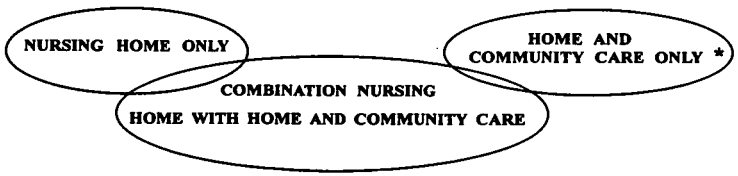
3. Your *countable* assets are less than the cost of one year in a nursing home (approximately $36,500) or based on your "left over" income (see p. 5), paying for long term care insurance premiums would be difficult or result in a significant change in your life style, or any future premium increases would also result in these situations.

If you meet any of the above criteria, long term care insurance may not be for you.
SKIP TO THE **"OTHER OPTIONS"** SECTION ON PAGE 10.

LONG TERM CARE INSURANCE POLICY BENEFITS TO CONSIDER

INSURANCE OPTIONS: Indiana residents have a choice of traditional long term care (LTC) insurance or Indiana Partnership policies.

1. **Three different purchase options** for LTC insurance. Indiana Partnership policies offer coverages of nursing home only or a combination type policy. **Which type of LTC coverage do you prefer?**



* Home and community care may include home health care, adult daycare, respite care and homemaker services.

2. **Daily Benefit** - You choose the amount of benefit you want the policy to pay towards the daily cost of your care.

   a. What is the daily cost of nursing home care in your area? Call and ask 2 or 3 nursing homes in your area.
   (1) $_____ (2) $ _____ (3) $ _____

   b. **Co-insuring Capability** - The lower the daily benefit selected, the lower the premium. You need to decide what portion of the daily cost of care you would be able or are willing to pay.

      (1) Will your "left over" income (on p.5) cover $10, $20, or $30 a day for the cost of care?

      _____

      (2) If the above answer is yes, are you willing to pay this amount in order to lower the cost of your premium, by lowering the daily benefits you buy?

      _____

   c. What would you like your daily benefit to be (based on answers to '2a' and '2b' above)? $ _____

---

3. The cost of care in a nursing home will increase over the years due to inflation. An option you can buy to protect against this increase is **inflation protection**. Inflation protection will increase your policy's daily benefit and reduce the amount you will pay out in the future. Inflation protection ***must*** be included in Indiana Partnership policies.

   Do you want inflation protection? _____

---

4. **Elimination Period** - You choose how many days you must wait after you are admitted to a nursing home, before your policy will begin paying for your care.

   Choices are: *0, 20, 30, 60, or 100* days.
   (0 days = most expensive premium. 100 days = least expensive premium.)

   You will have to use your resources (such as income, interest, or assets) to cover the cost of care during the elimination period. To determine your costs during this time: choose a daily nursing home cost from '2a' above. Multiply it by the number of days you choose for the elimination period.)

   _____ X _____ = _____
   (daily nursing home cost) (# of elimination days) (your cost)

5. Nursing homes may request one month payment in advance, at admission. Insurance companies pay on a **reimbursement basis**. This means it could be 30-60 days after you enter a nursing home before your policy begins to pay. Therefore, you will need enough money to cover these initial days of care.

   Example - 60 days X daily cost of care (from '2a' on p. 9) = _____

6. Insurance will **NOT** cover all of your LTC expenses. Ex: policies typically do not cover prescription drugs. Plan to have extra money to pay for items not covered in the policy.

7. **Maximum Benefit** - This is the total number of days or total dollar amount the policy will pay. Choices include a specific # of days (or years), lifetime coverage, or a specific $ amount.

   What would you like for your maximum benefit? _____

OTHER OPTIONS

Self Insuring

This option is most appropriate for persons who are able to invest income and assets over a number of years to cover the costs of long term care. You may wish to speak with a financial consultant or advisor.

Reliance on Medicaid

a. Persons with limited income and assets should **NOT** purchase LTC insurance. For these persons, Medicaid may help pay for LTC services.

b. Persons who do not have or cannot get health insurance (possibly due to a health condition) may wish to consult an attorney familiar with Medicaid law, to find out how some Medicaid rules protect some assets.

c. To apply for Medicaid services, call your local Office of Family and Children.

Retirement Communities

a. Continuing Care Retirement Communities offer a range of levels of care from independent apartments to nursing home care. The monthly fee is based on the level of care received.

b. Life Care Retirement Communities require a person to pay an entrance fee and a monthly fee. Some communities refund all or part of the entrance fee upon death or if the person moves out of the community. The monthly fee does not change even if the person moves into the nursing home. However, it may increase each year due to inflation.

c. For more information, look under "retirement communities" in the yellow pages.

Home Equity Conversion Mortgages

a. Also called reverse mortgages, home equity conversion mortgages allow homeowners of 62 years of age or older, to borrow against acquired home equity. They receive a loan to generate income to pay for LTC services, LTC insurance premiums, or to help with any other living expenses.

b. The borrower retains full ownership of their home. There is no repayment of the loan until the person and/or their spouse no longer lives in the home (due to a move, admission to a nursing home, sale, or death).

Information about lenders and these loans may be obtained by contacting your local Housing and Urban Development office or at the HUD internet site:

www.hudhcc.org/agencies/indiana.txt

Community Services

a. Many communities offer services for seniors. These services can range from assistance with home health care to community-based services, such as: adult day care, meal sites, transportation services, etc.

b. Funding for these services is generally provided by: Older Americans Act, Social Service Block Grant, Medicaid Waiver, Community and Home Options to Institutional Care for the Elderly (CHOICE), etc.

c. Eligibility requirements may be based on: age, income, need for medical assistance, or any combination of these.

d. For more information about community services available in your area and/or eligibility requirements, contact your local Area Agency on Aging.

Should you have questions about LTC insurance, Medicare, Medicare Supplemental insurance, or Medicaid, **call your local SHIIP site, or call 1-800-452-4800 or 1-317-233-3475 (Indianapolis), or visit us at www.state.in.us/idoi/shiip.**

Indiana Department of Insurance
(800) 452 - 4800 - SHIIP

Long Term Care Insurance In Indiana

The following companies have been approved by the Indiana Department of Insurance to sell individual long term care insurance policies.

Company Name	Consumer Phone #	Claim Phone #
Aid Association for Lutherans	(800) 225-5225	(800) 225-5225
Allianz Life Insurance	(800) 366-5463 Ext. 268	(800) 366-5463 Ext. 261
American Family Life Assurance	(800) 992-3522	(800) 992-3522
American Family Mutual Insurance	(608) 249-2111 Or Local #	(800) 333-6886
American Fidelity & Liberty Insurance	(800) 659-9206	(800) 659-9206
American Heritage Life Insurance	(800) 321-0102	(888) 780-6388
American Republic Life Insurance	(800) 247-2190	(800) 600-0243
American Travellers Life Insurance	(800) 441-3978	(800) 441-3978
Bankers Life & Casualty	(800) 777-5775 Ext. 7307	(800) 621-3724
Bankers United Life Assurance	(800) 842-7799	(800) 432-0059
Catholic Order of Foresters	(800) 552-0145	(800) 552-0145
Central States Health & Life	(800) 541-2363	(800) 541-2363 Ext. 6001

Company Name	Consumer Phone #	Claim Phone #
Combined Insurance	(800) 544-5531	(800) 544-5531
Continental Casualty (CNA)	(800) 775-1541	(800) 262-1037
Continental General Insurance	(800) 545-8905	(402) 397-3200
Continental Life Insurance	(800) 264-4000	(800) 264-4000
CUNA Mutual Life Insurance	(800) 356-2644 Ext. 8226	(800) 643-5264
First Penn-Pacific Life Insurance	(800) 323-1746	(800) 323-1746
General Electric Capital Assurance	(800) 544-6964	(800) 876-4582
Golden Rule Insurance	(800) 261-3361	(800) 261-3361
Great American Life Insurance	(800) 771-2142	(800) 921-9338
IDS Life Insurance	(612) 671-8584	(888) 320-8741
John Alden Life Insurance	(888) 503-8104	(888) 503-8104
John Hancock Mutual Life Insurance	(800) 543-6415	(800) 543-6415
Kanawaha Insurance	(800) 635-4252	(800) 635-4252
Life & Health Insurance	(800) 458-7493	(800) 458-7493

Company Name	Consumer Phone #	Claim Phone #
Life Investors Insurance	(800) 524-9902	(800) 432-0059
LifeUSA Insurance	(800) 814-8841	(800) 814-8841
Lincoln Benefit Life	(877) 525-4582	(888) 503-8110
Lutheran Brotherhood	(800) 990-6290	(612) 340-7376
Medico Life Insurnace	(800) 228-6080	(800) 228-6080
Metropolitan Life Insurance	(800) 308-0179	(888) 687-0977
Monumental Life Insurance	(800) 370-5334	(800) 432-0059
Mutual Of Omaha Insurance	(800) 775-6000	(800) 775-1000
Mutual Protective Insurance	(800) 228-6080	(800) 228-6080
National States Insurance	(800) 868-6788	(800) 868-6788
New York Life Insurance	(800) 224-4582	(800) 224-4582
Northwestern Long Term Care Insurance	(877)582-6582	(800) 890-6704
Penn Treaty Network America Insurance	(800) 362-0700	(800) 362-0700
Pennsylvania Life Insurance	(800) 275-7366	(800) 275-7366

Company Name	Consumer Phone #	Claim Phone #
PFL Life Insurance	(800) 338-0257	(800) 432-0059
Physicians Mutual Insurance	(800) 228-9100	(800) 228-9100
Pioneer Life Insurance	(800) 759-7007	(312) 396-6000
Pyramid Life Insurance	(800) 777-1126 Ext. 307	(800) 444-0321
Southwestern Life Insurance	(800) 792-4368 Ext. 7464	(888) 304-9200
Standard Life & Accident Insurance	(888) 290-1085	(409) 766-6068
State Farm Insurance	Contact Local Office	Contact Local Offic
Teachers Insurance & Annuity Association	(800) 223-1200	(800) 842-2733
Transamerica Occidental Life Insurance	(800) 690-2758	(800) 227-3740
Trustmark Insurance	(800) 554-1640	(800) 554-1640
Union Bankers Insurance	(800) 554-8744	(800) 554-8744
United America Insurance	(972) 529-5085	(972) 529-5085
UNUM Life Insurance	(312) 655-3100	(800) 693-4988

LONG TERM CARE INSURANCE - COMPARISON OF DIFFERENCES

Features	*Regular Long Term Care Insurance Policies (LTC)*	*Indiana Long Term Care Partnership Policies (ILTCP)*
Agent Training	Agents must have 8 hours of continuing education to begin selling LTC insurance; then 5 additional hours every 2 years	Agents must have 8 hours of continuing education to begin selling LTC insurance; **PLUS** must complete a 7-hour course on the Indiana Partnership before ever selling these policies; then 5 additional hours every 2 years
Inflation Protection	Inflation protection must be **OFFERED**.	Inflation protection must be **INCLUDED**.
Types of Policies	Can buy policies covering: (a) Nursing home care only (b) Nursing home and home health care © Home health care only (d) Life insurance that will pay a portion of the death benefit early for LTC.	Can buy policies covering: (a) Nursing home care only (b) Nursing home and home health care All participating companies must have (b) available.
Daily Benefits	Can buy any amount of daily and maximum benefits offered buy the insurance company.	Can buy any amount of daily benefit, as long as it is $80/day (in 1997) or more. There is no limit on the maximum benefit one may buy. All participating companies must have a 1-year maximum benefit available.
Maximum Benefit	Maximum benefit may be different for nursing home and home health care. (ie. 4 year nursing home benefit with 2 year home health)	Maximum benefit is one "pool of money" which can be used for all benefits in the policy.
Benefit Triggers	The company decides which benefit triggers (what has to occur before the policy starts paying benefits) to use; and how to define them.	The State defines which benefit triggers that all companies must use; and defines them.

Asset Protection	These policies do <u>not</u> provide permanent asset protection.	**Provides permanent asset protection through the *State-added* benefit known as "Medicaid Asset Protection."**
Portability	The policy will pay out benefits in any state.	The policy will pay out benefits in any state. However, the State-added benefit of Medicaid Asset Protection can only be honored by Indiana's Medicaid program. This means the person must be in Indiana, after the policy is done paying and the person is applying for Medicaid.
Tax Qualification of Premiums	* Tax-qualified policies available	* Tax-qualified policies available
Future Upgrades	Company has the option of determining whether or not to offer upgrades of future versions of it's policies to policyholders.	Company <u>must</u> offer it's policyholders the chance to apply for any future Partnership policy that has substantially better benefits.

***Tax-Qualified LTC policies:** Premiums (up to certain limits) may be deducted on your federal tax return <u>as part of</u> the standard medical expense deduction. The benefits you receive from the Tax-Qualified LTC policy will <u>not</u> be considered taxable income. The federal law requires Tax-Qualified LTC policies to offer the option of purchasing a non-forfeiture benefit (a guarantee of some amount of benefit should you cancel the policy after paying for the policy a minimum number of years). This law also provides some structure to the companies in determining which benefit triggers they use in their policies. "Medical Necessity" cannot be used as a benefit trigger in Tax-Qualified policies.

Note: Indiana Law and Insurance Regulations require <u>all</u> types of long term care insurance policies in Indiana to offer a 30-day free look, prohibit the requirement of prior hospitalization in order to receive benefits in policies sold after July 1991, prohibit waiting periods of longer than 6 months for pre-existing conditions, and require all LTC policies to be either guaranteed renewable or noncancellable.

ISBN 0-16-060139-8