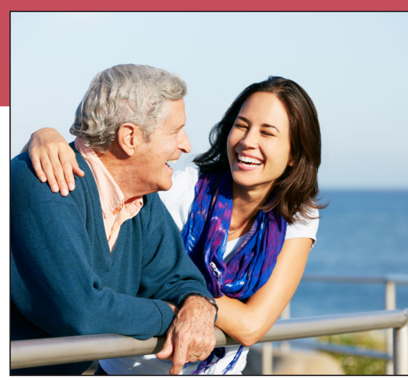
A Shopper's Guide to Long-Term Care Insurance



Texas Department of Insurance

Learn about insurance.

1-800-252-3439 | tdi.texas.gov

Updated October 2017

Table of Contents

1 **The Cost of Long-Term Care**
Paying for Long-Term Care

3 **Deciding Whether Long-Term Care Insurance Is Right for You**
Personal 'Risk Factors'
Financial Considerations
Tax-Qualified and Non-Tax-Qualified Policies

6 **Buying Coverage**
Replacing a Policy
Ways to Buy Long-Term Care Insurance

8 **How Policies Work**
Benefit Criteria
Elimination Period
Benefit Period and Benefit Amount
How Benefits Are Paid
Services Covered by Long-Term Care Insurance
Coverage Amounts
Daily, Weekly, and Monthly Benefit Limits
Maximum Benefit Limit
Services Not Covered by Long-Term Care Insurance
Standard Policy Exclusions
Optional Features
Optional Benefits Companies May Offer

13 **Long-Term Care Rates**
Premium Increases
Policy Renewals and Cancellations
Nonpayment of Premiums

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

16 **Shopping for Long-Term Care Insurance**

18 **Helpful Telephone Numbers and Websites**

19 **Companies Selling Long-Term Care Insurance**

Get Help from TDI

For insurance questions or for help with an insurance-related complaint, call the **Texas Department of Insurance (TDI) Consumer Help Line** at **1-800-252-3439** or visit our website at **tdi.texas.gov**.

Visit **HelpInsure.com** to shop for automobile, homeowners, condo, and renters insurance. Visit **TexasHealthOptions.com** to learn more about health insurance and your options for coverage.

Long-term care is a type of skilled care or personal care service you might need if you're unable to care for yourself because of an illness, disability, or cognitive impairment like Alzheimer's disease.

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

Long-term care services can be provided at your home or in a hospice, adult day care center, nursing home, or assisted living facility.

There are two types of long-term care services:

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

The Cost of Long-Term Care

Long-term care can be expensive. The cost is based on the amount and type of care you need, where you receive it, and what type of medical professional provides it. You can expect to pay at least $3,000 a month for a care in an assisted living center and more than $6,000 a month for care in a nursing home.

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

Unlike premiums for life insurance that are based on how long you might live, long-term care insurance premiums are based on whether you might have an illness that could require long-term care but not shorten your lifespan. For example, having a heart attack might not impact your long-term care premiums, but having Alzheimer's disease might.

Paying for Long-Term Care

There are several ways to pay for long-term care. These include:

- Medicaid,
- Medicare,
- long-term care insurance,
- long-term care riders attached to a life insurance policy or annuity,
- accelerated death benefits from life insurance, and
- personal cash or savings.

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

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

Medicare might pay some long-term care costs. Medicare is a federal program that pays for health care for people over age 65 and for people under age 65 with disabilities. If you meet the requirements, Medicare will cover up to 100 days of skilled care in a nursing home, per benefit period. Medicare pays the full cost for the first 20 days. After that, you pay a copayment for days 21 to 100.

Life insurance or annuities can pay for long-term care in two ways:

- **An accelerated death benefit provision** in your life insurance policy that allows you to get part of your death benefit to use as you choose, including for long-term care.
- **A rider** you add on to your life insurance policy or annuity that covers long-term care.

Deciding Whether Long-Term Care Insurance Is Right for You

Long-term care insurance help protect your assets against the high cost of an extended long-term care need. Long-term care insurance usually makes sense if you have more assets than a house, a car, or a small amount of cash that you want to save.

It might be difficult for you to buy a long-term care policy if you use most of your money to pay for utilities, food, or medicine.

To decide whether long-term care insurance is right for you, consider your personal risk factors, assets, income, and whether you have other ways to get care.

Personal 'Risk Factors'

Consider these factors before buying long-term care insurance:

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

Financial Considerations

Long-term care insurance is typically less expensive if you buy it when you're younger. Talk to a trusted financial adviser for help deciding whether long-term care insurance meets your needs. Ask yourself these questions:

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

TDI's Long-Term Care Insurance Suitability Worksheet at the back of this publication can help you decide if long-term care insurance makes sense for you. Insurance agents must also give you a personal worksheet and a potential rate increase disclosure form along with an outline of coverage. Use them to help you decide whether to buy a long-term care policy.

Tax-Qualified and Non-Tax-Qualified Policies

Tax-Qualified Policies

You might be able to deduct part of the premium for a tax-qualified long-term care policy from your taxes as a medical expense. You usually don't have to claim your qualified long-term care policy benefits as taxable income. If you have an indemnity policy, you might have to pay taxes on benefits that exceed your actual cost or an amount of $330 per day, whichever is greater.

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

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

To claim a tax deduction for long-term care premium payments, your out-of-pocket medical expenses, including premiums, must be more than 10 percent (7.5 percent for people 65 and older) of your adjusted gross income. The maximum amount of long-term care premium you can deduct depends on your age at the end of each tax year.

Maximum Long-Term Care Premium Deductions, 2017*

Age	Maximum Allowable Deduction
40 or younger	$410
41 to 50	$770
51 to 60	$1,530
61 to 70	$4,090
71 or older	$5,110

* Maximum deduction amounts change each year.

Long-Term Care Partnership Program Policies

The Long-Term Care Partnership Program helps educate Texans about planning for their long-term care needs. For more information, visit ownyourfuturetexas.org. The partnership is a joint effort between private insurers and the state of Texas. Insurance companies must follow state and federal guidelines, and agents must be licensed and complete training to sell partnership policies.

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

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

With the asset disregard benefit, Medicaid will disregard one dollar of your assets for every dollar of long-term care benefits your policy pays. This means you can have assets above the normal eligibility limit and still qualify for Medicaid. In addition, the disregarded assets won't be subject to Medicaid liens and recoveries after you die. Learn more about the Texas Medicaid Estate Recovery Program at hhs.texas.gov/laws-regulations/legal-information/your-guide-medicaid-estate-recovery-program.

Inflation protection raises your benefit amounts to pay for increases in the cost of care. Partnership policies require different levels of inflation protection based on your age:

- **Age 60 and younger:** The insurance company must offer you the option to buy a 5 percent compound annual inflation protection benefit. If you decline the 5 percent offer, the insurance company must offer you another form of compound inflation protection, and you must buy and keep that protection until you turn 61.
- **Age 61 to 75:** You must buy and keep inflation protection until you turn 76.
- **Age 76 and older:** Companies must offer inflation protection, but you don't have to buy it or keep it.

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

Note: Partnership policies have a separate disclosure attached to the policy that says the policy is a long-term care partnership policy. If you change your partnership policy, you could lose your partnership policy status. Your agent can tell you what changes will cause a status change.

Moving to another state

Texas has agreements with some other states to honor the terms of your partnership policy. If you move to a state that participates in an agreement, the new state will honor your partnership policy. However, understand that states can start or stop the agreement at any time. For a list of participating states, visit www.ownyourfuturetexas.org. If you move to another state, you must meet all the Medicaid requirements for your new state of residence.

To see a list of companies selling partnership policies in Texas, visit TDI's list online at www.tdi.texas.gov/consumer/hicap/partnershipcomp.html.

Non-Tax-Qualified Policies

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

Buying Coverage

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

! **Note:** Federal law prohibits a company from refusing to sell you a health insurance policy based on your health status. But this provision doesn't apply to long-term care insurance.

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

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

Replacing a Policy

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

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

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

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

Ways to Buy Long-Term Care Insurance

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

Individual Policies

Most long-term care insurance policies are individual policies. Individual policies differ from one company to the next. Shop around to get the coverage that best fits your needs.

Group Policies

Your employer might offer a group long-term care insurance plan or offer individual policies at a group discount. An employer's group policy might be similar to what you could buy with an individual policy. An advantage of a group policy is that you rarely have to have a medical exam. Many employers also offer plans to retirees, spouses, and other family members. Relatives usually go through medical screening.

Generally, insurance companies must let you keep your coverage after you leave or until they cancel the group plan. Usually you can continue your coverage or convert it to another long-term care insurance policy. Your premiums and benefits may change.

Federal and State Government Policies

Federal and U.S. Postal Service employees and retirees, active and retired service members, and their qualified relatives may apply for long-term care insurance through the Federal Long-Term Care Insurance Program. The premiums for this plan are typically lower than the premiums for an individual policy.

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

Association Policies

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

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

How Policies Work

Long-term care insurance policies are not all the same. Companies sell policies with many combinations of benefits and features.

Benefit Criteria

Policies have different benefit eligibility criteria (also called triggers) that you must meet before the company will pay benefits. These are based on how many of the six activities of daily living (ADLs) you are unable to perform or whether you have a cognitive impairment. The six ADLs are bathing, eating, dressing, using the bathroom, continence, and moving from place to place.

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

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

Elimination Period

The elimination period is the amount of time you have to wait before a policy will pay any benefits. The most common options are for benefits to start at 30, 60, 90, or 180 days after you enter a nursing home or start receiving other services. It's important to know whether the elimination period is based on service days or calendar days. Service days are counted as services are rendered. For example, if you get care three days a week, it would take 10 weeks before the 30-day elimination period would end. Calendar days would be met no matter how many service days are provided. Once 30 days have passed – even if only one service day per week was used – you would complete your elimination period. Benefits would begin the day after your elimination period ends. You can lower your premium by choosing a longer elimination period. But remember that you'll have to pay all your expenses out of pocket for a longer time before the policy will pay.

Some policies have only one elimination period, while others require an elimination period for each new period of care. Before buying a policy, understand how the elimination period works.

Benefit Period and Benefit Amount

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

Some companies use a benefit amount rather than a set benefit period. The benefit amount is calculated by taking the daily benefit amount and then multiplying it by the number of years of coverage. For example, if you choose a policy with a $100 a day benefit, and use a $100 each day for two years, your maximum benefit would be $73,000. If you don't use all of your $100 a day benefit, your policy could last longer than two years. Companies that pay based on a benefit period are usually indemnity policies that pay a set amount each day regardless of expenses and will end when you reach the end of the benefit period.

How Benefits Are Paid

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

Policies using the expense-incurred method will pay the cost of the expense or the dollar limit of your policy, whichever is less. Most policies pay benefits using the expense-incurred method.

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

For tax-qualified policies that pay benefits using the indemnity method, you might have to pay taxes on benefits that exceed your actual cost or $330 per day, whichever is greater.

Services Covered by Long-Term Care Insurance

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

- **Nursing home care** in a licensed nursing home.
- **Assisted living care** in a licensed assisted living home.
- **Home health care services** provided by a licensed home health agency. Services may include skilled nursing care and physical therapy.
- **Adult day care** in a licensed center. Services may include nursing or therapeutic care, social and educational activities, and personal supervision.

- **Other services.** Some policies will pay for hospice care, respite care (care to allow time off for family members who are caregivers), care after a hospital stay, help with household chores, or caregiver training for family members.

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

Coverage Amounts

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

Daily, Weekly, and Monthly Benefit Limits

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

If a policy covers home health care, the benefit is usually a percentage of the benefit for nursing home care. For example, if you have a policy with a $200 a day benefit for nursing home health care, your home care benefit might be $100 a day. Some policies, however, pay the same benefit amounts for care at home and care in a nursing home.

You can often choose the benefit amounts you want. It's important to know how much skilled nursing homes, assisted living homes, and home health care agencies charge before you choose the benefit amounts. Check prices at centers in the area you're likely to get care.

Maximum Benefit Limit

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

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

Services Not Covered by Long-Term Care Insurance

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

- **Preexisting conditions.** A preexisting condition is an illness or disability for which you got medical advice or treatment in the six months before the date of coverage. A long-term care policy may delay coverage of a preexisting condition for up to six months after the policy's effective date.

- **Mental and nervous disorders.** A long-term care policy can exclude coverage of some mental and nervous disorders, but the policy must cover serious biologically based mental illnesses and brain diseases, such as schizophrenia and major depressive disorders, and Alzheimer's disease and other age-related disorders. (However, a company may refuse to sell a policy to someone already suffering from Alzheimer's.)
- **Care by family members.** Most policies won't pay members of your family to take care of you. However, some policies will pay to train family members to be caregivers.

Standard Policy Exclusions

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

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

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

Optional Features

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

Inflation Protection

It may be years before you need long-term care services. During that time, long-term care costs could go up. Inflation protection raises the level of your benefits to help with the rising cost of services.

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

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

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

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

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

Nonforfeiture Benefit

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

A nonforfeiture benefit will generally pay the greater of

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

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

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

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

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

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

Optional Benefits Companies May Offer

Waiver of Premium

Many policies include a waiver of premium provision. This provision allows you to stop paying premiums while you're getting policy benefits. Companies may waive the premium when they make the first benefit payment or after a specified time, usually 60 to 90 days after the first payment. This provision may only apply to certain benefits (nursing home, or home health care, for instance).

Refund of Premium

The company will refund some or all of your premiums - minus any claims paid under the policy - if you cancel the policy. Your beneficiary will get the refund if you die. If you keep the policy, the company will use the refund of premiums to make future premiums cheaper or to increase future benefits.

Restoration of Benefits

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

Bed Reservation

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

Long-Term Care Rates

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

- **Age.** The younger you are, the lower your premium will be.
- **Your health.** Your health when you buy the policy will affect your premium. Your premium will be higher if you have health problems.
- **Your area.** Long-term care costs can differ greatly from one area to another. Where you live will affect the cost of your coverage.
- **Elimination period.** The longer you wait before the company pays benefits, the lower your premium.

- **Benefit amount and duration.** Rates are higher for policies with higher benefit amounts and longer payment durations.
- **Other factors.** Optional benefits you add to your policy also will increase your premiums.

Premium Increases

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

Companies can base your rate class on various factors, such as your age, where you live, and your health status when you bought your policy. The company must give you at least 45 days' notice of any premium increase.

View a list of rate increases for companies marketing long-term care insurance on our Long-Term Care Insurance Company Rate Increase Histories web page at www.tdi.texas.gov/consumer/cpmltchistory.html.

Policy Renewals and Cancellations

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

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

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

After a policy has been in force for two years, a company can't cancel it or refuse to pay claims because you provided incorrect information on the application, unless the incorrect information is fraudulent. If a policy has been in force less than two years, a company can deny a valid claim or cancel the policy if it can prove you committed fraud or intentionally misrepresented a material fact or tried to deceive it.

Nonpayment of Premiums

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

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

Consider paying your long-term care policy premiums by automatic bank draft. If you ever want to stop the draft or change the payment, you must tell the company and bank in writing.

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

Alternatives to Long-Term Care Insurance

Life Insurance

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

Some life insurance policies offer long-term care insurance as a rider. If your policy includes this, you might be able to pay for long-term care with the proceeds.

Annuity Contracts

Some annuity contracts let you withdraw money without a penalty to pay for long-term care services.

Life Settlements

Some companies buy life insurance policies from life insurance owners by paying an amount, usually a percentage of the policy's death benefit, for the policy.

If you sell your policy, the buyer becomes the policy owner, pays the premiums, and collects the policy's benefit when you die.

To get a list of registered life settlement companies and brokers, call the Consumer Help Line.

Reverse Mortgages

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

Shopping for Long-Term Care Insurance

Ask yourself these questions about each policy you´re considering:

- **What types of care are covered and where?** Policies can offer a lot of services, including home health care, adult day care, assisted living facility care, and nursing home care. Policies must cover all levels of care from custodial to intermediate to skilled care.
- **What are the benefit eligibility requirements?** Policies won´t pay until you´ve met certain requirements, such as being unable to perform tasks -- called activities of daily living -- or being certified as cognitively impaired. The benefit eligibility criteria may vary from policy to policy.
- **How much is the daily benefit amount for each type of benefit?** Most policies will pay a maximum daily amount for your care. You choose the maximum daily benefit when you buy the policy. It´s important that you choose your benefit amount wisely. Remember that you don't need to insure the full cost of care. To keep premiums down, you could plan to pay some of the cost yourself.
- **How long are benefits paid?** The chances of needing long-term care for more than five years are relatively small. For most people, a policy covering three to five years is appropriate and more cost-effective. However, if you´re concerned about contracting a disease requiring more care, such as Alzheimer´s, consider the more expensive option of lifetime coverage.
- **Does the policy have a preexisting condition waiting period?** If so, how long is it? Some policies won´t cover a preexisting medical condition until after a certain period of time. Some policies will pay for care related to a preexisting condition immediately if you disclosed the condition on your application. Know what the policy says about preexisting conditions.
- **What inflation protection is offered?** Inflation protection helps you keep up with the higher cost of services between the time you bought your policy and the time you actually need them. All companies must offer an automatic increase in benefits at the rate of 5 percent compounded annually. If you reject inflation protection, the rejection must be in writing. The company may also have other options for inflation protection. Remember that to be prepared for

inflation, you must pay a higher premium today or higher out-of-pocket costs later.

- **What is the nonforfeiture benefit?** Companies must offer you a guarantee that you will receive some benefits you paid for even if you later cancel or lose coverage. If you reject the nonforfeiture benefit, the rejection must be in writing. If you cancel or lapse your policy after a specified number of years, the insurance company will either extend benefits for a period of time equal to the premiums paid, less any claims, or provide a greatly reduced benefit. However, the nonforfeiture benefit may not be less than 30 times the daily nursing home benefit.
- **Is the policy tax-qualified?** If you buy a tax-qualified policy, you might be able to deduct part of the premiums you paid as a medical expense on your income taxes. Benefits paid from a tax-qualified policy are generally not considered taxable income. The policy must disclose if it is tax-qualified or non-tax-qualified.
- **Can I upgrade the policy later by buying more benefits?** Some companies let you upgrade your policy after you buy. However, you'll probably have to complete a new medical questionnaire.

Shopping Tips

- **Consider your needs.** Although it´s difficult, try to anticipate what services you might need and choose a policy that´s right for you. If you have someone to take care of you at home, you might consider a nursing home only policy.
- **Shop around.** Prices can vary substantially from one company to another, even for policies with similar benefits. Get quotes from several companies before buying a policy. There's a list of companies selling long-term care insurance in Texas at the end of this publication.
- **Look at factors other than price.** Buy only from licensed insurance companies and agents. Also, make sure the companies you're considering are financially stable and have good customer service. Your family and friends are other sources of information about a company´s customer service. Ask them if they´ve had any experience with the companies you´re considering.
- **Call the TDI Consumer Help Line** or use the "Company Lookup" feature on our website to learn financial ratings, complaint histories, and license status.
- **Consider the company´s 10-year history of rate increases.** While past increases are not a guarantee or predictor of future increases, you may want to consider the company's rate history. You can view the rate increase histories of companies selling long-term care insurance on TDI's Long-Term Care Insurance Company Rate Increase Histories page at www.tdi.texas.gov/consumer/cpmltchistory.html.

- **Buy from an agent you know and trust.** If you buy insurance through the mail or by phone, ask whether the company has a local agent or a toll-free number you can call if you have questions.
- **Try to find an agent that specializes in long-term care insurance.** Because of the many variations in long-term care policies, having an agent with knowledge and experience can help you choose the right coverage for your needs.
- **Use your free-look period.** Insurance companies must give you at least 30 days to look over your long-term care policy after you receive it. Read the policy carefully to be sure it has the benefits and features you want. If you return the policy within the 30 days, you will get a full refund of any premium paid. It´s a good idea to use certified mail so you will have proof that you returned the policy. Keep a copy of everything you return.

Helpful Telephone Numbers and Websites

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

Own Your Future National Clearinghouse for Long-Term Care Information (U.S. Department of Health and Human Services)
1-202-619-0724
longtermcare.gov

Medicare (questions about Medicare coverage, requests for the Medicare and You handbook, and doctor and hospital directories)
1-800-Medicare (1-800-633-4227)
medicare.gov

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

Social Security Administration (questions about Medicare enrollment and eligibility and requests for the Medicare and You handbook)
1-800-772-1213
ssa.gov

Texas Health and Human Services Commission (Health Information, Counseling and Advocacy Program – Texas SHIP for Medicare beneficiaries) Benefits counseling services at local Area Agency on Aging offices)
1-800-252-9240
hhs.texas.gov

Texas Department of State Health Services (questions about health facility compliance and licensure)
1-888-963-7111
dshs.state.tx.us

Texas Medicaid Long-term Care Services (questions about Medicaid coverage)
1-800-252-8263
2-1-1 (free information about resources in your area)

Texas Medical Board's Customer Service Hot Line (questions about licensing and certification of doctors and complaints about care provided in a doctor's office)
1-800-248-4062
tmb.state.tx.us

KEPRO (questions or complaints about quality of care provided to Medicare beneficiaries and requests for publications)
1-844-430-9505
keproqio.com

Companies Selling Long-Term Care Insurance in Texas

AXA Equitable Life Insurance Company
1-800-777-6510

Bankers Life and Casualty Company
1-800-621-3724

Combined Insurance Company of America
1-800-225-4500

Fidelity Life Association, A Legal Reserve Life Insurance Company
1-800-369-3990

Forethought Life Insurance Company
1-800-331-8853

Genworth Life Insurance Company
1-888-436-9678

Guaranty Income Life Insurance Company
1-800-535-8110

Guardian Life Insurance Company of America
1-212-598-8000

John Hancock Life Insurance Company (U.S.A.)
1-800-732-5543

Lincoln National Life Insurance Company, The
1-336-691-4793

Massachusetts Mutual Life Insurance Company
1-800-272-2216

Mony Life Insurance Company of America
1-800-487-6669

National Guardian Life Insurance Company
1-800-548-2962

New York Life Insurance Company
1-800-723-5555

Northwestern Long Term Care Insurance Company
1-800-890-6704

Pacific Life Insurance Company
1-800-800-7646

Provident Life and Accident Insurance Company
1-423-294-1011

Reserve National Insurance Company
1-800-654-9106

Riversource Life Insurance Company
1-800-862-7919

State Farm Mutual Automobile Insurance Company
1-800-252-1932

State Life Insurance Company
1-800-428-2316

Thrivent Financial For Lutherans
1-800-847-4836

Transamerica Life Insurance Company
1-800-247-3615

Transamerica Premier Life Insurance Company
1-800-638-3080

Unum Life Insurance Company of America
1-207-575-2211

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

Long-Term Care Insurance Suitability Worksheet

Long-term care insurance helps provide skilled care or personal care and may help you to preserve your assets against the high cost of an extended long-term care need. Long-term care insurance usually makes sense if you have more assets than a house, car, or a small amount of cash that you want to save

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

Personal Risk Factors

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

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

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

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

Financial Considerations

Premiums

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

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

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

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

Income

What is your annual income? $ ____________________

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

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

Assets

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

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

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

Long-Term Care Insurance Comparison Worksheet

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

Call the TDI Consumer Help Line or visit our website to learn a company's financial rating, complaint index, and company license status.

Company Information (insert company name)			
Telephone number			
Financial rating			
Consumer complaint index			
Company licensed in Texas (yes or no)			
Number of years in business			
Policy form number			
Number of years selling policy form			

Premium Amounts			
Premium without riders and discounts	$	$	$
Premium with home health care	$	$	$
Premium with inflation protection	$	$	$
Premium with nonforfeiture benefit	$	$	$
Premium for optional rider	$	$	$
Premium for optional rider	$	$	$
Discounts you qualify for	%	%	%
Premium with riders and discounts	$	$	$

Benefits the Policy Provides			
Years of coverage provided			
Total lifetime benefit	$	$	$
Pre-existing condition wait period (yes or no)			
Benefits adjusted for inflation protection (yes or no)			
Tax-qualified policy (yes or no)			

Services the Policy Provides			
Nursing home care (yes or no)			
Assisted living facility care (yes or no)			
Home health care (yes or no)			

Daily and Monthly Policy Limits	Daily	Monthly	Daily	Monthly	Daily	Monthly
Nursing home care	$	$	$	$	$	$
Assisted living facility care	$	$	$	$	$	$
Home health care/adult day care	$	$	$	$	$	$

Elimination Periods (list number of days for each)			
Nursing home care			
Home health care			

Texas Department of Insurance
PO Box 149091 | Austin TX 78714-9091
1-800-252-3439 | **TDI.texas.gov** | **@TexasTDI**

A Shopper's Guide to Long-Term Care Insurance (cb032)
Updated October 2017