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The Facts About Long-Term Care Insurance

With the rising costs of health care, the graying of America, and increasing longevity due to improvements in medical science, diet and exercise, the risk of needing long-term care, either at home or in a facility such as a nursing home, has never been of greater concern. The real question is, "How will I pay for it?" Long-term care insurance is one alternative -- one which, with the changes in Medicaid, is becoming ever more important.

Long-term care is the broad range of services that assist people who have an impaired ability to live independently for an extended period. There are 3 levels of long-term care: (1) around-the-clock or *skilled care*, (2) occasional or *intermediate care* by a registered nurse or other licensed medical professional under a doctor's supervision, and (3) *custodial care*, the assistance with activities of daily living including eating, dressing, bathing, toileting, transferring and maintaining continence due to physical or cognitive limitations. Custodial care is usually provided by untrained medical personnel including family members.

While many seniors mistakenly believe that Medicare will cover the cost of long-term care, Medicare usually provides only very limited coverage (up to 100 days of skilled, rehabilitative care). Medicare supplemental policies, also known as "Medigap" policies which are sold by private insurance companies to fill in the "gaps" in costs and services provided under Medicare coverage, will not pay for long-term care at all. On the other hand, long-term care insurance pays for skilled, intermediate, or custodial care. Long-term care policies may pay benefits in several care settings including nursing homes, assisted living facilities, adult day care as well as in your home.

Long-term care insurance is not suitable for everyone. It is primarily designed for the middle class. Affluent people, those who can afford to privately pay anywhere from \$70,000 a year for home health care to more than \$150,000 a year for nursing home care without affecting their family's finances, do not need this insurance. On the other end of the spectrum, long-term care insurance is not necessarily appropriate for individuals of modest means who would qualify for Medicaid by spending down their assets quickly.

The cost of long-term care insurance can be expensive and depends on your age and health as well as the type of policy purchased. The younger you are when you apply for coverage, the lower the premium. You must be also be healthy enough to pass a medical screening. You can usually choose from several options for coverage, such as the size of the daily or monthly benefit, how long benefits will continue, and options designed to protect against inflation.

A common misconception is that once purchased, the premium can never be increased. Under the guaranteed renewability clause of the contracts, an insurance company can seek the State Insurance Department's permission to charge a uniform price increase for everyone who purchased a particular insurance contract at the same age and health classification. Accordingly, it is important to choose not only the right policy but the right insurance company as well.

Since most companies offer similar products today, one should check an insurer's track record. Factors to consider include the company's financial ratings for financial strength and stability, its experience in the marketplace and its claim paying history.

We advise our clients to consult with a knowledgeable insurance agent who specializes in this field. If you are considering the purchase of a policy, you should request a sample contract from the insurance company. You should also review the Outline of Coverage (which explains the policy) and the Shopper's Guide to Long-Term Care Insurance (published by the National Association of Insurance Commissioners) which must be provided to you, by state law, at the time of application. Most agents will be happy to supply this brochure when they meet with you.

Determining whether long-term care insurance is suitable for you can be a confusing and complex process. We are happy to speak with you if you are considering this insurance or if you have questions regarding any policies you may already own.