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Life in the long-term

A primer on what you need to know about buying insurance now for care you may need later

BY RONALD E. ROEL
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About 12 years ago, Gunther Lutzen began looking ahead with one thought: "I do not want to be a burden to my children."

Lutzen, then 69, was a retired deli owner living in Coram. "Everybody thinks about getting old," Lutzen says. "I didn't want to go into a nursing home. And I knew my children would take care of me, but . . ."

After consulting his lawyer, Lutzen decided to buy long-term care insurance, which is designed to help pay for services not covered by Medicare, Medicaid or other health insurance. Eventually, he moved in with one of his children, Fred, in East Northport, but when Lutzen's health began to slip in late 2011, he sought the help of Jennifer Rogak, a geriatric care adviser who counsels families dealing with such insurance. Lutzen considered several options, including home care that would have enabled him to continue living with Fred.

Ultimately, Lutzen chose to move to The Bristol, an assisted-living facility near his son's house. "Here, you meet people," he says. "There's no stress. I'm on a good diet. I feel much better now."

Lutzen is one of millions of older Americans who have signed up for long-term care insurance, according to the American Association for Long-Term Care Insurance, a Los Angeles area-based trade group. The need for such care is likely to increase, as more baby boomers retire and seniors continue to live longer. The U.S. Department of Health and Human Services estimates that about 70 percent of people turning age 65 can expect to use some form of long term care eventually.

But so far, many consumers have not bought such insur-



Long-term care insurance helped David Smith, with wife Sheila, of Port Jefferson, with home care.

ance, experts say, partly because of the relatively high cost, but also because people appear reluctant to plan for such care. Only 35 percent have set aside money to pay for extended care, according to a recent study by The Associated Press-NORC Center for Public Affairs Research.

"Many families have given no thought to what would be the best way to care for parents," says Rona Loshak, an insurance broker in Roslyn. "With so little planning, things are often done in crisis."

Ronald Fatoullah, an elder law attorney in Great Neck, says, "We tell our clients, 'If you're healthy enough and wealthy enough to get long-term care insurance, just do it.' For those who can't afford it, 'Medicaid planning

[to qualify for long-term care benefits] is an option," he says.

So how can you design a policy that fits your needs? Here are some key steps:

UNDERSTAND THE BASIC COVERAGE

Most long-term care insurance does not provide medical care, but, rather, covers out-of-

pocket expenses for services (typically home care, assisted living and nursing homes) that help perform the basic personal tasks, or activities of daily living. These include dressing, bathing, eating, toileting, continence, transferring (getting in and out of a bed or chair) and walking. Coverage also may include care needed due to cognitive impairment, such as Alzheimer's disease.

MAKE SURE YOU MEET HEALTH QUALIFICATIONS

Every company has different ones, and the standards for approval have gotten stricter.

"The key is applying when you're healthy," Loshak says. You can still qualify if you've had a serious ailment, such as cancer, she says, but your health must be back in a "stable condition" when you apply. Most insurers today will not issue a policy to applicants over age 79, even if they're healthy, she adds.

ANALYZE THE RANGE OF PREMIUM COSTS

Long-term care insurance rates vary widely, depending on your age and health rating, the daily or monthly benefit, the "elimination period" — (essentially, the deductible) —

inflation protection riders and how long the benefits pay out. For instance, a 55-year-old unmarried person can expect to pay \$2,065 a year for \$162,000 in benefits, which would grow to roughly \$330,000 by age 80, according to the American Association for Long-Term Care Insurance.

Rates for women are expected to increase, since they tend to live longer (they make up two-thirds of long-term care insurance claims). Loshak says insurers already have raised rates for women in 30 states, and rates are likely to rise 25 percent to 50 percent for women in New York in the coming year.

At the same time, experts note that there are tax incentives for purchasing long-term care insurance. New York State allows a 20 percent tax credit for premiums, and, if you itemize deductions, there's also an available federal tax deduction.

"Policies can be designed to meet a variety of needs and budgets," adds Chuck Valenti, a wealth management adviser and long-term care specialist in Melville. "You don't have to insure the entire risk, so anything you put in place will certainly help protect your retirement nest egg."

KNOW WHAT BENEFITS ARE COVERED

The maximum daily benefit is the amount of money an insurance company will pay per day toward care, say, \$250 or \$300. A comprehensive policy will offer you flexibility, covering options such as home care, assisted-living facilities or nursing home care, but it might not cover extras like medications and special services. Some policies, known as "indemnity plans," offer cash payment to be used at the insured's discretion. "Most people want to stay at home" if possible, says Rogak, co-founder of Senior Options Systems, a Stony Brook-based care management and counsel-

ing organization.

ESTIMATE HOW MUCH MONEY YOU WOULD NEED TO COVER YOUR LONG TERM CARE NEEDS

Check out average costs in your area from resources such as the federal government's National Clearinghouse for Long-Term Care Insurance (longtermcare.gov; click on "Cost of Care"). The average cost for nursing home care on Long Island, for example, is more than \$144,000 a year.

CONSIDER INFLATION PROTECTION

Does your policy offer an inflation adjustment rider that increases your daily benefit annually, thus hedging against rising medical costs as you age? Some inflation riders may offer benefit increases linked to the Consumer Price Index; others may increase your benefits value between 3 percent and 5 percent annually; still others may stop inflation protection after a period of say, 15 years. In general, the higher the inflation protection, the higher the premium.

CHOOSE AN ACCEPTABLE "ELIMINATION PERIOD"

The elimination period is the length of time you must wait before the insurance company pays or reimburses you for the cost of care. Some policies may have no elimination period while others can have 100 days or more. The longer the elimination period, the lower your premiums.

Learning about long-term care insurance

When deciding on how long to make your elimination period, review your current financial situation, Valenti says. For those with lesser available resources, a shorter elimination period would be a wiser option.

DECIDE HOW LONG YOU WANT YOUR BENEFITS TO LAST

Your benefit period is how long the policy will cover the cost of care — say, three years. The length of coverage is actually calculated based on a total pool of money provided by the policy, Loshak says. For instance, she says, if you choose a daily benefit of \$250 a day for three years, you would have a maximum benefit of \$273,750, not including inflation protection. But if you used less than \$250 a day in benefits, you could extend your coverage beyond three years. (The average nursing home stay is between two and three years, according to the federal government's 2012 National Nursing Home Survey.)

"We believe a 'short and fat' plan is better," Loshak says, meaning that a better option is for a higher daily benefit over a shorter benefit period, when you're more likely to use the money. "But everybody makes a personal choice," she says. "It's comes down to what [decision] they can sleep with at night."

In the case of Lutzen, the retired deli owner, being able to sleep at night meant his buying what Rogak calls a "Cadillac policy" that includes a \$350 daily benefit and a lifetime benefit period. Of course, there are less expensive plans, as well as new "hybrid" financial products — combining life insurance or annuities with long-term care — which "may be the right solution for some consumers," Valenti says. A number of insurers participate in the New York State Partnership for Long Term Care (nys-pltc.org). Under this state program, purchasers of a partnership-qualified policy can extend their long-term care coverage under Medicaid, should they need to receive additional services beyond their original private benefit coverage, allowing them to protect some or all of their assets.

Even with a long-term care



Jennifer Rogak, of Senior Options Systems in Stony Brook, advises Gunther Lutzen, 81, about his long-term care insurance policy.

policy in place, getting the benefits you paid for can be challenging. The language in policies can be ambiguous and confusing, says Rogak, and if people are in the midst of a health crisis, the process of filing a claim can be daunting.

Here's some advice from the experts:

SEEK GUIDANCE

As part of their policy, a growing number of companies provide a care coordinator, or "navigator," who helps guide you through the often-complicated claims process. Other policies may pay for an independent care adviser, such as Rogak, who is not employed by an insurance company. (She charges \$250 for initial consultation, then a hourly fee for ongoing services.) In addition to helping policy holders file claims, Rogak evaluates and implements appropriate services, and remains involved as care needs change.

DESIGNATE AN AUTHORIZED REPRESENTATIVE

When the time comes for elderly policy holders to file a claim, they may not be in a mental or physical condition to do so. And if they turn to their adult children for help, they frequently discover that the insurance representative is not permitted to talk to anyone

but the policy holder. A parent should make sure they write a letter to the insurance company, saying, "I am authorizing so-and-so to represent me and get information on my behalf," Loshak advises. "Do this when you're healthy."

KNOW WHAT QUALIFIES YOU FOR A CLAIM

Typically, to qualify for benefits, you must be unable to perform two out of six activities of daily living or have a significant cognitive impairment. Some long-term care companies have their own practitioners (nurses or social workers) who meet with the policy holder to do a face-to-face assessment of care needs. But sometimes the "triggers" to qualify for benefits require a lot of documentation, Rogak says.

Take the saga of David Smith, 73, a retired manager for a large manufacturing company who now lives in Port Jefferson, with his wife, Sheila. Smith had purchased a long-term care policy many years ago. In the summer of 2010, the Smiths, then living in Tennessee, were stunned to discover that they had lost all their retirement savings in a fraudulent investment scheme perpetrated on congregants at their church.

They sold all their assets — even David's gold retirement watch. Then, David got sick and was hospitalized with multiple illnesses. The couple managed to move back to Long Island, where they both had grown up and where Sheila's children still lived, but "I was totally taking care of my husband," Sheila says. When her

son, a financial adviser, told them they should file a claim they did, but found themselves frustrated, trying to negotiate with the insurance claims representative. After several months, they met Rogak, who helped get Smith "on claim," managing the paperwork, coordinating home care services and ensuring reimbursement for various monthly medical expenses.

Since David purchased an indemnity policy only for himself, the Smiths get about \$6,000 a month in cash, until David no longer needs services. A registered nurse comes weekly to set up David's 29 medications at the couple's one-bedroom rental apartment, and a home health aide provides three hours of care every day so Sheila, 71, can get regular breaks. The aide has become "a second pair of hands," Sheila says. "It's give me peace of mind to have the aide here so I can get out, do my chores and baby-sit my grandchildren."

Helpful resources

Here are some resources to help navigate the many questions involved in choosing a long-term care insurance policy:

longtermcare.gov

The National Clearinghouse for Long-Term Care Information, developed by the U.S. Department of Health and Human Services' Administration on Aging, provides information and resources to help you and your family plan for future long-term care needs.

aaltci.org The American Association for Long-Term Care Insurance website, a Los Angeles area-based trade group, offers a consumer resource center for advice and information about how to plan and finance long-term care insurance. Plus, there's a page devoted to explaining and comparing costs at bit.ly/MTugL2

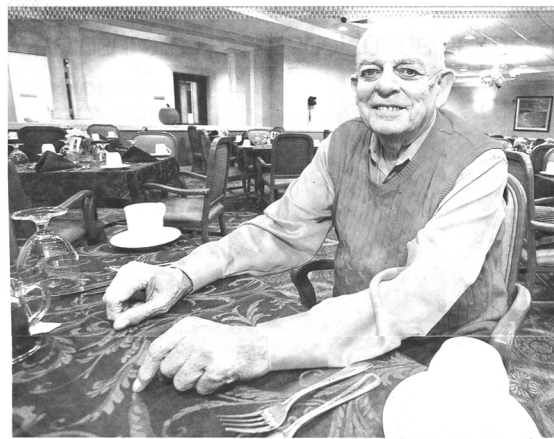
naic.org The National Association of Insurance

Commissioners, the standard-setting and regulatory support organization governed by the chief insurance regulators in each state, offers a free, downloadable "Shopper's Guide to Long Term Care Insurance" at bit.ly/lhZ-KHDO

dfs.ny.gov, search for long-term care The New York State Department of Financial Services website offers information about long-term care options and how to shop for insurance.

Insurance company ratings Since many consumers do not actually use their long-term care policies for decades, experts often recommend checking the financial stability of potential insurers. Here are some firms that rate the dozen or so major insurers A.M. Best Insurance Review (ambest.com); Moody's Investor's Service (moody.com); and Standard & Poor's (bit.ly/lly-VH2P).

— RONALD E. ROEL



Retired deli owner Gunther Lutzen, 81, who had purchased long-term care insurance, now lives in The Bristol, an assisted-living facility in East Northport.

Key questions to consider

Twelve questions to ask when considering a long-term care insurance policy:

- 1 What types of long-term care services are covered?
- 2 What are the health standards for qualifying for insurance, and are there exclusions for pre-existing conditions?
- 3 How much does the policy pay per day as a daily benefit?
- 4 What type of provider qualifies as acceptable care and who approves them?
- 5 Does the policy have an inflation adjustment rider that anticipates rising medical costs?
- 6 What health conditions trigger benefit eligibility?

- 7 Who determines whether you're eligible for benefits?
- 8 How does the insurer make payments for benefits — and to whom?
- 9 How long is the elimination period before benefits kick in?
- 10 How long is the benefit period?
- 11 Who's authorized to discuss the benefits of your policy on your behalf?
- 12 Does the insurer offer a care coordinator to help you navigate the claims process, or the option to pay for an independent care adviser?

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