A Shopper's Guide to Long-Term Care Insurance

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Getting Help from TDI

If you believe an insurance company has treated you unfairly, first contact your-company and try to resolve the problem. Most companies operating in Texas arerequired to have a toll-free telephone line to provide customer assistance. Thenumber should be listed in your policy.

If you are unable to resolve the problem yourself, you can file a complaint withTDI. There are several ways to file a complaint:

- on our website at **www.tdi.state.tx.us/consumer/complfrm.html**
- by e-mail at **ConsumerProtection@tdi.state.tx.us**
- by fax at **512-475-1771**
- by mail at

Texas Department of Insurance
Consumer Protection (111-1A)
P.O. Box 149091
Austin, TX 78714-9091

LONG-TERM CARE IS A TYPE OF PERSONAL CARE SERVICE you may need if you become unable to care for yourself because of a prolonged physical illness, a disability, or a cognitive impairment, such as Alzheimer's disease.

Long-term care is different from traditional medical care that attempts to treat or cure illnesses. Long-term care helps you maintain your current lifestyle, but it may not improve or correct your medical problems. Care may be provided at home or in a hospice, adult day care center, nursing home, or assisted living facility.

If you have a physical illness or disability, you may need hands-on or stand-by assistance with your normal daily activities, such as eating or getting around. If you are cognitively impaired, you may need supervision, protection, or reminders to take medicines or perform other activities. Long-term care may also include care management services to evaluate your overall needs.

There are different types of long-term care services. **Skilled care** is care for medical conditions that require medical personnel, such as a registered nurse or a professional therapist. This type of care is usually provided in a nursing home or a similar facility and requires a physician-prescribed plan of care.

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

The Cost of Long-Term Care

Long-term care can be expensive. The cost depends on the amount and type of care you need and where you receive it.

Home health care costs vary depending on where you live and the level of care you need. Skilled care provided by a nurse is more expensive than care provided by a home health aide. Around-the-clock care is more expensive than periodic visits. Assisted living can cost $900 to $3,000 per month in Texas, with costs even greater in urban areas and for upscale facilities. The average cost for a day of nursing home care could be $150 to $200, depending on where you live, the level of services you need, and other factors.

A long-term care policy's daily nursing home benefits may range from $50 to $250 per day. To determine how much coverage you might need, call local nursing facilities, home health care agencies, and adult day care facilities and ask about their cost for daily care. Keep in mind that costs will likely increase as you get older.

Paying for Long-Term Care

People pay for long-term care in a variety of ways.

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

To qualify for Medicaid, you must meet state and federal guidelines for income and assets. Many people pay for long-term care out of their own pockets until they become eligible for Medicaid. To learn more about Medicaid eligibility, call your local Area Agency on Aging or Texas Health and Human Services Commission office. A list of phone numbers is included on the inside front cover of this publication.

Medicare may 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. It covers the cost of some skilled care in approved nursing homes or in your home in certain situations. Medicare also might cover some custodial care in your home if you are receiving skilled care.

If you don't qualify for Medicaid or Medicare, you'll either have to pay your long-term care expenses **out of pocket**, with a **long-term care insurance policy**, or by some **alternative means**.

Types of Long-Term Care Insurance Policies

Texas Long-Term Care Partnership Program Policies

Texas created the Long-Term Care Partnership Program as an incentive for Texans to plan for their long-term care needs. The partnership is a joint effort between private insurers and the state. Insurers must follow state and federal guidelines and agents must complete required training to sell partnership policies.

Partnership policies have an asset disregard benefit that is useful if you need to apply for Medicaid. Partnership policies, however, do not guarantee you'll be accepted into Medicaid. You'll still have to meet income, medical, and other eligibility criteria.

With the asset disregard benefit, every dollar of long-term care benefits your partnership policy pays will equal one dollar of countable assets that will be disregarded to determine if you're eligible for Medicaid. This means you can retain assets above the normal limit and you won't need to "spend down" your assets to qualify for Medicaid. In addition, the assets that were disregarded in the Medicaid eligibility process will not be subject to Medicaid liens and recoveries after you die.

In addition to asset disregard, long-term care partnership policies must also include the following benefits:

Inflation protection. Inflation protection helps your policy continue to pay long-term care benefits as costs rise. Partnership policies provide varying levels of inflation protection based on your age:

- **Under 61 years old:** The insurer is required to offer you the option to purchase 5 percent compound annual inflation protection. You can choose to purchase protection at a lower rate, but you must retain some form of compound inflation protection. Upon attaining 61 years of age, you can amend the inflation protection provision to comply with requirements of the next age bracket.
- **Ages 61 to 76:** You must purchase and retain some form of inflation protection until you are 76 years old.

- **After age 76:** Insurers must offer inflation protection, but you don't have to purchase or retain it.

Tax qualification. You may be able to deduct part of the premium from your taxes as a medical expense, and policy benefits are generally not taxable as income.

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

Note: *Partnership policies will be accompanied by a disclosure statement identifying the policy as a long-term care partnership policy. Be aware that if you make any changes to your partnership policy, you could lose your partnership policy status. Your agent can tell you what changes will result in a status change.*

Moving to another state

Texas participates in a national reciprocity agreement with other states to honor the terms of your partnership policy. If you move to a state that participates in the reciprocity agreement, the policy you bought in Texas will retain its partnership status. Be careful basing your decision to purchase a partnership policy on reciprocity with other states because states can opt in or out of the reciprocity agreement at any time. For a list of participating states, visit ***www.OwnYourFutureTexas.org***. If you move to another state, you will also need to meet all the Medicaid requirements for your new state of residence.

Tax-Qualified Long-Term Care Policies

You may be able to deduct part of the premium for a tax-qualified long-term care policy from your taxes as a medical expense. In addition, you are generally not required to claim your qualified long-term care policy benefits as taxable income. However, in the case of an indemnity policy, there is an annual dollar cap.

All policies sold before January 1, 1997, are automatically tax-qualified. Policies sold on or after January 1, 1997, may be either tax-qualified or non-tax-qualified. To determine 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)."

Consult with an attorney, accountant, or tax advisor about the tax implications of purchasing long-term care insurance.

To claim a tax deduction for long-term care premium payments, your out-of-pocket medical expenses, including long-term care premiums, must be more than 7.5 percent 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, 2010*

AGE	MAXIMUM ALLOWABLE DEDUCTION
40 or younger	$330
41 to 50	$620
51 to 60	$1,230
61 to 70	$3,290
71 or older	$4,110

**Maximum deduction amounts change annually*

Non-Tax-Qualified Long-Term Care Policies

Premiums for non-tax-qualified long-term care policies are not tax deductible. In addition, you might have to pay taxes on any benefits the policy pays above expenses incurred.

To receive benefits from a non-tax-qualified policy, you must have a cognitive impairment, such as Alzheimer's or a similar disease, or be unable to perform two of six ADLs. However, some policies may offer more favorable benefit triggers. For example, a policy might require only a medical necessity and the inability to perform one of six or two of seven ADLs.

Comparing Tax-Qualified and Non-Tax-Qualified Policies

	TAX-QUALIFIED POLICIES	NON-TAX-QUALIFIED POLICIES
Tax Deductions	You can deduct premiums with other annual medical expenses.	You may not deduct any part of your annual premiums.
Counting Benefits as Income	Benefits that you receive and use to pay for long-term care services generally will not be counted as income. For policies that pay benefits using the expense incurred method, benefits that you receive in excess of the costs of long-term care services may be taxable. For policies that pay benefits using the indemnity or disability methods, all benefit payments up to the federally approved daily rate are tax free even if they exceed your expenses.	Benefits that you receive may or may not count as income.
Triggering Benefits	Federal law requires that you be unable to perform two ADLs without substantial assistance for at least 90 days before benefits are triggered. "Medical necessity" can't be used as a trigger for benefits.	Policies can offer a different combination of benefit triggers. Benefit triggers are not restricted to two ADLs. Medical necessity" or other measures of disability can be offered as benefit triggers.
Cognitive impairment coverage	A person must require "substantial supervision" for cognitive impairment to be covered.	Policies don't have to require "substantial supervision" to trigger benefits for cognitive impairments
Plan of care requirement	Plan of care from a health care practitioner required for payment of benefits	Not required for payment of benefits, but company may ask for it

Qualifying for Coverage

Companies selling long-term care insurance underwrite their coverage. That means they look at your health status and health history and will issue a policy only if you meet their established guidelines.

Some companies ask only a few questions about your health. Others may ask for more details, examine your medical records, ask for a health statement from your doctor, or require you to take a medical exam. Answer all health questions truthfully and thoroughly. If a company later learns you did not fully disclose your health status on the 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 if a long-term care policy is right for you. Answer all questions truthfully and thoroughly. 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 increase your premium rates in the future, but only if it increases the rates for all policies in the same class.

In addition, you'll receive an explanation of the nonforfeiture and contingent nonforfeiture benefit upon lapse. You can buy a nonforfeiture benefit for an additional premium that will guarantee that you will receive some of the benefits you paid for if you cancel or lose coverage. Read the Optional Features section for more information about nonforfeiture and the contingent nonforfeiture benefit.

Replacing a Policy

If you're considering replacing a long-term care policy, first determine how your current policy differs from the new one. Your current policy might have benefit limitations that a newer policy won't have. For instance, policies issued prior to 1992 could include the following limitations:

- requiring a hospital stay before nursing home benefits are available
- minimal coverage or no coverage for home health care or adult day care
- no inflation protection or other benefit increases
- no protection against cancellation due to a loss of mental or physical capacity
- no nonforfeiture benefits
- benefit amounts that are too low to cover today's long-term care expenses.

An older policy also might not include some of the benefits that companies are currently required to offer. Compare all of your current policy's benefits to any new policy you are considering. Remember that a new policy with better benefits may cost significantly 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.

Make sure you tell the agent if you're buying a long-term care policy to replace another one. The agent must provide you with a notice explaining how replacing the policy will affect you.

If you decide to replace your policy, don't cancel your current policy until the new one is in effect to avoid any gaps in coverage.

Ways to Buy Long-Term Care Insurance

Private insurance companies sell 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 with long-term care insurance as a rider.

Individual Policies

Most long-term care insurance policies are sold to individuals. Individual policies can be very different from one company to the next. Each company may offer policies with different combinations of benefits. Be sure to shop around to get the coverage that best fits your needs.

Group Policies

Your employer may offer a group long-term care insurance plan or offer individual policies at a group discount.

An employer's group policy may be similar to what you could buy with an individual policy. An advantage of a group policy for active employees is that you may not have to meet any medical requirements or there may be a relaxed screening process. 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.

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

Federal and State Government Policies

Federal and U.S. Postal Service employees, retirees, and qualified relatives are eligible to apply for long-term care insurance coverage through the Federal Long Term Care Insurance Program. Private insurance companies underwrite the insurance, and the federal government does not pay any of the premiums. The group rates under this program may or may not be lower than individual rates and the benefits may also be different.

If you or a family member is a state or public employee or retiree, you may be able to buy long-term care insurance under a state government program.

Association Policies

Many associations 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 to obtain coverage. Be careful about joining an association for the sole purpose of buying insurance coverage. Review your rights if the policy is terminated or canceled.

How Long-Term Care Insurance Works

Long-term care insurance policies are not standardized. Companies sell policies that combine benefits and coverage in different ways.

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 zero, 20, 30, 60, 90, or 100 days after you enter a nursing home or begin to receive other covered services. Benefits begin on the day after your elimination period ends. For example, a policy with a 30-day elimination period will begin paying benefits on the 31st day.

You can lower your premium by choosing a longer elimination period. However, keep in mind that you'll have to pay all your expenses out of pocket for a longer period before the policy will pay.

Some policies have only one elimination period, while others require an elimination period for each new "period of care." Be sure to check how the elimination period works before buying a policy.

Benefit Period

A benefit period is the amount of time a policy will pay benefits. Benefit periods may range from a minimum of 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 provide a maximum benefit as a total dollar amount rather than an amount of time. For example, if you buy a policy with a lifetime benefit of $73,000, the policy would pay for each day of care until you reach the maximum benefit. If the current charge were $200 per day, the benefit would last for one year.

How Benefits Are Paid

Insurance companies that sell long-term care insurance generally pay benefits using one of three different methods: the expense-incurred method, the indemnity method, or the disability method. It is important to read the literature that accompanies your policy and to compare the benefits and premiums.

When the **expense-incurred method** is used, the insurance company will only pay for benefits when you receive services covered by your policy. Once you have incurred an expense for an eligible service, benefits are paid either to you or your provider. The coverage will pay for the lesser of the expense or the dollar limit of your policy. 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 benefit is not based on the services received or the expenses incurred. The insurance company will pay a set amount directly to you up to the limit of the policy for benefits you receive that are covered by the policy.

When the **disability method** is used, you are only required to meet the benefit eligibility criteria. Even if you are not receiving any long term care services, you will receive your full daily benefit once you meet the criteria.

Pooled Benefits and Joint Policies

You may be able to buy a long-term care insurance policy that covers more than just one person or more than one type 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, two partners, or two or more related adults. This type of benefit is sometimes called a "joint policy" or a "joint benefit." Joint policies provide a benefit amount 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 benefits, and the husband uses $25,000 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.

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 facility.
- **Assisted living care** in a licensed assisted living facility.
- **Home health care services** that may include skilled nursing care and physical therapy. A licensed home health agency generally must provide this care.
- **Adult day care** in a licensed adult day care facility. Typical benefits include nursing or therapeutic care, social and educational activities, or personal supervision.
- **Other services.** Some policies will pay for hospice care, respite care (care to allow family members who are caregivers to have time off), 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 the above 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 will have and how it will cover long-term care services you receive.

Daily, Weekly, and Monthly Benefit Limits

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 $200 per day or $6,000 per month, and a weekly home care benefit of up to $1,400 per week. Some policies will pay one time for a single event, such as installing a home medical alert system.

When you buy a policy, insurance companies let you choose a benefit amount (usually $50 to $350 a day, $350 to $2,450 a week, or $1,500 to $10,500 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 (for example, 50 percent or 75 percent). However, a growing number of policies pay the same benefit amounts for care at home and in a facility.

You can often select the home care benefit amount that you prefer. 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. Check prices at facilities in the area you're likely to receive 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 more, or lifetime). Others policies list the maximum benefit limit as a total dollar amount. The maximum benefit limit may be called a "total lifetime benefit," a "maximum lifetime benefit, or a "total plan benefit."

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

Services Not Covered by Long-Term Care Insurance

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

- **Pre-existing conditions.** A pre-existing condition is an illness or disability for which you received medical advice or treatment in the six months prior to applying for long-term care coverage. A long-term care policy can delay coverage of a pre-existing condition for up to six months after the policy's effective date. This is the policy's waiting period.
- **Mental and nervous disorders.** A long-term care policy can exclude coverage of some mental and nervous disorders, but the policy must cover Alzheimer's disease and other age-related disorders. (However, a company can deny coverage to a person already suffering from Alzheimer's.) A long-term care policy must also cover all serious biologically based mental illnesses and brain diseases, such as schizophrenia or major depressive disorders.
- **Care by family members.** Most policies will not 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
- aviation activities, if you were not a fare-paying passenger.

In addition, long-term care policies won't pay for care already paid for by Medicare (with the exception of expenses that Medicare pays as a secondary payor) or any other government program, except Medicaid.

Long term care policies may not provide benefits for services or items paid for by another long-term care or health insurance policy. The insurance company cannot deny a claim because services were provided outside the state you were issued the policy.

Optional Features

Companies must offer inflation protection and a nonforfeiture benefit for an additional premium.

Inflation Protection

It may be years before you actually need long-term care services. During that time, long-term care costs could increase significantly. Inflation protection helps you keep up with increasing cost of services between the time you bought your policy and the time you actually need them. The younger you are, the more important inflation protection may be. The amount of additional cost for inflation protection primarily depends on how old you are when you buy the policy.

Be careful not to sacrifice necessary benefits in the future for a lower premium today. If you buy a partnership policy and are under 76 years old, you must purchase and maintain inflation protection to ensure 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 specified 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 offer you a guarantee that you will receive some of the benefits you paid for even if you later cancel or lose coverage. This guarantee is called a "nonforfeiture benefit." In most cases, the longer you pay premiums on the policy, the larger the nonforfeiture benefit will be.

Generally, a nonforfeiture benefit will either pay up to the total amount of all premiums paid or 30 times the daily nursing home benefit at the time the policy lapsed, whichever is greater.

A nonforfeiture benefit can significantly increase a policy's premium. If you decide not to buy a nonforfeiture benefit, you must reject the offer in writing and the company must explain its "contingent nonforfeiture benefit."

The company must also offer a contingent nonforfeiture benefit upon lapse each time it raises your premium substantially. The benefit allows you to either choose a reduced benefit amount to prevent premium increases or to convert your policy to a paid-up status. If no election is made within 120 days of the due date of the premium increase, the election can be converted to a paid-up status. The paid-up status will be the greater of either the total sum of all premiums paid for your policy or 30 times the daily nursing home benefit at the time the policy lapsed.

Companies must notify policyholders at least 45 days before premiums with rate increases are due. Individuals who purchase limited premium payment policies that are paid in full within a certain time are also entitled to a contingent nonforfeiture benefit with different qualifying conditions. Talk to your agent about these conditions.

Optional Benefits Companies May Offer

Waiver of premium

Many policies include a waiver of premium provision. This provision allows you to stop paying premiums when you are in a nursing home and the insurance company has started to pay benefits. Companies may waive the premium as soon as they make the first benefit payment or after a specified time, usually 60 to 90 days after the first payment. This provision may not apply if you are receiving certain benefits (home health care or adult day 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 receive the refund if you die. Usually, you must have paid premiums for a certain number of years before this benefit becomes effective. If you keep the policy, the company will apply the refund of premiums to reducing future premiums 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 do not require 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 at the time the policy is issued will affect your premium. Your premium will be higher if you have health problems.
- **Elimination period.** The longer you can pay your expenses before the company begins paying benefits, the lower your premium.
- **Benefit amount and duration.** Rates are higher for policies with higher benefit amounts and longer payment durations.
- **Other factors.** Long-term care costs may vary greatly from one area to another. Where you live will affect the cost of your coverage. Optional benefits you decide to 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 in your "rate class." A company cannot single you out for a rate increase, regardless of any change in your health or the number or amount of claims you've made. The company can base your rate class on your age, where you live, and your health status at the time you purchased your policy. The company must give you at least 45 days notice of any premium increase.

View TDI's *Long-Term Insurance Care Rate Guide* to view rates for companies selling long-term care insurance.

Policy Renewals and Cancellations

Long-term care policies are "guaranteed renewable." This means the company must renew your policy each year unless you misrepresented your health status in your application, failed to pay your premiums, or exhausted your benefits. You can cancel your policy at any time by providing notice to the insurance company. The company must return any unearned premium to you. Unearned premium does not 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 cannot cancel it or refuse to pay claims because of misstatements in the application, unless the misstatements are fraudulent. If a policy has been in force less than two years, a company can deny an otherwise valid claim or cancel the policy if it can prove misrepresentation or intent to deceive.

When you buy a long-term care policy, the company will ask you to designate another person who will also receive notice if your policy is about to be canceled because you have not paid the premium. The other person can be a relative, friend, or a professional, such as your lawyer or accountant. Although the company is required to ask, you do not have to designate anyone to receive this notice. The designated person will not be responsible for paying the premium and will only be notified if the payment is more than 30 days past due.

A company may not cancel a policy for nonpayment of premium unless the premium has gone unpaid for at least 65 days past the due date. The company must wait 30 days after the due date before notifying you and any person you designated that it will cancel the policy for nonpayment. Once the company has mailed the notice, it must allow five days for you to receive it. From that date, the company must give you 30 days to pay the premium.

You may want to consider paying your long-term care policy premiums by automatic bank draft. However, you'll have to notify the company and the bank in writing to stop the withdrawals if you no longer want the policy or you want to change the method of payment.

If the company cancels your policy for nonpayment, it must reinstate the policy upon receiving proof within approximately five months of the cancellation date that you failed to pay premiums because of mental or physical impairment. The company must also pay any claims for eligible services. You will have to pay back premium to the date the policy lapsed.

Deciding if Long-Term Care Insurance is Right for You

Long-term care insurance can help protect your assets against the high cost of extended long-term care. However, long-term care insurance usually only makes sense if you have significant assets to protect other than your home, car, and a small amount of cash.

Long-term care insurance is probably not a good idea if you have trouble stretching your income to pay for utilities, food, or medicine. If you don't have significant assets, you may have to pay for your care out of pocket until you exhaust, or "spend down," your assets enough to qualify for Medicaid.

To determine whether long-term care insurance is right for you, consider your personal risk factors, assets, income, costs, and available alternatives. You can also use the Long-Term Care Insurance Suitability Worksheet at the back of this publication to help you decide.

Agents are required to provide you with a worksheet and list of "things you should know before you buy" to help you decide if long-term care insurance is right for you.

Personal 'Risk Factors'

The following factors might affect your likelihood of needing long-term care:

- **Life expectancy.** The longer you live, the more likely it is that you will need long-term care. Consider whether your family has a tendency for long life expectancy.
- **Gender.** Women may need long-term care insurance more than men because they generally 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 some types of long-term care services.
- **Family health history.** You may have a greater need for long-term care if chronic or debilitating health conditions run in your family.

Financial Considerations

Long-term care is typically less expensive if you purchase it when you're younger. You may want to seek help from a trusted financial advisor to decide if it meets your needs. Consider the following questions about your personal financial situation:

- 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 current annual income? Will it change over the next 10 to 20 years? Will I be able to afford the policy if my income decreases or if the policy premiums increase 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 contribute toward the cost?
- Will I be able to pay for charges in excess of the policy's daily benefit amounts and for other expenses if I'm in a long-term care facility for an extended time?
- When should I consider purchasing a policy? How much will the policy premium increase if I wait to purchase a policy?

If you decide 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.

Alternatives to Long-Term Care Insurance

Here are some other methods to help you pay for long-term care services in lieu of long-term care insurance:

Life Insurance

One option for funding long-term care is through life insurance. Some companies offer an accelerated benefits rider for an additional premium that allows you to access 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.

There are also some life insurance policies that offer long-term care insurance as a rider. If your policy includes any of these options, you may be able to pay for long-term care with the proceeds.

Annuity Contracts

Some annuity contracts allow you to withdraw money without a penalty to pay for long-term care services. If your contract includes this option, you may be able to pay for long-term care expenses with your annuity

Viatical and Life Settlements

Some companies purchase life insurance policies and pay a percentage of the policy's death benefit in return. If you are terminally ill and have a life expectancy of two years or less, it's called a viatical settlement. If you no longer want or need your policy, it's called a life settlement.

If you sell your policy, the buyer becomes the policy owner, pays the premiums, and collects the policy's benefit upon your death. Make sure you check with your insurance company about any cash value you may have in your policy to determine if the cash value is more beneficial to you than selling the policy.

To get a list of registered viatical or life settlement companies and brokers, call the Texas Department of Insurance (TDI) ***Consumer Help Line*** or visit our website

1-800-252-3439
463-6515 in Austin
www.tdi.state.tx.us

Reverse Mortgages

If you own a home, you may be able to get a reverse mortgage. Reverse mortgages are special home loans available to 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 borrowers no longer use the home as the primary residence. Some people use income from a reverse mortgage to pay for long-term care expenses.

NOTES

Long-Term Care Insurance Suitability Worksheet

Long-term care insurance is probably not right for you if any of the following apply:

- You cannot afford the premiums.
- You have limited assets.
- Your only source of income is Social Security or Supplemental Security Income.
- You often have trouble paying for utilities, food, medicine, or other important needs.
- You are on Medicaid.

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 ☐ $30-50,000	☐ $20-30,000 ☐ 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 Policy 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*** (**1-800-252-3439**) or visit our website (**www.tdi.state.tx.us**) 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						

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For More Information or Assistance

For answers to general insurance questions or for information on filing an insurance-related complaint, call the ***Consumer Help Line*** between 8 a.m. and 5 p.m., Central time, Monday-Friday, or visit our website

1-800-252-3439
463-6515 in Austin
www.tdi.state.tx.us

For printed copies of consumer publications, call the 24-hour ***Publications Order Line***

1-800-599-SHOP (7467)
305-7211 in Austin

Help us prevent insurance fraud. To report suspected fraud, call our toll-free ***Fraud Hot Line***

1-888-327-8818

To report suspected arson or suspicious activity involving fires, call the State Fire Marshal's 24-hour ***Arson Hot Line***

1-877-4FIRE45 (434-7345)

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NOTES

Helpful Telephone Numbers

Medicare (questions about Medicare coverage, long-term care planning tools, and nursing home finder comparison tool)

1-800-Medicare (1-800-633-4227)
www.medicare.gov

Medicare and TrailBlazer Health Enterprises (questions about Medicare Part A and Part B coverage or claims and requests for Medicare participating provider directory)

1-800-Medicare (1-800-633-4227)
www.trailblazerhealth.com

Social Security Administration Toll-free Hot Line (questions about Medicare enrollment and eligibility and requests for the *Medicare and You* handbook)

1-800-772-1213
www.ssa.gov

Texas Department of Aging and Disability Services Information and Referral Hot Line (statewide services for seniors and locations of Area Agency on Aging offices)

1-800-252-9240
www.dads.state.tx.us

"Own Your Future" Long-Term Care Awareness Campaign (federal-state initiative to increase awareness of the importance of long-term care planning)

www.ownyourfuturetexas.org

Texas Department of State Health Services (questions about health facility compliance and licensure)

1-888-963-7111
www.dshs.state.tx.us

Texas Health and Human Services Commission's Medicaid Hot Line (questions about Medicaid coverage)

1-800-252-8263
2-1-1 (free information about resources in your area)
www.hhsc.state.tx.us

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
www.tmb.state.tx.us

Texas Medical Foundation Health Quality Institute Beneficiary Help Line (questions or complaints about quality of care provided to Medicare beneficiaries and requests for publications)

1-800-725-8315
www.peoplewithmedicare.org

Texas Department of Insurance
P. O. Box 149104 • 333 Guadalupe
Austin, Texas 78714-9104