



Long Term Care Insurance Q&A

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How to use this guide

Senior Law Day Collaborative Q&As are intended to guide older adults and caregivers as they address issues related to aging and planning for the future. We suggest you review this information in the full before seeking out an elder law attorney or other professional, so that you are familiar with the terms and can be ready to ask questions specific to your needs.

At our website – seniorlawday.info – you will find:

- additional Q&As for review and download
- a library of recorded webinars on topics relevant to elders and caregivers
- an opportunity to get your specific questions answered via email or during our quarterly consultation events
- notice up upcoming educational programs

All services of the Collaborative are offered at no charge. Our goal is to help you get the answers you need so you can plan and move forward with confidence.

*This Q&A was written by members of the Senior Law Day Collaborative, including Mark Brownstein, Emerald Medicare and Elena Falcone, Westchester Library System. This publication is based on the original **Elder Law Q&A: An Introduction to Aging Issues and Planning for the Future** by Steven A. Schurkman. (July 2023)*

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Long Term Care Insurance

What is Long Term Care Insurance?

Long Term Care Insurance is a special kind of insurance designed to cover custodial costs. It can be purchased to cover custodial care costs at home and/or in a nursing home.

What is custodial care?

Custodial care is care required to assist an individual with his or her activities of daily living (e.g., care during recovery from a stroke or while suffering from Alzheimer's disease or other dementia). Activities of daily living include eating, bathing, dressing, transferring or mobility (e.g., moving from a bed to a chair) and toileting.

Do Medicare and Medigap insurance cover any custodial care costs?

Medicare and Medigap insurance cover skilled medical care services, but not prolonged custodial care services.

Medicare and Medigap may cover custodial care in a skilled nursing facility for a maximum of 100 days following a hospitalization of at least three (3) days duration, provided the doctor's plan of care contains a rehabilitative component and it can be shown that the patient is being benefited by such rehabilitation. The first 20 days of such care will be fully paid for by Medicare. The remaining 80 days of such care are subject to a daily co-insurance payment (in year 2023 of \$200 per day). Many (but not all) Medigap insurance policies will cover this daily co-insurance payment. Other part-time or intermittent custodial care coverage at home may be available, but is usually very limited in scope.

How can I pay for prolonged custodial care services?

There are three (3) principal ways to pay for custodial care:

1. Private payment (average annual nursing home costs in the greater New York area are currently around \$15,000 per month or \$180,000 per year)
2. Long Term Care Insurance
3. Medicaid (see our Preservation of Assets/Medicaid Planning Q&A)

What considerations should be taken into account when purchasing Long Term Care Insurance policy?

1. Costs: premiums should remain steady; examine deductibility and waiting period features, and the policy should have an inflation rider
2. Length and amount of coverage: 3 years, 5 years or lifetime
3. Type of coverage: actual costs or indemnity coverage where fixed sum is paid regardless of costs once coverage is triggered
4. Coverage both at-home and in nursing home: may want significant home care benefit, if possible, as indemnity coverage
5. Activities: require as few activities of daily living as possible in order to trigger coverage
6. Prior hospitalization: none should be required
7. Days spent in hospital awaiting placement: should be covered
8. Guaranteed renewability of policy, and limitations on premium increases
9. Waiver of premiums during period of claim: should be implemented
10. Respite care coverage: should be included
11. Flexibility in applying benefits: choose a nursing home, assisted living, adult day care center, or care at home
12. Stability of insurance company: should be in the long term care industry for an extended period of time with good claims payment history (rated A+ by Best insurance rating service or others)
13. Insurance agent involvement: possibility to work with an agent who can issue insurance for several different companies

How do Hybrid/Combination Long Term Care and life insurance policies work?

Hybrid long term care and life insurance policies pay for services such as home care, assisted living room and board, and nursing home care services that are not covered by private health insurance or Medicare. These are policies that allow the owner to tap into their long term care insurance benefit if needed and/or provide a death benefit to their beneficiary if they do not eventually need long term care. Some combination policies provide a small death benefit no matter what, while others apply the portion of the benefit that has not been fully used to pay for long term care services as a benefit to your beneficiary upon your death.

Can I cancel a Hybrid/Combination Long Term Care and life insurance policy?

There's a money-back guarantee with some combination policies. The insurance company will return your premium if you decide you don't want the policy after a certain period of time. Before then, you can get a percentage of the premium back. Please discuss your individual policy with your insurance professional.

What is partnership insurance also known as Robert Wood Johnson Long Term Care Insurance?

New York State and several private insurance companies have entered into a joint venture to create a long term health care insurance product which, if purchased, would allow individuals with such insurance coverage to retain assets and still qualify for Medicaid after expiration of insurance coverage. This insurance is known as Robert Wood Johnson insurance or "Partnership Product" insurance.

Are there different kinds of Partnership Product Long Term Care Insurance?

Yes. There is coverage referred to as “Total Asset Protection” coverage or coverage referred to as “Dollar for Dollar Asset Protection” coverage. Total Asset Protection coverage offers unlimited asset protection when the policyholder exhausts the policy benefits and applies for Medicaid. Dollar for Dollar Asset protection coverage allows policyholders to establish asset protection based on the amount of benefits paid from the policy at the time the policy benefits are exhausted and the application for Medicaid is made.

Is it preferable to purchase Partnership Product Long Term Care Insurance rather than regular private Long Term Care Insurance?

It depends. Partnership Product insurance is not entirely portable as it requires you return to New York State if you have moved to another state, in order to receive Medicaid coverage once the long term care insurance component has been exhausted. It also requires that your income be used toward the payment of the costs of your care (although your principal assets would remain protected). Ordinary private long term care insurance has no restrictions concerning geography, nor does it require that your income be used to pay for the custodial care after the insurance coverage period has lapsed, although Medicaid rules generally require it.

Determining which type of long term care insurance to purchase may be a function of age. The older you get the more costly Partnership Product insurance tends to be due to the various requirements imposed by the state relative to regulation of this product. The decision may also be guided by whether or not the insured has significant retirement or other fixed income since this income would have to be paid to the long term care provider once the Medicaid component of the coverage becomes effective. However, Partnership Product insurance can be significantly less expensive for younger individuals and may, in certain circumstances, be the appropriate product of choice. Since Partnership Product coverage must be exhausted before Medicaid benefits may be obtained, it is important to consider whether the coverage provided will be sufficient to enable you to pay actual nursing home costs in your region.