

Beyond Medicare: Paying for Long Term Care with Minnesota Long Term Care Partnership Insurance

Whether or not to purchase long term care insurance is a decision that can have a significant impact on your long term financial security as well as your current monthly budget. Especially now, when some long term care insurance premiums have increased significantly, it is very important to fully understand what you are buying and if you can afford the cost of coverage.

Long term care (LTC) insurance first came on the market about 30 years ago to help people cover future nursing home costs. When and if you need long term care services, the policy will provide benefits which may allow you to keep more of your personal savings. Today's long term care policies offer more choices and cover much more than just nursing home costs.

Who pays for long term care?

Many people don't realize until it's too late that private health insurance, Medicare, and private Medicare supplement insurance will cover little, if any, long term care expenses. That leaves most people paying their long term care costs out of their own pockets until they spend down most of their savings and assets and can qualify for Medical Assistance. **It is important to know that if you are in need of LTC benefits it is already too late to purchase a long term care insurance policy. Consider buying long term care insurance when you are healthy.**

Medical Assistance eligibility requires you to meet certain income and asset limits. Currently, about half of all nursing home costs in Minnesota are paid by Medical Assistance for people who have wiped out most of their assets and income paying for long term care expenses. Purchasing long term care insurance, including a Minnesota Long Term Care Partnership policy can help you cover much of the cost of long term care and help you retain your savings and assets.

What is the Minnesota Long Term Care Partnership?

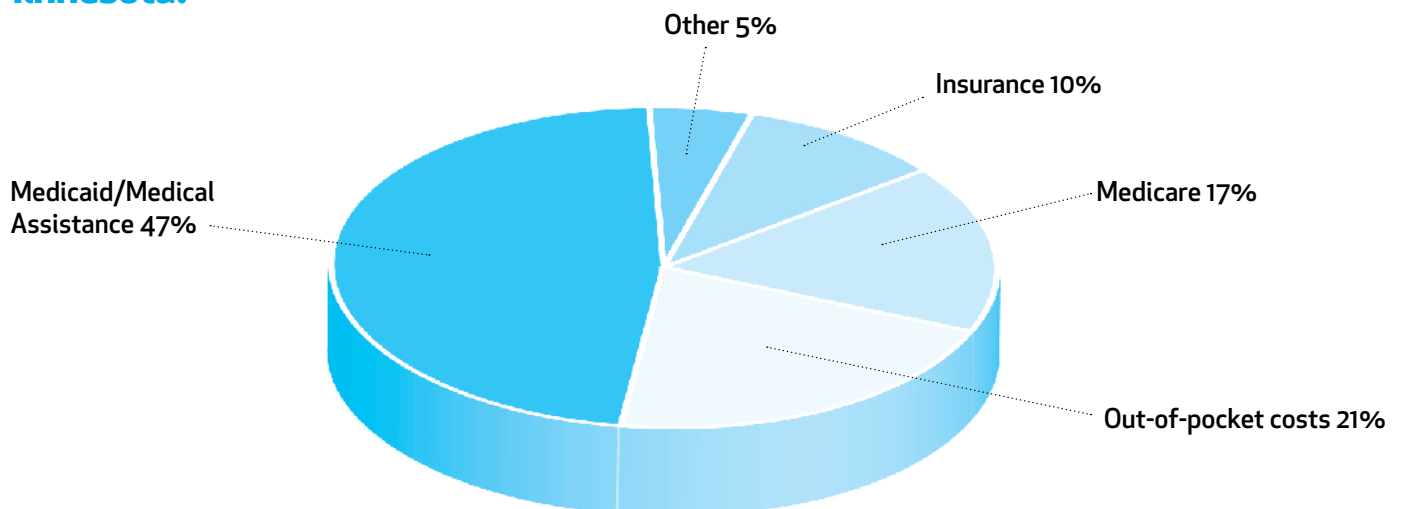
Minnesota has the Long Term Care Partnership which provides an opportunity for you to purchase a specific type of long term care insurance policy, called a Long Term Care Partnership policy. These policies permit you to protect assets if later you need to apply for Medical Assistance to help pay for your long term care services.

The Minnesota Long Term Care Partnership was approved on July 1, 2006. Under the Partnership, individuals who purchase a long term care insurance policy which meets the Partnership requirements are provided additional asset protection. The asset protection equals the amount that the Partnership policy has paid in benefits if you later need to apply for Medical Assistance to help pay for LTC services.

Which Carriers Sell Minnesota Long Term Care Partnership Policies?

More than 30 insurers sell long term care insurance in Minnesota. To sell Partnership policies, insurers must have their policies certified by the State of Minnesota Department of Commerce. To view the current list of

Who pays for Long Term Care in Minnesota?



companies offering certified Minnesota Long Term Care Partnership policies, go to www.MinnesotaHelp.info and search for “Long Term Care Partnership insurance companies.”

How Does a Policy Qualify as Partnership?

Long Term Care Partnership policies must meet specific requirements mandated by the Federal government in the Deficit Reduction Act of 2005 (DRA).

In order for an insurance company to market a policy as a Minnesota Long Term Care Partnership policy, the company:

- Must certify that the policy is tax-qualified;
- Must make sure that the policy includes specified consumer protection requirements of the National Association of Insurance Commissioners (NAIC) Long Term Care Insurance Model Act and Regulation; and
- Make sure that the policy meets requirements that specify inflation protection be included based on the age of the Minnesota resident.

What are the Inflation Protection Requirements in Minnesota for a Long Term Care Partnership Policy?

1. If a policy is sold to a person under the age of 61, it must provide compound annual inflation protection to qualify for the Long Term Care Partnership.
2. If a policy is sold to a person age 61 through 75, the policy must provide some level of inflation protection to qualify for the Long Term Care Partnership.
3. If a policy is sold to a person age 76 or over, inflation protection is not required in order for the policy to qualify for the Long Term Care Partnership.
 - a. However, the policyholder may wish to purchase inflation protection.

How much do Minnesota Long Term Care Partnership and Other Long Term Care Insurance Policies Cost?

As with other types of insurance, the cost of long term care insurance varies according to the coverage you select and other factors, such as your health, medical history, and most importantly, your age when it is issued. The older you are when you purchase a policy, the more you will pay. However, the younger you are at the time of purchase, the longer you will pay premiums.

The choices offered and considerations taken when purchasing a Minnesota Long Term Care Partnership or other long term care insurance policy include the following:

- a. **Elimination period:** The initial length of time you must receive long term care services before the policy starts paying benefits.
- b. **Daily benefit:** The maximum payment per day of care defined in the policy.
- c. **Maximum benefit length:** The total length of time that the policy will pay benefits.
- d. **Maximum dollar benefit:** The total benefits that could be paid. (This equals the daily benefit multiplied by the maximum benefit length in days.)
- e. **Non-forfeiture benefit:** A reduced benefit that may be available if the policy lapses.
- f. **Type of coverage:** Nursing home only, home health care only, assisted living, or some combination of the three.
- g. **Inflation coverage:** A periodic increase over time in the daily benefit amount.

Does the Purchase of Long Term Care Insurance Make Sense Financially?

The decision about purchasing a Minnesota Long Term Care Partnership or other long term care insurance policy is largely a matter of your current financial situation, your expected future financial situation and your long term financial goals.

Minnesota Long Term Care Partnership or Other Long Term Care Insurance may NOT be right for you if:

- Your main source of income is your Social Security benefit or Supplemental Security Income (SSI).
- You often have trouble paying for utilities, food, medicine or other important basic needs.
- You have limited income and assets and would quickly become eligible for Medical Assistance if you or your spouse had to go into a nursing home.
- You cannot afford to pay \$100 to \$200 (or more) per month for long term care insurance premiums now and into the future. This amount is in addition to other health care policy or plan premiums you may be paying.
 - As a rule of thumb, your premium should not be more than 7% of your monthly income.
 - As with any insurance, you must keep paying your premiums to keep the policy in force.
 - If the premiums increase to the point you can no longer afford the insurance, you may have to drop the coverage, losing everything you've paid.
- You have strong family support and know that family members will provide your long term care needs,

including continual help with daily activities such as eating, bathing and dressing.

- You have sufficient income and assets to pay for you and your spouse's long term care and want to use your own resources to pay for long term care.

Minnesota Long Term Care Partnership and other Long Term Care Insurance may be right for you if:

- You can comfortably afford long term care insurance premiums, now and into the future, even if the premiums increase.
- You have assets that you want to protect and pass onto your family rather than using your assets to pay for long term care services.
- You want to pay for your own care and stay independent of the financial support of others.
- You want the option to make your own choices about where and how you receive long term care services. Most Minnesota Long Term Care Partnership and other long term care policies cover services provided in the home, at assisted living facilities or nursing homes.

Shopping for Long Term Care Insurance

The time to shop for long term care insurance is before you need it. The longer you wait, the higher your premium will be and the greater your chances of developing a disqualifying illness or disability.

Buying long term care insurance is an important individual decision and you should plan to spend some time looking into the various policies available, getting answers to your questions, and weighing your options.

Insurance policies are legal contracts. Read and compare the benefits of different policies before you buy one and make sure you understand all of the provisions. Always read the policy before you buy it. Don't rely on marketing or sales literature to provide the information you need to make an informed decision.

Long Term Care Insurance Shopping Tips:

Shop around before you buy. Policies differ in coverage, cost, and service. Contact several companies and compare the coverage carefully. Get complete information from the insurance agent or representative you are working with. Look for a company with long term stability. Check with A.M. Best or other ratings firms who monitor the financial institutions.

The cheapest policy may not be the best policy for you.

While you want to shop for a good value, be careful about selecting the lowest rates. If a company has its rates set too low, that may be an indication that it will have to raise its rates later, meaning your premiums can rise to a level you may not be able to afford.

The company or agent must disclose to the applicant each premium rate increase on the policy to be offered or similar policy forms over the past ten years.

Consult with experts. Depending on your financial situation, it may be important to consult with a financial planner, tax advisor, accountant, or an attorney. His or her area of expertise may help you make the right choice about long term care insurance.

Take your time. Do not be pressured into buying a policy by an agent who tells you there is a limited enrollment period. A good salesperson will not rush you. Discuss your decision with a friend or relative whose judgment you respect. Allow yourself time to thoroughly review all the information available.

Check out your agent. Companies and agents selling insurance products must be licensed in Minnesota. If the agent cannot verify that he or she is licensed, do not buy from that person. Check with the Department of Commerce to confirm an agent's licensing status at www.insurance.mn.gov or call the Minnesota Department of Commerce at 651-296-2488 or 1-800-657-3602.

Review the policy outline. Minnesota law requires the insurance company to provide an "outline of coverage" form that clearly describes the policy's benefits and limitations. You should receive this before the agent presents an application or enrollment form. The outline should also clearly define the differences between a Medicare supplement policy and a long term care policy. Read the outline carefully. If you are shopping around, compare the policy outlines from the different companies.

Check for pre-existing condition limitations. Minnesota law requires long term care policies to cover pre-existing conditions, but there is an exclusion period of up to six months before you will receive benefits.

Beware of offers to replace your coverage. Be cautious if anyone suggests that you cancel your current policy and buy a replacement policy, especially if it is with a different company or if it involves a change in benefits. The new policy may impose new pre-existing condition limitations. If you want to switch to lower benefits to reduce your premium, your current company may be willing to do so.

If you decide to buy, complete the application carefully.

Most companies ask for detailed medical information. If you leave out any medical information requested, coverage could be canceled, reduced or denied. Don't believe anyone who tells you that your medical history on an application is not important. Before you sign the application, make sure all the questions have been answered correctly. Don't assume the company representative accurately filled in your health information.

Do not pay cash. Pay by check, money order, or bank draft made payable to the insurance company, not to the agent or anyone else.

Policy delivery should be prompt. The insurance company should deliver a policy within 30 days of accepting your application. If you do not receive it, contact the company and inquire about the delay. If 60 days go by without information, contact the Department of Commerce at 651-296-2488 or 1-800-657-3602.

Read your policy when you receive it. All policies are required to provide a 30-day right-to-examine period. During this period, check the application you signed for accuracy. Read your policy and ask questions about anything you do not understand. Often family members or friends can help. If you wish to cancel the policy, call the insurance company and return the policy by mail within 30 days of receiving it. You are entitled to a full refund with no questions asked. If you decide to keep the policy, make sure your family or friends know where your policy is, when the premiums are due, and how to submit claims to the insurance company. Be prepared to select a relative or close friend the company can notify if you fail to pay the premium.

Where to go for more information?

It is important for people of all ages to be aware of the potential advantages and disadvantages of long-term care insurance, including the Minnesota Long Term Care Partnership in relation to their individual situation. In addition to consulting with a financial planner, accountant, or attorney to get answers for specific questions, Minnesotans can receive comprehensive objective information and counseling on the subject of long term care financing options, including Minnesota Long Term Care Partnership and long term care insurance.

Senior LinkAge Line® 1-800-333-2433

www.MinnesotaHelp.info

Specialists with the Minnesota Board on Aging's Senior

LinkAge Line® can help you decide what you need. The Senior LinkAge Line® is the federally designated State Health Insurance Assistance Program (SHIP) for Minnesota and provides Minnesotans with free, comprehensive, objective long term care options counseling, including Minnesota Long Term Care Partnership and long term care insurance. Assistance is provided by phone or in person in all 87 counties of Minnesota through the Area Agencies on Aging. Call 1-800-333-2433 or have a live chat with a Senior LinkAge Line® specialist at www.MinnesotaHelp.info.

Minnesota Department of Commerce

<http://www.insurance.mn.gov>

85 7th Place East, Suite 600, St. Paul, MN 55101-2198

Consumer Response Team:

651-296-2488 (or 1-800-657-3602)

If you have a complaint about an agent or a company selling long term care insurance in Minnesota, call the Minnesota Department of Commerce's Consumer Response Team at the number listed above. Your inquiry may trigger an investigation that could help you and other consumers as well.

Beyond Medicare: Know Your Pension Rights

The Upper Midwest Pension Rights Project ("UMPRP") is a no-cost program designed to assist workers, retirees, beneficiaries, and their families in understanding and enforcing their pension benefit rights. The Project is funded by a grant from the U.S. Department of Health and Human Services Agency, oversight provided by the Metropolitan Area Agency on Aging. The UMPRP delivers legal counseling to those seeking assistance with a pension claim. The Project evaluates and determines claim viability, and assists individuals in making claims and filing appeals, as well as obtaining pension plan documents and assistance in determining correct benefit calculations. The primary types of assistance include:

1. Obtaining pension plan documents to review the individual's rights under the plan;
2. Determining compliance with the Employee Retirement Income Security Act (ERISA);
3. Locating "lost" pension plans;
4. Assisting employees with claims to the Pension Benefit Guarantee Corporation (PBGC) for plans that have been terminated;