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The Ins and Outs of Long-Term Care Insurance

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The Ins and Outs of Long-Term Care Insurance

By Jennifer Tatum Lee

I. Introduction

As part of a retirement strategy, long-term care insurance can help seniors protect their assets while ensuring they will receive care later in life. Long-term care options and facilities have evolved over time leading to problems when applying outdated policy terms and definitions to them. Other common problems relate to the licensing of facilities and caregivers and the involvement of the insured's physician in determining the appropriate amount of care.

Long-term care insurance products historically were priced based, in part, upon an assumption that nursing home stays would be limited in length, so rate increases on these products are becoming common.

This paper will provide a brief overview of long-term care insurance, issues that arise, and practice tips for assisting your clients successfully working through the claims process and rate increase issues.

II. The Need for Long Term Care Insurance

“Long-term care insurance policies were introduced in the early 1980's and have changed as the needs of caring for the elderly have advanced.” Zamora, Enrique, *Long-Term Care Insurance: A Life Raft for Baby Boomers*, 26 ST. THOMAS L. REV. 79, 88 (2013). The cost of long-term care continues to rise. For example, in 2010 the national average cost of nursing home care was about \$78,000 per year (for a semi-private room). NAT'L ASS'N OF INS. COMM'N, SHOPPERS GUIDE TO LONG TERM CARE INSURANCE 2 (2013) [hereinafter NAIC GUIDE], *available at* https://www.ltcfed.com/epAssets/documents/NAIC_Shoppers_Guide.pdf. In 2010, on average assisted living facilities cost \$39,516 a year. *Id.* One senior estimated that in 2015 the cost of care at a small residential facility for Alzheimer's patients in Ocean County, New Jersey would cost roughly \$100,000. Meghan Hoyer, *How 15% of Seniors Account for Nearly Half of Medicare Spending*, USA TODAY, June 10, 2015, at 1A.

Some seniors may believe that Medicare will pay for their long-term care needs but “Medicare’s skilled nursing facility benefit covers very little of nursing home care.” NAIC Guide 3 (citing Georgetown Univ., *Long-Term Care Financing Project*, <http://ltc.georgetown.edu/pdfs/medicare0207.pdf> (last visited Jun 24, 2015)). Seniors may be forced to “use up most of [their] assets paying for [their] long-term care before Medicaid is able to help.” NAIC GUIDE 4.¹ For example one expert, Richard W. Johnson, director of the Urban Institute’s Program on Retirement Policy noted that “many long-term care costs are not covered by Medicare or ordinary health insurance and end up depleting many people’s assets.” Martha M. Hamilton, *Finance Lab: They have a pension, long-term care insurance and savings. But is it enough?*, THE WASHINGTON POST, Oct. 21, 2014.

Long-term care is not just for the elderly. As of 2003, approximately 37% of those needing long-term care are 64 years of age and younger (3.7 million). Am. Ass’n for Long-Term Care Ins., *Long-Term Care Statistics*, <http://www.aaltci.org/long-term-care-insurance/learning-center/long-term-care-statistics.php> (2015) (citing S. Roger & H. Komisar, *Who needs long-term care? Fact Sheet*, *Long-Term Care Financing Project* (May 2003), Georgetown Long-term Care Financing Project, <https://hpi.georgetown.edu/ltc/papers.html#FactSheets>). It is estimated that by 2050 “the number of individuals using paid long-term care services in any setting (e.g., at home, residential care such as assisted living, or skilled nursing facilities) will likely double from the 13 million using services in 2000, to 27 million people.” *Id.* (citing U.S. Department of Health and Human Services, and U.S. Department of Labor. *The future supply of long-term care workers in relation to the aging baby boom generation: Report to Congress*, Washington D.C.).

But long-term care insurance is not for everyone. The NAIC recommends buying a long-term care insurance policy if you have “many assets and/or a good income”; don’t “want to use most or all of your assets and income to pay for long-term care”; “can pay the insurance premiums, including possible premium increases, without a problem”; don’t “want to depend on support from others”; and want “to be able to choose where you receive care.” NAIC GUIDE 7.

¹ Federal law requires that the state recover from the senior’s estate the costs of the Medicaid benefits received. NAIC GUIDE 4 (citing Omnibus Budget Reconciliation Act of 1993 (OBRA) PL 100–203 (HR 3545), PL 100–203, Dec. 22, 1987, 101 Stat 1330).

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