

Commissioner's Monthly Column

Long-Term Care Awareness Month

October 2013

November is Long-term Care Awareness Month, which is a good time to remind your customers of this important need. No one is exempt from needing to thoughtfully consider how they will spend their later years and it is essential to take steps to prepare for the potential need for long-term care. With more baby boomers coming of retirement age, these are the years in which long-term care planning and insurance becomes critical.

Long-term-care insurance generally provides custodial care needed when an elderly or disabled person becomes so frail that help is needed with two "activities of daily living," such as bathing, dressing or eating. Some newer policies generally cover dementia care as well. Long-term care covers such services as home health care, nursing home care, respite care, adult day care and care in an assisted living facility.

Pricing based on erroneous projections has led to profitability challenges for carriers today and some large insurers have opted to leave the long-term care market. According to an August 2013 A.M. Best report, long-term care is seen as high risk by carriers due to a number of factors including lack of credible industry data and older blocks of business that were less conservatively written and priced using inaccurate assumptions. Newer long-term care products often have less rich benefits and shorter benefit periods.

Many assume that Medicare also provides for long-term care needs, but it does not. Medicare only helps to pay for skilled nursing home care after being hospitalized for a minimum of three days and covers a maximum of 100 days at two different payment levels. Medicare also provides for hospice care and home-health services when specific conditions are met. Some believe that if they fail to plan for possible frailty in their old age that Medicaid will take care of them over the long haul. There is a bit of truth to this idea, but for such health care assistance, the individual must become Medicaid eligible, which comes with an individual asset allowance of only \$2,000.

Many factors must be considered when shopping for long-term care insurance. Of course the younger a person is when first purchasing the policy, the more affordable the monthly premium will be. Your age and health are important factors, as are your choices of the daily benefit amount, years of coverage purchased and the inflationary assumption.

Costs and Funding Options

Costs are rising over recent years for long-term care insurance and prices vary considerably. According to the American Association for Long-Term Care Insurance, an

LTC policy for a typical 55-year-old couple would have cost about \$1,982 per year in 2007. By 2012, that same policy was priced at about \$3,577 per year.

I advise consumers to shop around for companies with strong financial statements and significant business in Louisiana. Insurers cannot raise rates on individuals, but they can on a defined group of policyholders with my approval if the rate increase is determined to be actuarially sound. Such rate increases have been the norm in many parts of the nation, as well as here in Louisiana.

Most people use a variety of options to ensure they can pay for their health care in their later years, including long-term care insurance, personal savings and income, life insurance, annuities, bonds and reverse mortgages. Life-insurance policies packaged with long-term-care benefit riders may also be purchased, which will provide a payout to heirs if you don't use long-term care. This product may be purchased with a lump-sum payment, removing the risk of future premium increases. Another option is a hybrid annuity policy that combines the income features of an annuity with the security of long-term care insurance. Money can be withdrawn from annuity-based products income tax-free when funds are used for long-term care.

An alternative for married couples is to buy an immediate annuity that pays benefits for a set number of years; thereby preserving savings for the "well" spouse while the other spouse gets care. The annuity will not disqualify them from Medicaid assistance, but the well spouse would have to live through the entire annuity period. Otherwise the state would have the first claim on any remaining payments. If you are a wartime veteran or their spouse or widow you may also qualify for long-term-care benefits through the Department of Veterans Affairs.

Louisiana Long-Term Care Partnership Program and Other Resources

In addition to traditional long-term care insurance policy coverage, Louisiana offers a partnership program to help make long-term care more valuable for interested consumers. Established in 2010, the Louisiana Long-Term Care Partnership Program helps protect residents from being forced to exhaust their assets to become Medicaid eligible if they are faced with requiring long-term care. The individual may retain assets equal to the amount of the long-term care policy payments made by the policy while becoming Medicaid eligible under the Partnership Program. If you are interested in writing Partnership Program policies you must complete eight hours of training required by the state of Louisiana. Currently 15 insurance companies are licensed to write Long-Term Care Insurance Partnership Program policies. These companies are listed on the Louisiana Department of Insurance [Long-Term Care Insurance](#) webpage.

The Department of Insurance website has a [Long-Term Care Insurance](#) webpage that is found at the Consumer tab on the homepage. This page has extensive linked information on the topic. As another resource, I suggest the trade group [American Association for Long-Term Care Insurance](#) found at www.aaltci.webce.com and the U.S. Department of Health and Human Services website, www.longtermcare.gov.

International Disaster Conference and Expo

On another topic, I'd like to invite you to attend the International Disaster Conference and Expo in New Orleans, Louisiana on January 7-10, 2014. This event will bring together experts from around the world to focus on problems such as disaster recovery, loss mitigation, emergency response and much more. This is the only event that brings all industries together to discuss, learn and plan regarding disasters, with which Louisiana is quite familiar. I am also included on the conference program and will be addressing disaster issues as they impact the insurance industry nationally and here in Louisiana. To receive more information about this event, please visit www.internationaldisasterconference.com. Pre-registration is open now and will close December 6, 2013.