



THE USAA  
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*Good Information for Good Decisions.®*

INSURANCE

# LONG-TERM CARE



## OUR MISSION

The mission of The USAA Educational Foundation is to help consumers make informed decisions by providing information on financial management, safety concerns and significant life events.



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*September 2009*

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## 2 PLANNING FOR LONG-TERM CARE

**IF YOU ARE CONCERNED WITH CARE FOR YOURSELF, YOUR SPOUSE OR OTHER RELATIVES, DO NOT DELAY PLANNING FOR LONG-TERM CARE, INCLUDING HOW YOU PLAN TO PAY FOR THOSE SERVICES.**

Health problems can significantly reduce the control and independence you have in your life. However, with some advanced planning, you can minimize the financial and emotional impact of a long-term health problem.

That is why it is important to understand your options and plan accordingly.

Long-term care encompasses a wide range of choices — from care in the comfort of your home to assisted living to nursing homes.

If you are concerned with care for yourself, your spouse, or other relatives, do not delay planning for long-term care, including how you plan to pay for those services.

### **When Long-Term Care Is Needed**

Long-term care is needed when an individual becomes unable to perform two to three Activities of Daily Living (ADL), or has lost mental capacity to reason and make judgments that pertain to one's safety or well-being. Activities of daily living include bathing, eating, continence, toileting, dressing and transferring.

There are a variety of long-term care services that can be offered. The kind of care required will help in making the decision on what type of arrangements should be made.

**Home health care** usually includes medical services provided by professionals such as nurses, therapists, home care aides and social workers in a home setting. Home health care is available from nonprofit and for-profit health-care agencies and public health departments. Home health aides help with activities of daily living such as bathing, eating or dressing. They may also help prepare meals, run errands and do light housekeeping.

**Respite care** provides a break for family members who are the primary caregivers for an individual being cared for at home. Care can range from a few hours each day to several weeks. A respite caregiver usually comes to the home. Respite care may be provided by volunteers.

**Adult day care** is usually at a center that provides both health care and social services for individuals who cannot be left alone during the day. Hospitals, local governments or nonprofit agencies operate centers which usually offer some basic health services as well as social and recreational opportunities. Costs may be adjusted according to one's ability to pay.

**Hospice care** helps the terminally ill and their families cope with physical, emotional and spiritual aspects of dying. Care may be provided in a hospice facility or in the home. Costs may vary.

**Assisted living care** is a combination of housing, personalized support services and health care. It is designed to meet the needs of individuals who need some help with activities of daily living but do not require the skilled care of a nursing home. Assisted living facilities may be independent facilities, combined with nursing homes or part of a continuing care retirement community. Most costs are paid by the resident or the resident's family. Most long-term care policies currently offer assisted living coverage. In some states, depending on your situation, Medicaid may pay for some services.

**Continuing Care Retirement Communities (CCRCs)** offer an innovative option to meeting long-term care needs. These retirement communities combine independent housing units or apartments with living facilities and nursing home care, usually all at the same location. Many offer a broad range of services and levels of care as well as recreational, social and educational opportunities. Carefully review any CCRC contract with your attorney or financial planning professional.

**Nursing home care** provides skilled nursing care and rehabilitation services for individuals with physical or mental disabilities. Many patients require long-term care and will never recover or stabilize to the point where they can care for themselves. Costs may vary and Medicare may pay for a limited number of days following a hospital stay.

### Three Levels Of Care

There are three levels of long-term care: skilled, intermediate and custodial. All long-term care services offer at least one or more of the three levels of long-term care depending upon an individual's physical and mental capacity.

**Skilled care** is needed for individuals with medical conditions that require continuous care by medical personnel. This may include physical, occupational, respiratory and speech therapy from a licensed professional.

- Daily care is usually 24 hours.
- Physician must order care.

**Intermediate care** is for less complicated medical conditions. Intermediate care provides rehabilitation for individuals to regain independence following an illness.

- Requires the attention of a registered nurse or professional therapist.
- Does not require 24-hour supervision.

**Custodial care** is for individuals who need assistance with simple daily tasks such as bathing, eating or dressing.

- Requires less attention than skilled care.
- Care may be provided in a home rather than a nursing home facility.

**THERE ARE THREE LEVELS OF LONG-TERM CARE: SKILLED, INTERMEDIATE AND CUSTODIAL.**

Long-term care costs can be expensive and will vary among facilities and geographic locations.

### Personal Resources

You may choose to use your own resources to pay for long-term care. Some options may include using your personal income, savings, investments or selling your assets. You should carefully assess your ability to rely on your own resources, because long-term care can be expensive.

### Relying On Family

If you do not plan ahead for long-term care, you may have to rely on family members to pay for, or provide care.

### Medicare

Medicare coverage is limited and generally is not a good option for paying for long-term care. Medicare covers only the first 100 days of care in a nursing home — if you are receiving skilled care and enter the nursing home within 30 days following a hospital stay of at least three days. Some deductibles and co-payments apply.

### Medicaid

Medicaid is a joint federal/state public assistance program that pays for health care for individuals with low income and limited resources. Unlike Medicare and other federal programs, Medicaid does pay for custodial nursing home care. Each state sets its own standards for Medicaid eligibility, determines the types of service provided and administers the program under broad federal guidelines. These rules are complex and vary from state to state. Check with your state Medicaid office to learn about the rules in your state.

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## Veterans Administration Benefits

Many larger Veterans Administration (VA) hospitals offer extensive long-term care services, while services at smaller facilities may be limited. Eligibility for VA services depends on several factors, including total family income, length of service, and whether or not the veteran has a service-connected disability. All veterans, however, are eligible for an initial physical examination and screening. Contact the nearest VA hospital to determine eligibility since not all veterans are eligible for VA benefits.

## Federal Long Term Care Insurance Program

The Federal Long Term Care Insurance Program (FLTCIP) is the largest employer-sponsored long-term care insurance program in the country.

The FLTCIP offers group long-term care insurance to the “Federal Family” which includes federal and postal employees and annuitants, members of the uniformed services, their qualified relatives and a few other eligible groups. For more information on eligibility, visit the U.S. Office of Personnel Management’s Web site at [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc).

The FLTCIP is not subsidized. Those eligible will still be responsible for premium payments. It is important to evaluate policy benefits and features before choosing between the FLTCIP and an individual policy. A decision should be based on your personal preferences. Visit [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc) for details.

## Your Health Insurance

Most health insurance coverage, whether through your employer, TRICARE or an individual plan, does not cover long-term care services. Long-term care is about caring for you when you are not likely to get better.

Long-term care insurance is designed to help cover the costs of long-term care for an individual. You, along with your family and physician, can determine where it is best to receive that care.

Determining if you need long-term care insurance will depend on the following:

- The risk to your overall retirement goals.
- The risk to your income and assets.

It is difficult to know if, when, and how long you will need long-term care.

You should consider long-term care insurance for the following reasons:

- To help protect assets and income.
- To help stay independent of financial support from others.
- To help maintain options in selecting types and place of care.
- To help feel secure that if you need long-term care you are covered.

It is a good idea to consider long-term care insurance during preretirement planning. Like life insurance, you are likely to qualify for a better premium when you are younger and in better health.

## 8 QUALIFYING FOR INSURANCE BENEFITS

### Benefit Triggers

Activities of Daily Living (ADL) and cognitive disorder are considered types of “benefit triggers,” the term used to describe the factors that qualify an individual for eligibility of benefits under a long-term care insurance policy. This is an important part of the policy. The policy usually outlines the benefit triggers.

**Activities of Daily Living (ADL)** is the most common gauge insurance companies use to decide if an individual is eligible for benefits. Long-term care is generally needed when an individual is unable to perform two to three of the following activities.

- Bathing — the ability to sponge bathe or to get in and out of the bathtub or shower.
- Eating — the ability to feed oneself by getting food into the body or by a feeding tube.
- Continence — the ability to maintain control of bowel and bladder functions.
- Toileting — the ability to get to and from the toilet and perform associated personal hygiene.
- Dressing — the ability to put on and remove all items of clothing and any braces or artificial limbs.
- Transferring — the ability to get in and out of bed, a chair or wheelchair.

**Cognitive disorder.** The policy usually pays benefits when an individual needs care because their mental capacity has deteriorated. They may or may not need assistance with the activities of daily living, but may need to have someone nearby to supervise their activities or remind them to do everyday activities. Costs for this “stand by” care are usually covered under a long-term care insurance policy.

Different policies may use different benefit triggers. Some states require certain benefit triggers. Check with your state insurance department to learn what your state requires.

Long-term care policies can be purchased through private insurance companies, an insurance agent or possibly through your employer. When deciding where to purchase your long-term care policy, make sure you have shopped around to find the coverage that will best fit your needs.

- Individual — Policies sold to individuals can offer a different combination of benefits from one company to the next.
- Group — Your employer may offer a long-term care group insurance plan, or you may be eligible for the Federal Long Term Care Insurance Program (FLTCIP).

Each policy offers different advantages. Individual policies generally offer more options and flexibility than group policies. Also, some individual policies may offer significant discounts for spouses and families.

Depending on your health, individual policies can also be less expensive than group policies. However, group policies are advantageous in that you may not have to meet certain medical requirements to get a policy during an enrollment period. As with individual policies, your spouse, parents and in-laws may apply for this coverage as well. Also, in some cases, group policies may continue coverage even after your employment ends. So remember to do your research before you buy to find an individual or group policy that will best cover your needs.

- Association — The policies offered through professional or trade organizations usually give their members a choice of benefit options with negotiated premium discounts.
- Partnership Programs — These are specific state-approved policies designed to provide full or partial protection against the normal Medicaid requirements. The program helps cover long-term care costs without having to spend-down life savings.
- Pooled Benefits — This policy combines the benefits of two separate policies into one policy two individuals can share. The coverage is the same as a non-pooled policy except that the combined policy limits are available for either individual or both to draw upon.

### Tax-Qualified Policies

A tax-qualified long-term care insurance policy offers certain federal income tax advantages. The benefits paid by a tax-qualified policy are generally not taxed as income for federal income tax purposes.

### Non-Tax-Qualified Policies

A non-tax-qualified long-term care insurance policy offers fewer restrictions on the eligibility of benefits. Benefits from a non-tax-qualified policy may be taxed as income for federal income tax purposes.

Whichever policy you choose, make sure the benefits will meet your needs.

## 10 LONG-TERM CARE POLICY OPTIONS

There are various long-term care policy options from which to choose. It is important to consider the options best suited to your needs.

### Core Benefits

**Your benefit account.** Your total benefits are based on a monthly maximum you select that can range from \$50 to \$500 per day (some policies will state this as a monthly maximum of \$1,500 to \$15,000). Those benefits are then limited to an overall policy maximum that you select. For example, if you select a \$200 per day option with a \$365,000 policy maximum and you draw the maximum \$200 per day, your benefits would last for 5 years before you exhaust them. If you were to only need \$100 per day, it would take you 10 years to exhaust your \$365,000 policy maximum.

**Elimination period.** This is the policy deductible and is stated as the number of days you are otherwise eligible to receive benefits before the policy begins to pay. This can be anywhere from 0 to 365 days, but most people select 30, 60 or 90 day elimination periods. As with deductibles on other types of insurance, the lower your elimination period, the higher your premium.

**Growth rate.** This is the most important feature to consider. This determines how fast your policy benefits will grow over time to keep up with rising costs. Long-term care is not health care, so long-term care services tend to increase at a rate different from overall health care costs. In fact, long-term care costs have trended most closely to the cost of housing and labor, since the care is typically based on care in a facility or custodial care provided by an individual. Most policies allow you to choose from options that do not increase your benefits; increase them at a simple or compound inflation rate (5 percent is the most common option); or to increase your benefits based on the Consumer Price Index. This can be the most important feature of your policy. If you purchase a plan that provides \$200 per day, \$365,000 policy maximum, at 5 percent compound growth rate, in 15 years that plan will provide up to \$416 per day and \$758,809 in maximum policy benefits. In 21 years the maximum benefits would exceed \$1 million.

**Benefit period.** The benefit period determines how long your long-term care insurance policy will continue to pay for your care. Benefit periods can be a set number of years, dollars or benefits.

## Other Options

**Survivorship benefits.** In the event of the death of a spouse, the policy for the surviving spouse will be paid in full.

**Restoration of benefits.** If you use part of your benefits, recover, and do not use any long-term care for a specified period of time (usually 6 months), your benefits will be restored in full.

**Waiver of premium.** This option gives you the ability to stop paying a premium once you are in a nursing home and benefits become effective. Some plans also waive premiums if you are receiving home care.

**Shared care.** This option offers financial flexibility in paying for long-term care expenses by allowing a couple to pool their benefits. The shared pool can be accessed by the spouse needing the care.

## Exclusions And Limitations

Some long-term care policies may exclude or limit benefits with these conditions.

- A mental or nervous disorder or disease (other than Alzheimer's disease, dementia and senility).
- Illness or injury caused by an act of war.
- Treatment already paid for by the government.
- Illness or injuries from attempted suicide.

## 12 SELECTING A LONG-TERM CARE POLICY

### QUESTIONS TO ASK BEFORE YOU BUY

What type of care is covered?	
Is there a minimum or maximum age for purchasing a policy?	
Is prior hospitalization required?	
Are home care and community services covered?	
Is there a waiver of premiums in specified circumstances?	
Under what conditions can the company cancel the policy or change the premiums?	
What is the company's reputation and rating? (Standard & Poor's and A.M. Best provide financial ratings and analysis. These reports can be found in most libraries or on their Web sites at <a href="http://www.standardandpoors.com">www.standardandpoors.com</a> or <a href="http://www.ambest.com">www.ambest.com</a> .)	
Is a health screening required?	
What qualifications must be satisfied in order to be eligible for benefits?	
Will benefits be paid outside of the United States?	
Is coverage available for mental disorders including Alzheimer's disease, dementia and senility?	
Are there specific exclusions? If so, what are the exclusions?	

## RESOURCES



The USAA Educational Foundation offers the following publications.

**HEALTH INSURANCE (#545)**

**LIFE INSURANCE (#507)**

**FINANCIAL PLANNING AND GOAL  
SETTING (#511)**

**PLANNING FOR RETIREMENT (#508)**

**ESTATE PLANNING (#518)**

**MANAGING YOUR PERSONAL RECORDS  
(#506)**

**RETIREMENT PLANNING IN YOUR  
20s AND 30s (#516)**

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