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What You Should Know About...Long-Term Care

What is Long-Term Care (LTC)?

[Glossary of Ins](#)

Long-Term Care is a term that is used to describe an array of services that are available to people with prolonged illnesses, disability, or cognitive disorders. LTC services include health, medical, personal care, and social services, as described below.

What does LTC include?

- Assistance with **activities of daily living (ADL's)** such as eating, bathing, dressing, toileting, transferring, continence.
- Around-the-clock skilled nursing care for those with prolonged physical illness, disability, or cognitive disorders, such as Alzheimer's disease.
- Custodial care in an Assisted Living Facility.
- Homemaker care, Adult Day care, Hospice care, Respite care.
- Personal care for basic **instrumental activities of daily living (IADL's)**, such as cooking, cleaning, laundry, or bill pay.

What does Long-Term Care cost?

Presently, the cost for long-term care in New Jersey may exceed more than \$65,000 a year. The current average length of stay in a long-term care facility is 2½ years.

What is the likelihood that I will need LTC?

One national study, which projected nursing home use, suggested that, of the approximately 2.2 million persons reaching age 65, more than 900,000 are expected to enter a nursing home at least once before they die. A similar study reported that, among people age 65, one in four would spend at least one year or more in a nursing home or other type of long-term care facility.

Will the government pay for Long-Term Care services?

The Federal government will not pay for LTC services directly unless certain criteria are met under two different federal health programs: [Medicare](#) and [Medicaid](#).

- **Medicare** will pay for limited LTC services, but only under strict circumstances.
- **Medicaid** will pay for full long-term care, but individuals will essentially be required to redeem their assets and spend down their cash prior to becoming eligible for Medicaid.

Medicare

What does Medicare offer?

Nationwide, Medicare pays approximately 5% of all LTC expenses. This program has a post-hospitalization requirement and a limited benefit period. But, Medicare does offer both skilled nursing facility care (full-time) and home health care (intermittent). Rehabilitative services are also available (post-hospitalization), such as physical therapy, occupational

therapy, speech, pathology services, and home health aides. Also, hospice care (both home and institutional), durable medical equipment, and other supportive services are available if medically necessary.

How much does Medicare pay?

- 1 to 20 days, Medicare pays up to 100%.
- 21 to 100 days, the individual pays \$105 per day, Medicare pays the difference.
- 101 days plus, Medicare pays nothing.

How do I qualify for Medicare in a nursing home?

- You are admitted to a nursing home following a least a 3-day hospital stay.
- Nursing home admission is within 30 days of hospital discharge.
- Skilled or rehabilitative care is required and the facility is Medicare approved.
- A physician certifies the need for skilled medical care.

How do I qualify for Medicare during Home Health Care?

- You must be completely homebound.
- You must be under the care of a physician.
- The physician must certify your need for Home Health Care.
- The Home Health Care Agency must be Medicare certified.
- Medicare pays only for limited, part-time skilled nursing care within your residence.

Medicaid

Can I qualify for Medicaid?

Medicaid is a low-income assistance program designed for people with few or no assets.

- Hiding assets in order to qualify for Medicaid is a criminal offense.
- To qualify, one is required to "spend down" non-household liquid assets.
- States have different pre-eligibility time limit requirements and strict restrictions on transferring assets to a family member in order to qualify. Call the [New Jersey Department of Health and Senior Services' County E.A.S.E. Self-Protect Program](#) for more details (1-877-222-3737).
- New Jersey's **minimum** time limit requires transferring assets at least **36 months** prior to making application for Medicaid.

Private Long-Term Care Insurance

What types of LTC policies are available?

- Tax Qualified (TQ)
- Non-Tax Qualified (NTQ)
- Nursing Home Only
- Home Health Care Only
- Nursing Home/Assisted Living/Home Health Care

Why and when were Tax Qualified (TQ) policies created?

Congress passed the 1996 Health Insurance Portability and Accountability Act (HIPAA) to establish portability for health insurance when you leave employment. An amendment to the Act established TQ Long-Term Care policies to encourage private citizens to establish such policies during their twilight years. More recently, the popularity of TQ policies has declined in market share, as the strict benefit triggers of TQ policies have become more difficult to qualify for policy benefits.

What is the difference between federally Tax Qualified (TQ) and Non-Tax Qualified (NTC) Term Care policies?

Tax Qualified	Non-Tax Qualified
Premiums are tax-deductible (Federal)	You cannot deduct premiums from taxes.
Benefits are not counted as taxable income.	Historically, benefits have not been considered taxable. The U.S. Department of Treasury and the Internal Revenue Service have not ruled on benefits as taxable income. Congress has not addressed this issue.
Benefit triggers are more restrictive. Benefits are much more difficult to qualify for.	Benefit triggers are less restrictive. Benefits are much easier to qualify for.
Medical Necessity cannot be a trigger.	Medical Necessity can be used as a trigger for benefits.

Is there a difference in how coverage is triggered between Tax Qualified and Non-Tax Q policies?

Tax Qualified	Non-Tax Qualified
You must be chronically ill , suffering from a long-term, persistent physical, medical or disability-related condition.	Medical Necessity, as certified by a licensed health care practitioner, is sufficient.
You must show an inability to perform at least two activities of daily living for a minimum period of 90 days .	You must show an inability to perform at least activities of daily living.
You must require substantial supervision due to severe cognitive impairment.	You must require continuous supervision due cognitive impairment.

What benefits can Long-Term Care policies provide?

Type of Coverage	Benefit*
Nursing Home or other type of long-term care facility	<ul style="list-style-type: none"> Skilled 24-hour medical care
Assisted Living Facility	<ul style="list-style-type: none"> 24-hour (custodial level) assistance with activities of daily living and part-time (intermediate level) medical care, or on-call medical care
Home Health Care (your residence)	<ul style="list-style-type: none"> Part-time skilled nursing care, physical and rehabilitative therapy, and assistance with activities of daily living
Homemaker Care (your residence)	<ul style="list-style-type: none"> Part-time assistance with instrumental activities of daily living, such as cooking, cleaning, etc.
Adult Day Care Facility	<ul style="list-style-type: none"> Daytime assistance with activities of daily living and on-call medical assistance
Hospice Care (Home or Facility)	<ul style="list-style-type: none"> Medically coordinated skilled care for terminally ill patients
Respite Care (Home)	<ul style="list-style-type: none"> Caregiver relief so family members who are normally providing assistance with the instrumental activities of daily living can have time off
Caregiver Training (For Home Health)	<ul style="list-style-type: none"> Training for family members who are providing assistance with the

Care/Homemaker Care)	instrumental activities of daily living
Home Health Care	<ul style="list-style-type: none"> • Durable medical equipment coverage

***Note:** Benefits shown above may appear in more than one type of LTC coverage. Benefits may overlap, depending upon the coverage provided for in policies offered by various insurance companies.

What options should I consider when I shop for an LTC policy?

- **Third Party Notice** - Allows you to designate someone whom the insurance carrier should contact in case you forget to pay your monthly bill.
- **Waiver of Premium** - Monthly premiums are waived 90 days after benefits start.
- **Restoration of Benefits** - After use of most of your policy benefits, the original benefit value of your policy is restored after a benefit-free period.
- **Nonforfeiture Benefits Rider** - A policy feature that returns at least part of the premium to you in the form of a reduced premium if you cancel your policy or let it lapse.
- **Inflation Protection Rider** - A policy option that provides for increases in benefit levels to help pay for expected increases in the cost of LTC services.
- **Bed Reservation** - If you are hospitalized while confined to a nursing home, some policies will pay to reserve your bed in your home for a specified period.
- **Care Coordination Benefit** - A Personal Care Specialist is assigned to coordinate with contracted health care agencies/facilities for your nursing home/home health care.
- **Return of Premium Benefit Rider** - Upon your death, a premium refund to a pre-selected beneficiary/estate (minus benefits paid) is provided.

Some of these options may be included in the benefit provisions or general provisions section of your policy; others will come in the form of a **rider**, which is an attached agreement that modifies your policy and for which you have to pay extra premium.

What are some typical exclusions in an LTC policy? (Losses for which benefits will never be payable)

- Injury or sickness for which benefits will be payable under any worker's compensation claim or occupational disease law.
- Injury from declared or undeclared war. Suicide, attempted suicide, or self-inflicted injury. Injury resulting from alcoholism or narcotics addiction.
- Injury resulting from participation in a felony, riot, or insurrection.

Depending upon the policy you purchase, there will be other exclusions. Different insurers will have assorted exclusions depending upon state compliance regulations under which each policy is written.

What are some of the LTC benefit/general provisions that are required by the State of New Jersey?

- The benefit period of every LTC policy must be at least 24 months over the life of the policy, or per occurrence, for each individual.
- A notice must be posted on the first page of the policy, stating that the policyholder has the right to return the policy with its delivery for a full premium refund. This is called a "Free Look" provision. If a policy contains a "Pre-existing Condition" exclusion, the policyholder must be notified of this exclusion.

not be cancelled, non-renewed or otherwise terminated on the grounds of the age or deteriorating health of the insured. / not require prior hospitalization to limit or restrict benefits.

- All policies must be guaranteed renewable. The same premium is not [guaranteed](#).

Will my health affect my ability to buy a policy?

Companies that sell LTC insurance "underwrite" their coverage, which is a technique for evaluating the risk of offering you a policy; factors such as your medical health, age, physical lifestyle and the like.

Underwriters, who are employed by insurance carriers, look at your health and health history before they decide to issue a policy. be able to purchase coverage through an employer's group policy without any underwriting examination of your health. Insurance underwriting practices affect the premiums charged now and in the future. Some companies perform what is known as "short-form underwriting," which involves asking a few questions over the phone about your general health history, such as whether you have for any sickness or disease in the past three years, or whether you have been hospitalized within the past year. Other companies thorough underwriting practices that involve the completion of extensive applications, reviewing your medical records and, somet medical exams. If you have certain disabling or life-threatening diseases, Underwriters may refuse to issue a policy.

No matter how the company underwrites, you will be required to answer certain questions concerning your health and your medic the company can decide if it will insure you. If the information you placed on the application is wrong, the company may decide to cancel your policy. Most LTC policies have a termination of coverage provision (sometimes called a "Incontestable Clause"), whic carrier - for up to two years after the effective date of coverage - to terminate your policy because of erroneous information or misrepresentations contained in an application. Generally, this provision also allows the company to terminate the policy even be; year period if evidence of insurance fraud is involved.

What happens if I have a pre-existing condition?

Most LTC policies have a "Pre-existing Condition" provision, which defines a period of time that must pass **after** the policy's effect order for the policy to pay for care related to a health problem.

In New Jersey, pre-existing condition limitations in long-term care insurance shall not exclude coverage for more than six months effective date of coverage under the policy for a condition for which medical advice was given or treatment was recommended by from a physician within six months before the policy's effective date. A few companies will cover a pre-existing condition during th months of a policy's term, **so long as that pre-existing condition was disclosed on the insurance application**. If informati pre-existing condition is not disclosed, the Time Limit on Certain Defenses Provision will be triggered, and the policy could be can

Can I renew my LTC policy?

In most states, LTC policies must be guaranteed renewable. This means the company guarantees you a chance to renew the polic not mean that the policy will be renewed at the same premium payment. If you purchase your policy through your employer in a you may have the option to convert it to an individual policy. In this case, however, the premium cost will likely increase.

Can I buy group LTC through an employer?

The number of businesses offering group LTC insurance to employees and their families continues to grow. The insurance carriers premiums, benefits and coverage issues with each employer. Check with your personnel or human resources office for details.

How do I figure out how much coverage I will have?

The policy or group certificate (if you have group coverage through your employer) will state the amount of coverage in one of several ways. There are three items that define your coverage.

The Maximum Daily Benefit (MDB), Daily Maximum Benefit (DMB) or Daily Benefit Limit (DBL):

Different companies will call it different names, but this is the amount of benefit money you are limited to receiving each day you receive LTC service under a policy. Some companies have moved to a Weekly Maximum Benefit (WMB) because it is easier to administer and process claims. We shall use the term MDB.

The Maximum Benefit Period (MBP) or Benefit Period:

This describes how long the policy will pay daily benefits. Depending on state regulations, the period can be as short as 90 days a year (in New Jersey, the minimum is two years) or as long as "lifetime benefits" (unlimited).

Benefit Account Value (BAV), Maximum Lifetime Benefit (MLB), Total Lifetime Benefit (TLB) or Total Plan Benefit (TPB):

Again, different companies use different names. These terms describe the maximum amount the carrier will pay for LTC services for the Benefit Period. We are going to use the term BAV. The BAV is reduced by all benefits paid under the policy until benefits are exhausted, excluding the cost of Care Coordination or Personal Care Specialist benefits, which are provided by some companies free of charge.

The simple formula below shows how to figure your BAV:

$$MDB \times MBP = BAV$$

That is, your **Maximum Daily Benefit** [for example, \$100 a day] **times your Maximum Benefit Period** [for example, 1825 days or 5 years] **equals your total Benefit Account Value** [\$ 182,500]

MDB		MBP		BAV
\$100/day	X	1825 days	=	\$182,500

A final word on LTC:

The decision to purchase Long-Term Care insurance is a big one with definite financial consequences, both in terms of premiums and personal care. These types of decisions should not be made without consulting the most important people in your life - such as your family. Family involvement is usually considered essential to ensuring the well being and personal security of the potential long-term care recipient.

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