



Seniors'
Health
Insurance
Information
Program

Facts About Long-Term Care Insurance In North Carolina

www.ncshiip.com

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Shop Carefully and Avoid Pitfalls

Long-term care insurance is designed to pay some or all the costs of nursing home, community, or home health care when you cannot meet the needs of everyday living on your own. While such insurance is costly and might not cover all your expenses it can help to safeguard your assets and protect your financial stability. It is not for everyone. If your only income is Social Security, it is unwise to buy a long-term care policy.

Long term care insurance has two purposes:

- To protect the lifestyle of your spouse and/or family from the high cost of long-term care
- To protect your assets for your heirs

In general, you should purchase as much coverage as you can reasonably afford. Some policies will provide more coverage than others. Buyers who fail to ask tough questions may learn too late that their policies don't keep pace with the rising cost of care, don't provide all the benefits promised by an agent or advertisement, or are misleading in the coverage provided.

Keep in mind that insurance companies do underwrite their long-term care policies, which means they look at your health history, and there is no guarantee a policy will be issued to you.

NC Requirements for LTC Policies

- There can be no requirement for a prior hospital or skilled nursing home stay as a trigger for benefits.
- All pre-existing conditions must be covered after six months.
- Policies must be issued in a guaranteed renewable basis.
- Portability is required for all group contracts.
- A meaningful inflation protection must be offered.
- Whether expressed or implied no high pressure sales tactics are allowed.
- After age 65, no attained age rating is allowed.
- Policies must provide at least three levels of care for at least 12 months.
- Policies must be issues free of exclusionary riders.
- Policies cannot require that home health care be provided by an RN or LPN.
- All policies must have a 30-day "free-look" provision.
- Clinical diagnosis must be accepted on all organic brain disorders.
- Annual lapse and financial reports must be filed with the Insurance Commissioner.
- Third-party notification is required to prevent loss of coverage.
- Rate revisions must be approved prior to implementation.
- Insurance agents selling long-term care insurance must pass a supplemental exam.
- No new waiting period for pre-existing conditions is required when replacing policies.
- Advertising policies must be accepted by the Insurance Commissioner prior to use.

What is a Federally Tax-Qualified Long-term Care Policy?

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 (effective January 1, 1997) established that long-term care policies meeting certain standards are referred to as federally “tax-qualified” plans and offer certain federal tax income advantages. The Act requires that the policy and the Outline of Coverage both state that the policy is a qualified long-term care insurance contract.

Benefits

In a tax-qualified policy, out-of-pocket long-term care expenses will be allowed as itemized deductions to the extent that they and other unreimbursed medical expenses exceed 7.5 percent of adjusted gross income.

Benefits paid under a federally qualified plan are not taxable if the amount paid does not exceed the federal per diem of \$175. Policies paying benefits based on actual incurred amounts are also exempt from taxation.

Consult with a tax advisor if you have questions about how tax-qualified policies could affect you. Policies approved as long-term care insurance before January 1, 1997 are grandfathered under the Act; therefore, premiums paid for these policies are also subject to favorable tax treatment.

Requirements

To be a federally qualified long-term care plan the contract must meet the following criteria:

- ♦ must be guaranteed renewable and cannot have a cash surrender value;
- ♦ there must be an offer of a nonforfeiture benefit;
- ♦ individuals must be unable to do two activities of daily living (ADL's) without substantial assistance;
- ♦ for cognitive impairment to be covered, a person must require substantial supervision; and
- ♦ disability must be expected to last for at least 90 days, and verification must be from a certified health care provider.

Consult with a tax advisor if you have questions about how tax-qualified policies could affect you.

Prohibited Practices

Insurance companies and agents may not engage in unfair and deceptive trade practices including:

1. **Twisting** — to knowingly make any misleading representation or comparison causing someone to cancel a policy with one company and buy a replacement from another company,
2. **High Pressure Tactics** — to use force, fright or threat to pressure someone into purchasing a policy, and
3. **Cold Lead Advertising** — to develop sales leads for a policy using deceptive advertising techniques.

Insurers also may not advertise a product as long-term care insurance if it provides less than twelve consecutive months of benefits.

Is Long-Term Care Insurance Right For You?

Premium

The premium for the coverage you are considering will be \$_____ per month (or \$_____ per year or a one time single premium of \$_____.)

Have you considered whether you could afford to keep this policy if the premiums were raised, for example by 20 percent?

Income

Where will you get the money to pay each year's premium?

Income Savings Family members

What is your annual income?

Under \$10,000 \$10-20,000 \$20-30,000 \$30-50,000 Over \$50,000

How do you expect your income to change over the next 10 years?

No change Increase Decrease

If you will be paying premiums with money received from your own income, a rule of thumb is that you may not be able to afford this policy if the premiums will be more than seven percent of your income.

Savings and Investments

Not counting your home, what is the approximate value of all of your assets (savings and investments)?

Under \$20,000 \$20-30,000 \$30-50,000 Over \$50,000

How do you expect your assets to change over the next 10 years?

No change Increase Decrease

If you are buying this policy to protect your assets and your assets (excluding the value of your personal residence) are less than \$100,000, you may wish to consider other options for financing your long-term care.

Companies Approved to Sell Long-Term Care Insurance in North Carolina

Please Note:

Of the licensed companies that are currently approved to sell long-term care insurance in North Carolina these have requested to be included in our SHIP consumer education materials. Companies that are not currently marketing or that only market to specialized groups are not included on this list. In addition, some companies may have been approved or deleted since this list was printed. For further information, contact the North Carolina Department of Insurance's Seniors' Health Insurance Information Program (SHIP) at 1-800-443-9354.

AFLAC

1932 Wynnton Rd
Columbus, GA 31999
1-800-992-3522

Allianz Life Insurance Company of North America

P.O. Box 1292
Minneapolis, MN 55440-1292
1-800-950-1962

American Pioneer Life Insurance Company

1001 Heathrow Park Ln
Lake Mary, FL 32795
1-800-538-1053

American Republic Life Insurance Company

601 6th Street
Des Moines, IA 50334
1-800-245-2000

Bankers Life and Casualty

222 Merchandise Mart Plaza
Chicago, IL 60654
Telephone: 1-312-396-6000

Berkshire Life Insurance Company of America

700 South Street
Pittsfield, MA 01201
1-888-505-8743

Blue Cross Blue Shield of NC

Post Office Box 30055
Durham, NC 27702
1-800-478-0583

Combined Insurance Company

P.O. Box 87308
Chicago, IL 60680-3990
1-800-544-5531

Continental General Insurance Company

6201 Johnson Drive
Mission, KS 66201
1-800-456-7866

CUNA Mutual Life Insurance

4160 Piedmont Parkway
Greensboro, NC 27410
1-800-822-8859

Genworth (Formerly GE)

6620 W. Broad Street
Richmond, VA 23230
1-888-436-9678

Golden Rule Insurance Company

744 Woodland Drive
Indianapolis, IN 46278
1-800-261-3361

Great American Life Insurance Company

P.O. Box 559002
Austin, TX 78755-9002
1-866-830-0607

Guarantee Trust Life Insurance Company

1275 Milwaukee Avenue
Glenview, IL 60025
1-800-323-6907

Guaranty Income Life Insurance Company

929 Government Street
Baton Rouge, LA 70802-6089
1-800-535-8110

John Hancock Life Insurance Company

An agent will contact consumer
1-800-571-9510

Kanawha Insurance Company

210 South White Street
Lancaster, SC 29721-0610
1-800-635-4252

Knights of Columbus

20 Waverly Court
Asheville, NC 28805-2433
1-828-298-3660

Lincoln Benefit Life Company

2940 South 84th Street
Lincoln, NE 68506
1-888-503-8110

Loyal American Life Insurance Company

P.O. Box 559004
Austin, TX 78731
1-800-633-6753

Massachusetts Mutual Life Insurance Company

1295 State Street
Springfield, MA 06154
1-888-505-8952

MetLife Insurance Company

440 US Hwy 22
Bridgewater, NJ 08807
1-800-638-5433

National States Insurance Company

1830 Craig Park Court
St. Louis, MO 63146
1-800-868-6788

New York Life Insurance Company

7501 North Capital of Texas Hwy
Suite C-100
Austin, TX 78731
1-800-224-4582

Northwestern Long Term Care Insurance Company

P.O. Box 3173
Milwaukee, WI 53102-3173
1-877-582-6582

Provident Life and Accident Insurance Company

1 Fountain Square
Chatanooga, TN
1-800-331-1538

Prudential Insurance Company of America

290 West Mount Pleasant Ave.
Livingston, NJ 07039
1-800-732-0416

Southern Farm Bureau Life Insurance Company

P.O. Box 78
Jackson, MS 39205
1-601-981-7422

State Farm Mutual Automobile Insurance Company

Call Your Local State Farm Agent

State Life Insurance Company

141 East Washington Street
Indianapolis, IN 46282
1-888-505-8101

United American Insurance Company

Contact local agent for materials.

United Teachers Annuity Insurance Company

5508 Parkcrest Drive
P.O. Box 26580
Austin, TX 78755-0580
1-800-880-8824

Premium Pricing

The initial premium for a long-term care insurance policy is based on:

- your age at policy purchase,
- the elimination period, and
- policy benefits and duration.

AGE - The younger you are when you buy the policy, the less you pay in initial premiums. The premium may increase with age (after age 65 a long-term care insurer cannot use age to increase cost).

ELIMINATION PERIOD - Premiums are lower for longer elimination periods. (The elimination period is the number of days of care you pay for out-of-pocket before the insurance company begins paying benefits for your care.)

BENEFITS - A policy paying \$50 per day for three years will cost less than one paying \$100 a day for five years.

Ask Before Buying!

- What types of care are covered and in what setting? (A policy is not required to cover every kind of long-term care, nor is it required to cover long-term care in every setting.)
 - How much is the daily benefit amount and for how many years will it be paid?
 - Does the policy have maximum benefits for each illness or per person, including maximum periods of confinement?
 - Does the policy place a lifetime maximum on your benefits? Does collecting benefits for home health care reduce the policy's remaining lifetime benefits amount?
 - How long is the elimination period?
 - How long is the waiting period before pre-existing conditions are covered?
 - What inflation protection is offered?
 - How much will the premium increase in the future? Is there a non-forfeiture benefit?
- An agent must give you the long term care policy's "outline of coverage" at the time of application.
 - If your income and assets qualify you for Medicaid, you do not need long-term care insurance.
 - Talk to several agents and companies, and compare policies.
 - Buy locally from an agent you know and trust.
 - When buying by mail, see if the company has a local agent or a toll-free number you can call with any questions.
 - Never buy a policy on an agent's first visit. Make sure you understand the policy. Have the agent leave a brochure explaining the policy. Ask the agent to return; invite a trusted friend or relative to be present. An ethical agent will not object.
 - Never sign a blank application. Be sure to answer all questions truthfully. An insurer can deny a claim or cancel a policy if an answer is incomplete or inaccurate.
 - Make checks payable to the insurance company, never to the agent. NEVER PAY CASH. Pay by check or money order and insist on a receipt.
 - Don't pay premiums for more than one year at a time. If there is no discount for an annual premium, pay monthly, quarterly or by automatic bank draft.
 - Don't wait until retirement to check into long-term care coverage through your company group insurance plan.
 - Call the Seniors' Health Insurance Information Program with questions. (1-800-443-9354)

General Shopping Tips

Did You Know?

INFLATION PROTECTION – The NC Department of Insurance requires companies to offer you at least one of three methods of increasing the daily benefit amount to offset the effect of inflation. You may reject or accept the offer. The three methods available are **a)** benefit levels increase annually at a minimum of five percent annually (simple or compounded), **b)** insurer guarantees periodic opportunities to increase benefit level, or **c)** benefit covers a specific percentage of actual reasonable charges. If you reject the inflation protection, it **MUST** be in writing.

FREE LOOK – All long-term care policies must provide a “free look” period of at least 30 days that will allow you to review your purchase. For a full refund, return the policy before the end of the 30 day period.

DUPLICATE COVERAGE – Do not buy duplicate coverage. Consider increasing current coverage instead. If you replace a policy with another new policy, North Carolina Department of Insurance regulations require agents or insurance companies to **a)** offer to check on all your other policies for possible duplicate coverage, **b)** warn you in writing not to cancel any policy until the “free look” period is over and you are satisfied with the new one and **c)** give credit for time spent under your previous policy toward satisfying pre-existing condition waiting periods.

ELIMINATION PERIODS – An elimination period is the time you must be confined to an eligible facility and must pay for the care you receive before a policy begins to pay benefits. Select the longest elimination period you can afford in order to keep costs down.

HOME HEALTH BENEFITS – Do not confuse at home recovery benefits with more extensive home health care benefits. Recovery benefits often are limited to short periods, usually no longer than your hospital or nursing home stay.

PRE-EXISTING CONDITION – A pre-existing condition is an illness or disability for which you received medical advice or treatment during a period of time before you apply for insurance. Most policies do not pay for these conditions during the waiting period after you become insured. State law limits the long-term care pre-existing policy waiting period to six months.

GUARANTEED RENEWABLE – Long-term care insurance policies sold in North Carolina must be guaranteed renewable. This means you must be allowed to continue in force as long as the premiums are paid. The company may not change policy provisions or refuse to continue your coverage. Premiums, however, may be raised for an entire class of policyholders. Policies issued on or after December 1, 1994 may not increase rates based on attained age after your 65th birthday.

PREMIUM PRICING – Policies with attained age pricing have premiums that start low but increase with the policyholder’s age. Policies with issue-age pricing have premiums that do not increase solely due to increasing age.

MENTAL AND NERVOUS DISORDERS – Long-term care policies may limit or exclude coverage of some mental or nervous disorders. However, they must provide coverage of Alzheimer’s’ disease and related disorders of biologically caused brain diseases and serious mental illness, including progressive dementing illness, organic brain disorders and degenerative brain disorders.

NONFORFEITURE BENEFITS – A non-forfeiture benefit provides that after a policyholder has paid into a policy for a specified period of time, the policyholder continues to have some benefits even if he/she is unable to continue paying premiums. Those benefits take different forms and affect the policy price.

Contacts for General Long-Term Care Information

National Resources

- **National Association of State Units on Aging (NASUA)**
800-677-1116 or www.nasua.org
- **Medicare** 1-800-633-4227 or www.medicare.gov
- **Centers for Medicare and Medicaid Services** www.cms.hhs.gov
- **National Alzheimer's Association** 800-272-3900 or www.alz.org

State Resources

- **Seniors' Health Insurance Information Program (SHIIP)**
800-443-9354 or 919-807-6900 www.ncshiip.com
- **CARELINE** 800-662-7030
- **Duke (Alzheimer's) Family Support Program** 800-522-2451 or 919-660-7510
- **NC Division of Aging** 919-733-0440 or www.dhhs.state.nc.us/aging
- **NC Division of Facility Services** www.facility-services.state.nc.us
Health Agency Complaint Hotline 800-624-3004
- **NC Division of Social Services** www.dhhs.state.nc.us/dss
- **NC Division of Vocational Rehabilitation** 800-215-7227 www.dvr.dhhs.state.nc.us
- **North Carolina Housing Finance Agency** 919-877-5700

Regional Resources

- **NC Area Agencies on Aging** www.dhhs.state.nc.us/aging/aaa.htm
- **NC Regional Long Term Care Ombudsman** www.dhhs.state.nc.us/aging/ombud.htm
- **Alzheimer's Association, Eastern NC Chapter** 800-228-8738 or 919-832-3732 (Raleigh)
www.alznc.org/home.htm
- **Alzheimer's Association, Western Piedmont Chapter** 800-888-6671 or
704-532-7392 (Main/Piedmont office)
- **Alzheimer's Association, Western Carolina Chapter** 800-888-6671 or
828-254-7363 (Mountain office)



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**Seniors' Health Insurance
Information Program (SHIIP)
11 South Boylan Avenue
Raleigh, NC 27603**

**1-800-443-9354 – nationwide
(919) 807-6900 – local and out-of-state**

www.ncshiip.com

SHIIP is a division of the North Carolina Department of Insurance and offers free, objective information about Medicare, Medicare supplements, Medicare Part D, Medicare Advantage, Medicare fraud and abuse and long-term care insurance. There is absolutely no selling involved, as the program is a state-operated service.