

State of Rhode Island and Providence Plantations



Department of Human Services Division of Elderly Affairs

RHODE ISLAND SENIOR BEAT

BY: Larry Grimaldi, Chief of Information & Public Relations
462-0509 lgrimaldi@dea.ri.gov

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THINKING ABOUT BUYING LONG-TERM CARE INSURANCE?

CRANSTON--- In William Shakespeare's "Hamlet," the Prince of Denmark opens Act III by asking, "To be or not to be? That is the question." When it comes to considering options to pay for long-term care, the question many people are asking is "To buy or not to buy long term care insurance?" Since the average nursing home cost can be about \$300 per day, the answers have serious implications on estate planning and mapping out a strategy for the future.

Some persons may elect to "self-insure" when it comes to paying for nursing home care or assisted living. Basically, the term "self-insurance" means that you will pay long-term care expenses out-of-pocket, from the first dollar. Medicare pays for skilled or rehabilitative care in an approved nursing home for a limited time, if certain requirements are met. For more information on Medicare and long-term care benefits, call 1-800-MEDICARE (1-800-633-4227), or go to www.medicare.gov. The TTY number is 1-877-486-2048.

Medical Assistance (Medicaid) is a federal-state funded health insurance program for persons with limited income and resources. Medicaid covers approximately 180,000 Rhode Islanders including children, the aged, blind, and/or persons with disabilities, Supplemental Security Income (SSI) recipients, and others. If individuals do not have sufficient monthly income to pay for nursing home care, and they have less than \$4,000 in resources (such as bank accounts, stocks, bonds, property not used as a home, etc.), they may qualify for long-term care Medicaid. The Rhode Island Department of Human Services (DHS) must determine that there is a medical need for the person to be in a nursing home.

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John O. Pastore Center, Hazard Building / 2nd Floor
74 West Road, Cranston, RI 02920
Telephone 401-462-3000, Fax 401-462-0503, TTY 401-462-0740
Web Site: www.dea.ri.gov

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You can get a more detailed explanation of DHS long-term care assistance requirements in the “Medical Assistance and Nursing Home Guide” published by the Rhode Island Division of Elderly Affairs (DEA). For a copy of this guide, call DEA at 462-3000, or go to www.dea.ri.gov. The TTY number is 462-0740.

There are many types on long-term care insurance. Long-term care insurance should fit into your estate planning, have premiums that you can afford, provide protection for inflation, and not be excessively restrictive in terms of eligibility or exclusion. Premiums will be determined by age, the type of benefit you choose, and the amount of the daily or monthly benefit that you select. The Aging.com web site suggests eight points you need to consider in a long-term care insurance policy.

Benefit amount: Policies may offer you a choice of benefits ranging from \$50 a day to \$500 per day. Keep in mind that assisted living expenses may be as much as \$40,000 a year and nursing home expenses can exceed \$80,000 per year. Paying for a policy with limited benefits may not be worth your investment.

Inflation protection: Health care costs are rising. You can safely assume that long-term care costs will also rise. Choose a policy that includes inflation protection. Otherwise, that \$200 a day benefit won't buy as much 10 years from now as it does today.

Type of coverage: There are two types of long-term care coverage-comprehensive or facility care only. Comprehensive policies cover a wider range of health care facilities and services, such as in-home care. A facilities-only policy will cover you only if you are in a long-term care setting.

Elimination period: This is the amount of time that you will have to wait before coverage begins. Waiting periods can vary from 30 to 365 days. Remember, during the elimination period, you will be responsible for long-term care expenses. Let the buyer beware.

Maximum lifetime benefit: This refers to the total amount of coverage that the policy will provide. Policies can have limits of \$100,000, \$300,000, or more. The dollar amounts may also be tied to a particular time frame. Some policies may offer unlimited benefits. In insurance, the rule of thumb is simple. The more coverage you select, the higher the premiums.

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Pre-existing conditions: Check for pre-existing conditions that may not be covered under the policy such as drug or alcohol abuse, diabetes, heart disease, etc. Some policies exclude these conditions for one year, some exclude them permanently.

Joint long-term care: Couples may have the option of purchasing long-term care insurance under a “share care” provision. These policies pool the coverage between two people. If one person dies before using the full benefits of the policy, the survivor uses the remainder of the benefits.

Tax deductible: The payments for some long-term care policies may be deductible on your federal income tax return. For more information, call the IRS at 1-800-829-1040 (Voice/TTY), or go to www.irs.gov.

When choosing a long-term care insurance policy, it’s a good idea to choose one that is licensed to conduct business and is regulated by the Rhode Island Department of Business Regulation, Insurance Division. For more information, call 462-9500, or log on to www.dbr.state.ri.us.

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The Rhode Island Department of Human Services, Division of Elderly Affairs (DEA) is responsible for the development and implementation of a comprehensive system of programs and services for Rhode Islanders ages 60 and older and for adults with disabilities. Questions or requests for additional information on the issues of growing older in Rhode Island should be directed to: Larry Grimaldi, Rhode Island Senior Beat, Rhode Island Department of Human Services, Division of Elderly Affairs, 74 West Road, Cranston, RI 02920 or faxed to 462-0503. Information may also be requested via e-mail at lgrimaldi@dea.ri.gov.