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STATE OF ALASKA
THE LEGISLATURE

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Mary Van Nimwegen

SB 315

7 HESS

3/30/90

H HESS

4/4/90

HOUSE COMMITTEE REPORT

(7)

Date Referred: March 15, 1990

FURTHER REFERRALS:

LABOR & COMMERCE

Date of Committee Action: 4/4/90

The HESS Committee considered:

CSSB 315 (LABOR & COMMERCE)

CS SENATE BILL NO. 315 (L&C)

LONG-TERM CARE DISABILITY INSURANCE

"An Act relating to long-term care insurance; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] have attached amendment(s) [] a new title
- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS: (Date/Dept)

- [] fiscal impact _____
- [] zero fiscal note _____
- [] zero with analysis _____

- [] fiscal note(s) _____
- [] zero fiscal note(s) 2/28/90 DEN
- [] zero fn/analysis 2/28/90 Admin

SIGNING DO PASS:

SIGNING:
(Check approp. column)

Do Not
Pass No Rec Amend

J. Ellis
Peter...

| <i>W. H. ...</i> | | <input checked="" type="checkbox"/> | |
|------------------|--|-------------------------------------|--|
| <i>...</i> | | - | |
| <i>...</i> | | | |
| <i>...</i> | | <input checked="" type="checkbox"/> | |
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| | | | |
| | | | |

J. Ellis

Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act relating to long-term BRU: Insurance
care disability insurance; and providing for an effective date
 Sponsor: HESS Committee Components: Operations
 Requestor: HESS Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : (Attach a separate page if necessary) No fiscal impact in FY 90.

Prepared by: Don Koch, Acting Deputy Director Phone: 465-2577
 Division: Insurance Date: 2/6/90

Approved by Commissioner: Larry Mercurieff Date: 2/7/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Changes in CSSB315 (L&C)
 have no fiscal impact.
 This fiscal note is
 appropriate.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to long-term BRU: Retirement and Benefits
disability insurance
 Sponsor: Senate HESS Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

ANALYSIS: (Attach a separate page if necessary)

The long-term care insurance coverage offered to retirees under the Public Employees', Teachers', Judicial, or the Elected Public Officers' Retirement systems are not affected by this bill.

Prepared by: Sally Smith *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: 2/12/90
 Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 2/12/90
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Changes in CSSB 315 (L40)
 have no fiscal impact.
 This fiscal note is
 appropriate. *sp*

CSSB 315 (HESS): "An Act relating to long-term care disability insurance; and providing for an effective date.

The department supports this legislation. This bill establishes a specific regulatory framework for insurance contracts that provide for long-term care benefits. It establishes certain standardized contract provisions in order to require certain minimum benefits and to facilitate public understanding and comparison shopping.

Funding of long-term care is a critical issue throughout the nation that impacts all third-party and out-of-pocket payers of medical care for older persons. "Long-term care" is the term that pertains to a continuum of care that ranges from some assistance in the home to the extreme of 24-hour skilled care in a medical facility. Our average population is getting older and is living longer, thus, increasing the likelihood of more people requiring some form of long-term care. Medicare currently provides almost no coverage for long-term care. Medicaid provides the majority of the funding for long-term care nationwide and provides for nearly all of the funding for skilled nursing service care in Alaska. Most Americans are not financially prepared to meet the cost of long-term care in their later years. This results in those people spending down both assets and income in order to qualify for public assistance primarily through Medicaid.

The insurance industry has been slow to develop insurance products to cover this risk. The most important reason for this is the lack of reliable statistical data on which to base rates, coupled with the fact that correct projection of costs far into the future is required and is extremely difficult to accomplish. Although this attitude is changing, the general population has held the misperception that there is little or no need for such coverage and also that, if long-term care is needed, Medicare would provide the necessary benefits.

Without mechanisms such as insurance products to prefund long-term care, publicly-funded care is expected to increase, perhaps to a point beyond that which public resources can readily bear. It is important to encourage the growth of insurance products to help finance long-term care needs. However, this needs to be done in a manner that provides appropriate elements of consumer protection.

SB 315 is based on the National Association of Insurance Commissioners (NAIC) Model Long-Term Care Act. The NAIC is encouraging the adoption of this model by the various states in lieu of federal intervention. Abuses have occurred in other states with a large senior population. These abuses have received Congressional scrutiny, with indications that the federal government should regulate long-term care if the states do not.


Larry Merculieff, Commissioner

Date: 2/7/90

Alaska State Legislature

SENATOR PAUL FISCHER, Chairman
SENATOR JIM DUNCAN, Vice Chairman
SENATOR AL ADAMS
SENATOR LLOYD JONES
SENATOR TIM KELLY



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ROOM 508
STATE CAPITOL
(907) 465-3762

Senate Committee on Health, Education and Social Services

TO: REPRESENTATIVE JOHNNY ELLIS, CHAIRMAN, HOUSE HEALTH,
EDUCATION AND SOCIAL SERVICES COMMITTEE.

FROM: SENATOR PAUL FISCHER, CHAIRMAN, SENATE HEALTH, *P.F.*
EDUCATION AND SOCIAL SERVICES COMMITTEE.

DATE: MARCH 16, 1990

RE: SB 315 - LONG TERM CARE INSURANCE.

THIS BILL IS BASED UPON A MODEL ACT DEVELOPED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS. IT ESSENTIALLY ALLOWS PROVIDERS TO DELIVER LONG TERM CARE INSURANCE IN THE STATE OF ALASKA. TO DATE, 38 STATES HAVE DEVELOPED SIMILAR VERSIONS OF THIS MODEL ACT. SEVERAL OTHER STATES HAVE SIMILAR MEASURES UNDER CONSIDERATION.

ESSENTIALLY, THIS BILL PROVIDES A METHOD FOR OUR CITIZENRY TO MEET THE NEEDS OF AN AGING POPULATION. MEDICARE CURRENTLY PROVIDES ALMOST NO COVERAGE FOR LONG TERM CARE. MOST COVERAGE FOR LONG TERM CARE COMES OUT OF MEDICAID. THIS BILL PROVIDES A PRIVATE SECTOR ALTERNATIVE FOR INDIVIDUALS IN NEED OF LONG TERM CARE. IT WOULD ALSO HELP REDUCE PRESSURES ON THE MEDICAID BUDGET.

THIS BILL ENJOYS THE SUPPORT OF THE DEPARTMENT OF COMMERCE, THE HEALTH INSURANCE ASSOCIATION OF AMERICA, AND THE AMERICAN COUNCIL OF LIFE INSURANCE.

I RESPECTFULLY REQUEST THAT YOU CONSIDER THIS BILL FOR SCHEDULING AT YOUR EARLIEST POSSIBLE CONVENIENCE.

THANK YOU.

LONG TERM CARE EDUCATION COALITION

WHAT IS LONG-TERM CARE? *Why You Need to Know*

This is the first in a series of newsletters produced by the Coalition for Long-term Care Education. The Coalition is comprised of a variety of organizations, cooperating in this endeavor to respond to the need for educational information on the subject of long-term care. This issue introduces the concept of long-term care and explains why it should be of concern to you. Subsequent issues will be produced periodically on such topics as long-term care options, paying for long-term care, what to look for when selecting long-term care services, and others.

There's a great deal of talk these days about "the graying of America" and something called "the long-term care issue."

What's it all about? Why should you care?

America is getting older. More and more of us are moving into our senior years. And our life expectancy is increasing.

In the year 2000, about 35 million Americans will be aged 65 and over—more than twice the number in 1960. Since 1960, the population aged 65 and over has grown more than twice as fast as the U.S. population in general. The number of Americans aged 80 and over totals almost six million today; in the year 2030, that number is expected to have almost tripled.

These statistics tell the story behind the phrase, "the graying of America."

This growth in the elderly population will be reflected, among other things, in an increased demand for long-term care services. But what is "long-term care" and why do you need to know about it?

The Challenge of Living Longer

We Americans are healthier than ever—and living longer. And because so many Americans will live into their eighties and nineties—perhaps even to age 100—we all need to do some looking ahead.

While many millions of "young-old" Americans lead healthy, active lives, others are not so fortunate. Two out of five persons aged 65 and over risk needing nursing home care. By the year 1990, about 7.7 million Americans over age 65 are expected to need some form of long-term

care. And as we get into our eighties, the chances increase considerably that we will face health problems or frailty. Statistics show that, at any given time, 22 percent of those aged 85 or older are in a nursing home.

Many of us are concerned that our health might deteriorate as we get older and we worry about our financial ability to handle disability or illness. Still, few of us make preparations that would help us handle these situations. Why? Partially it has to do with widespread misunderstanding about long-term care and how it is paid for.

Getting the Facts Straight

Many Americans deny their own possible future need for long-term care, associate long-term care only with nursing homes and believe that Medicare will pay for most long-term care services—all misconceptions.

The purpose of this newsletter is to help clear up some of the confusion for you about long-term care—to help you learn about the issue and to prepare yourself and other family members for a possible need for long-term care services.

What Is Long-term Care?

Simply stated, long-term care refers to a person's need for a wide range of medical, nursing, and social services over a prolonged period of time. This is generally called "chronic" care, as distinct from more intensive medical treatment for a short-term illness called "acute" care. The need for long-term care can result from chronic illness or disability or from a sudden accident or stroke.

Long-term care does NOT take place only in a nursing home, nor is it needed only by the elderly. Care might be provided to people of any age in the home, in community facilities, or in nursing homes. Relatives, friends and neighbors, and those working for community services often provide assistance with the normal activities of daily living such as eating, bathing, and dressing. Or, those who need care could be living in a community for senior citizens which might meet all of their health and social needs—commonly known as a continuing care community.

If you do not have these support systems or if you need skilled nursing or rehabilitative care on a daily basis, you may find your only option to be an institution such as a nursing home.

Social services are as important a part of long-term care as are medical and nursing services, particularly in helping you remain in the community if you need care. They include services provided in one's own home such as homemaker or "chore" services, "meals on wheels" and those provided in a community setting such as an adult day care center. Some of these services may also provide "respite care," which is time off for family members caring for an elderly relative.

Future newsletters will cover the types of services available for long-term care in more detail.

Thinking about the Options

If you are elderly and need help with day-to-day tasks, you may already have had to think about your need for long-term care. You have perhaps wondered how much longer you will be able to remain in your home and what kinds of help you will need to do that. Here are two things you can do: (1) Explore community programs in your area. (2) Find out the cost of these different programs to determine how far your savings or insurance will go to meeting those costs.

If you are the middle-aged child of an elderly parent, you've probably been considering similar questions about your parent's future. And then there's your own future—it's very possible that you have been so busy raising and educating your children and worrying about your parents that you've devoted little time to plans for your own older years.

The Role of Government Programs

Surveys show that millions of older persons mistakenly believe that Medicare covers most long-term care services. This is a dangerous misunderstanding because it leads to a false sense of security, thinking we already have coverage for the expenses of a chronic illness or disability.

Medicare does not cover any long-term care expenses. It is intended to help pay for short-term "acute" care in a hospital.

It also pays for care in a Medicare-certified skilled nursing home that provides daily nursing and rehabilitative care for a patient following hospitalization. Medicare offers coverage for only 100 days of skilled nursing home care annually and pays in full for only the first 20 days of such care.

Medicare pays for care in your home only if you are homebound and need, for a limited period of time, part-time nursing or speech therapy or physical therapy.

And while private supplemental health insurance (commonly referred to as "Medigap" insurance) is designed to help cover some of the gaps that Medicare covers, it does not include long-term care.

Medicaid, the government program for people with very low incomes, does cover the cost of long-term nursing home care. But if you have savings, you literally have to impoverish yourself to qualify for the program, which means first "spending down" or exhausting all of your own assets (although you do not have to sell your house).

Understanding the limitations of these programs is important when you are beginning to explore choices for yourself or for a family member. Costs vary considerably

depending on the range of services needed and where those services will be provided. Home care may be the least expensive if only limited support is needed and if family members are the primary caregivers. On the other hand, an institution such as a skilled nursing home might be very expensive, costing between \$20,000 and \$40,000 a year.

Medicaid and private savings are the two major ways to finance long-term care today. Various government financing options are being considered by Congress, major studies on financing long-term care will soon be released, and private insurance is becoming more widely available. We'll tell you more about these developments in another newsletter.

Summing Up

We all need to think about our older years—whether we want to—or will be able to—stay in our homes, move to retirement communities or continuing care communities, or arrange for nursing home care. These decisions depend, of course, on the state of our health and the degree to which we are independent.

Millions of family members today continue a long American tradition of caring for elderly relatives. Family caregivers provide between 75 and 90 percent of the personal care, household maintenance, transportation and shopping for older persons.

But the reality is that many of us are living to very old ages and are being taken care of by relatives who themselves may be elderly or who may also be juggling jobs and other family responsibilities. Many people who are caring for elderly relatives find it very difficult to bear the entire burden alone. It is important that we all get as much help for ourselves or elderly relatives and have as many options as possible.

Obviously, the sooner you begin thinking and planning for a time when you or a relative may require long-term care, the better prepared you will be if a need arises. A crisis develops only when we don't plan.

Anticipating long-term care needs can mean, for example, checking into all of the resources available in your community, such as home care, adult day care, continuing care communities, and nursing homes. It means investigating the costs of these services and facilities and determining what resources you have to cover those costs. It means looking into government programs, private long-term care insurance, and their costs and coverage. And it means following federal and state legislative proposals that offer new solutions to meet long-term care needs.

Ask questions. Find out what is available. Become a knowledgeable consumer. Check out all your options. And look for the next in this series of educational newsletters.

To obtain additional copies, please write to:

American Council of Life Insurance
Health Insurance Association of America
Company Services
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599

Long-term Care Insurance

Many people want to know how to buy insurance coverage that will protect them from the potentially catastrophic expenses related to long-term care. However, most people do not know what their chances are of ever needing long-term care services, how expensive these services can be or whether their present health insurance coverage will take care of them.

What Is Long-term Care?

Long-term care refers to the kind of help that you might need should you develop a chronic illness or disability that makes it impossible for you to care for yourself. You may never need lengthy care in a nursing home, but it's possible that some day you will need help at home with daily activities such as dressing, bathing, or walking.

To meet a range of long-term care needs, there are many kinds of long-term care services in addition to the care associated with lengthy stays in a nursing home or health care you may need at home. Other services include: adult day care; respite care (which helps family members cope with caring for older persons at home); care given in senior citizens or congregate housing; aide or chore services; and friendly visiting services.

Some or all of these services may be available where you live now or plan to retire. However, this issue of **Consumer Notes** deals mainly with the two kinds of long-term care covered by private long-term care insurance policies that are currently available: nursing home and home health care.

In addition, it will help you gauge whether long-term care insurance policies can help you meet future expenses related to chronic illness or disability.

Medicare and Long-term Care

The fact is that neither Medicare nor private Medicare supplement insurance (or the health insurance you have through your employer) will pay for most long-term care expenses.

Medicare supplement (Medigap) insurance is private insurance that is designed to help cover some of the gaps in Medicare coverage. It will not cover long-term care costs. Some retirees are covered by their group health plan which complements Medicare, but these plans generally do not cover long-term care either.

Although you may have Medicare as well as other health insurance, you will be covered for expenses related to only a limited amount of skilled nursing care. Skilled nursing care refers to the kind of daily nursing and rehabilitative care that can be performed only by, or under the supervision of skilled medical personnel. The care received must also be based on a doctor's orders.

This means you will not be covered if you need the kind of extended, intermediate or custodial care associated with long-term nursing home stays or if you need prolonged home health care on a daily basis.

Intermediate care refers to occasional nursing and rehabilitative care that must be based on a doctor's orders and can only be performed by, or under the supervision of skilled medical personnel. Custodial care is care that is primarily for the purpose of meeting personal needs such as help in walking, bathing, dressing, eating or taking medicine. It can usually be provided by someone without professional medical skills or training.

Home health care may include care received at home such as part-time skilled nursing care, speech therapy, physical or occupational

therapy, part-time services of home health aides or help from homemakers or choreworkers.

At present, there are a limited number of long-term care insurance products available that do cover these kinds of expenses. However, insurance companies are developing more products as the demand for this kind of coverage increases.

Will You Need Long-term Care?

By the year 1990, about 7.7 million Americans over age 65 will likely need some form of long-term care.

But those aged 85 or older are the most at risk for needing long-term care services. In fact, statistics show that, at any given time, 22 percent of those aged 85 or older are in a nursing home.

At the same time, it is estimated that two out of five people aged 65 or older risk entering a nursing home. More than half of those will need to stay 90 days or fewer; yet about 40 percent will need to stay on average 2½ years. Only a small number ever stay over five years.

While you may never need nursing home care, home health care or other long-term care services, you still may wish to consider purchasing insurance that covers many of these services because of the risks posed by the need for long-term care and the costs involved.

Insurance, by definition, is a way for you to share the costs of possible economic loss by contracting with an insurance company to assume the risk of such a loss in exchange for a premium.

How Expensive Is Long-term Care?

Long-term care can be very expensive. In 1986, a year in a nursing home cost an average of \$20,000 to \$30,000 (the cost often depending on the area in which the

home is located) or about \$2,000 per month. At the most expensive nursing homes, the annual cost could be as much as \$50,000.

Home health care provided on an unskilled basis (help with grooming or dressing) by a home health aide three times a week for a year can easily cost \$440 a month or \$5,300 a year. Skilled nursing home care visits can cost even more with three visits per week for a year running as much as \$680 a month or \$8,200 a year.

It's difficult to know what kind of care you may need or what the costs will be, but knowing you will be responsible for the majority of expenses, you can begin to consider what kind of insurance coverage you need to buy.

Who Pays for Long-term Care?

In 1987, over half of nursing home care expenses alone were paid out-of-pocket by individuals or families. Medicare paid for less than two percent of the nation's \$41.6 billion annual nursing home bill and private insurance paid even less.

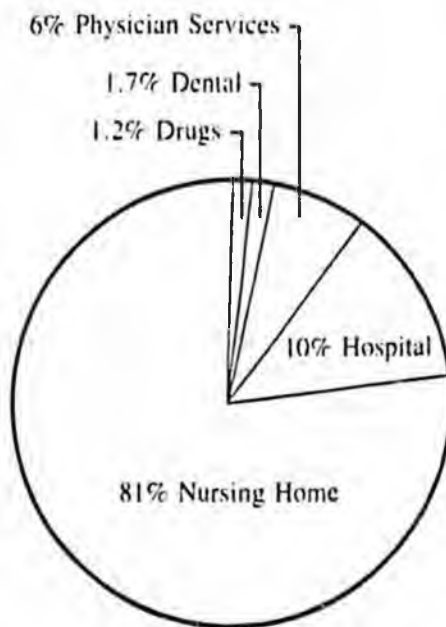
In fact, Medicare will only help pay for:

- Skilled nursing care up to 100 days, and your admission to a facility must be within 30 days of a three-day hospital stay. A physician must show that your admission is necessary.*
- Part-time skilled home health care (but only if you are homebound, a physician certifies the care is necessary and provides a treatment plan and the agency is Medicare participating). This is a very limited benefit and does not cover services you may need on a daily basis over an extended period of time.*

The other primary payer of nursing home care expenses (over 42 percent) is Medicaid, the government program that is meant to pro-

*Legislation currently pending in Congress is expected to change Medicare's present skilled nursing care and home health care benefits. All Medicare beneficiaries will be receiving details from insurers and the federal government once the law goes into effect.

Elderly Out-Of-Pocket Expenses over \$2,000 Per Year



vide help with medical expenses to the poor. To qualify for Medicaid, you (or your family) either must already be "poor" or literally impoverish yourself—by spending virtually all of your assets (except your house). That happens to about one half of the people who enter nursing homes as "private-pay" patients. A recent study showed that those who pay for nursing home care out of their own pockets are often impoverished within six months to a year. They then must turn to Medicaid (public assistance) to pay part or all of their expenses.

For those over the age of 60, expenses for some home care services, such as Meals on Wheels, homemaker and home health aides, are available on a limited basis under the Federal Older Americans Act. If you need such services, contact the local Area Agency on Aging, listed in your telephone directory, for more information about eligibility requirements. Area Agencies on Aging are not direct providers of services, but they do operate an information and referral service to help older adults identify and access needed assistance within their communities.

What Kind of Insurance Is Available?

You can buy private insurance that helps to cover major expenses for long-term care. (See the "Who Offers Long-term Care Insurance" section for where to write about available policies.) There are a limited number of policies on the market today, but at least one is available in each state. These policies help pay expenses that may pose the highest risk to you.

Almost all available policies are "indemnity" policies, meaning they pay a set amount (usually a certain dollar figure per day) for care in a nursing home or for home health care. No policy, however, provides blanket coverage for all expenses and most policies on the market today do not automatically adjust for inflation. This means a policy's benefits are not necessarily tied to future increases in the costs of long-term care.

Each policy is priced differently. In 1986, costs ranged from about \$100 a year in premiums to more than \$2,500, depending on several factors:

Age—In general, the younger you are when you buy a policy, the lower the premium will be.

Elimination or Deductible Periods—These periods are defined as the number of days you must be confined in a facility or the number of home care visits you must have received before policy benefits begin. Usually, the longer the elimination or deductible period is, the lower the premium will be.

Amount Paid and Duration of Benefits—These vary from policy to policy, but in general, the more money the policy will pay or the longer the benefit period is, the more you will pay for the policy. For example, a policy that pays \$100 a day for up to five years of nursing home care will cost more than a policy that pays \$50 a day for three years.

What Kind of Care Is Provided?

Long-term care policies may pay for skilled, intermediate or custodial care in a nursing home. Each policy

may define these levels of care differently and the definitions are not the same as Medicare's.

Some policies require you to be hospitalized first before covering nursing home care, and many require that you receive skilled or intermediate care before they will pay for custodial care expenses.

Policies generally pay only for expenses in facilities that:

- Are licensed by the state and participate in Medicaid and/or Medicare; and
- Meet the policy's definition of skilled, intermediate or custodial care

This is why it's very important for you to find out the kinds of nursing homes in the area in which you live or plan to receive care before you buy a policy. Check the nursing homes in your area to make sure they fit policy definitions. If they don't, you may not be eligible for benefits.

Also, policies often cover home health care services such as skilled or non-skilled nursing care, and homemaker and home health aides. Some policies, however, require a prior nursing home or hospital stay before they will cover home health care benefits.

What Kinds of Limits Are There?

All policies contain limitations and exclusions in addition to age, elimination or deductible periods, or the amount and duration of benefits. Others you should study before making a purchase are:

Pre-existing conditions—When you apply for long-term care insurance, you may be asked questions about the previous and current state of your health. This is because an insurance company generally requires that a certain period of time pass before the policy pays for care related to a health problem you may have had when you applied. Such health problems are called pre-existing conditions. At this time, most companies use a six-month pre-existing condition limitation period. In some cases, you may be denied

coverage because of your health status.

Eligibility—After a certain age, you will be unable to buy a policy. Each company sets its own age limit—usually around age 79. Most policies are only available to those over the age of 55. It's possible that both age limits may change in the future, as new policies are developed and sold.

Renewability—This policy provision is normally found on the first page of the policy. It tells you under what circumstances the policy can be cancelled by the insurance company or how premiums can be raised. Most policies are guaranteed renewable and cannot be cancelled.

Exclusions—Policies may not pay for long-term care related to mental or nervous conditions, alcoholism, mental retardation, or certain other health conditions or situations. However, Alzheimer's disease, and other organic disorders, leading causes of nursing home admissions, are generally covered.

What Kinds of Questions Should You Ask?

Before you consider buying long-term care insurance, you should determine what kinds of resources you have or plan to have to take care of your long-term care needs. For example, do you have savings, life insurance, or a pension that would help pay for them? Would other family members help you, if necessary, or would you qualify for community services that are income-related?

Be sure to read policies you are considering carefully and compare them. Don't be afraid to ask an insurance agent about anything that doesn't seem clear in the policy. There is no one solution for everyone in planning for the future, but your financial plans should include consideration of your long-term care needs.

The following questions will help you compare and evaluate policies you may wish to consider. Use them as a basis for discussion with an insurance agent or for asking ques-

tions about promotional literature you may receive in the mail.

What Does Long-term Care Cost?

1. What kinds of nursing homes are there in your area and how much do they charge per month for:
 - skilled nursing care?
 - intermediate nursing care?
 - custodial/personal care?
2. What do home health care agencies in your area charge per month for:
 - unskilled care?
 - skilled care?

How Much Does the Policy Pay?

3. What is the maximum amount the policy will pay for:
 - skilled nursing care?
 - intermediate nursing care?
 - custodial nursing care?
 - home health care?

How Much Does the Policy Cost?

4. How much will the policy cost you over time (i.e., 1, 5, 10, or 15 years)?
5. Can the company raise your premium over time or under other circumstances? If so, what are the circumstances?

What Are the Benefits?

6. Does the policy provide benefits for:
 - skilled nursing care?
 - intermediate care?
 - custodial care?
 - home health care?
7. How long will the policy pay benefits for:
 - skilled nursing care?
 - intermediate nursing care?
 - custodial nursing care?
 - home health care?
 - all of the above services?
8. Does the policy cover Alzheimer's disease if you developed it after you purchased the policy?
9. Does the policy provide benefits if you need care away from the area in which you live or if you move to another state?
10. Will the policy provide benefits if you have similar coverage with another policy?

What are the Limits?

11. What is the elimination or deductible period before benefits begin for:
 - nursing home care?
 - home health care?
12. What is the pre-existing condition limitation period?
13. Can the company cancel or refuse to renew the policy? If there are conditions, what are they?
14. a. Is a prior hospital stay required before the policy will pay for:
 - skilled nursing care?
 - intermediate nursing care?
 - custodial nursing care?b. Is a prior skilled nursing home stay required before the policy will pay for:
 - intermediate care?
 - custodial care?c. Is a prior nursing home stay required before the policy will pay for:
 - home health care?
15. Are there other limitations or exclusions that concern you? If so, what are they?

Who Offers Long-term Care Insurance?

There are policies available now in every state and many companies are in the process of developing policies.

You may wish to contact your state insurance department or insurance agent for more information. To obtain a list of private insurers offering products in your state, write to:

Health Insurance Association of America
Information Services
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599

Additional Reading

Publications about long-term care, health care coverage, and other subjects of interest to older Americans are available free or at a low cost from the following organizations:

American Association of Homes for the Aging
1129 20th Street, N.W.
Washington, D.C. 20036
Telephone: 202/296-5960

Brochures describing continuing care communities.

American Association of Retired Persons
Health Advocacy Services
1909 K Street, N.W.
Washington, D.C. 20049
Telephone: 202/872-4700

Brochures about long-term care, home care, housing options, health care, and health maintenance organizations.

American Health Care Association
1200 15th Street, N.W.
Washington, D.C. 20005
Telephone: 202/833-2050

Brochures about long-term care facilities.

Council of Better Business Bureaus
1515 Wilson Boulevard
Arlington, VA 22209
Telephone: 703/276-0100

Brochures about home care and long-term care facilities.

Health Insurance Association of America
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599
Health Insurance Hotline 1-800-423-8000

Brochures about health insurance, in general, and how private health insurance works with Medicare.
Health insurance hotline.

National Consumers League
Suite 516
815 15th Street, N.W.
Washington, D.C. 20005
Telephone: 202/639-8140

Brochures about life care communities, home health care, hospice care, ambulatory care, and health maintenance organizations.

The National Council on the Aging, Inc.
West Wing 100
600 Maryland Avenue, S.W.
Washington, D.C. 20024
Telephone: 202/479-1200

Brochures about long-term care and Medicaid, Medicare, community resources, housing options and long-distance caregiving.

State Insurance Departments

Some have consumer education programs for older Americans about a range of insurance-related topics, including Medicare, Medicaid, Medigap, and long-term care insurance. Contact the department in your state for further information.

Social Security District Office

Several brochures, including *Your Medicare Handbook*, as well as information on Medicaid and other government programs for the elderly. To find the office nearest you, check the government listings in your telephone directory.

Other Consumer Notes include:

- A326 *Choosing Financial Advisers*
- C326 *Staying Well, Your Responsibility*
- D326 *Group Health Insurance Continuation*
- E326 *IRAs: An Investment in Your Future*
- F326 *Medicare Supplement Insurance*
- G326 *Help for the Working Caregiver*
- H326 *Checklist for Change: Financial Planning for Life's Transitions*

All issues of Consumer Notes may be obtained free-of-charge in single or bulk quantities by writing to the following address. Please be sure to include the name and booklet number of the issues you are ordering.

American Council of Life Insurance

Health Insurance Association of America
Company Services
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599

States Adopt NAIC Model Act, Related Legislation
For Long-Term Care Insurance Policies

In addition, no policy which "provides benefits only following institutionalization shall condition such benefits upon admission to a facility for the same or related conditions within a period of less than 30 days after discharge from the institution."

An outline of coverage is required for both individual and group policies. The outline should include (1) a description of the principal benefits and coverage provided; and (2) a statement of the principal exclusions, reductions, and limitations. Individual policies must contain a statement of the renewal provisions, including any reservation of a right to change premiums, and that the policy should be consulted to determine governing contractual provisions. Group policies must contain a statement that the group master policy determines governing contractual provisions.

Arizona—Rev. Stat. Ann. 20-1691 to 20-1691.6 (1987)

California—Model pending (1988)

Colorado—Rev. Stat. 10-19-101 to 10-19-104 (1986);
Admin. Ins. Reg. 86-5 (1986)

Connecticut—Gen. Stat. § 38-174m (1986) (Commissioner shall develop regulations to implement)

Florida—HB 478 pending (1988)

Georgia—HB 1748 (1988)

Hawaii—SB 545 model adopted (1987)

Idaho—Code 41-4601 to 41-4606 (1988)

Illinois—HB 1491 model pending (1987)

Indiana—Code 27-8-12-1 to 27-8-12-16 (1987) See also
Code 12-1-25-1 to 12-1-25-9 (1987)

Iowa—Code 514G.1 to 514G.8 (1987)

Kansas—Stat. Ann. 40-2225 to 40-2228 (1988)

Kentucky—Model pending (1988) Rev. Stat. 304.17-314
(1987)

Maine—Rev. Stat. Ann. tit. 24A § 55051 to 55053 (1986;
authorizes commissioner to develop regulations)

Maryland—Ann. Code art. 48A § 54FF, 477GG (1986;
authorizes commissioner to develop regulations)

Minnesota—Stat. 62A.46 to 62A.56 (1986/1987)

Nebraska—LB 416 model adopted (1987)

New York—Ins. Law 1117 (1986)

North Carolina—Gen. Stat. 58-540 to 58-546 (1987)

North Dakota—Cent. Code 26.1-45-01 to 26.1-45-10
(1987)

Ohio—HB 611 pending (1988)

Oklahoma—Stat. tit. 36; 4421 to 4427 (1987)

Oregon—Rev. Stat. 743.138 (1987)

Pennsylvania—SB 1023 model pending (1988)

Rhode Island—HB 9178 pending (1988)

South Carolina—Model awaiting governor's signature
(1988)

Tennessee—SB 1926 model pending (1988)

Texas—Ins. Code Ann. art. 370.1(F)(5) (1987; authorizes
commissioner to develop regulations)

Virginia—Code 38.2-5200 to 38.5208

Washington—Rev. Code Ann. 48.84.010 to 48.84.910
(1988)

Wisconsin—Stat. 146.91 (1987)

Wyoming—Stat. 26-38-101 to 26-38-106 (1988)

No Action As Of July 1988

| | |
|----------------------|---------------|
| Alabama | Montana |
| Alaska | Nevada |
| Arkansas | New Hampshire |
| Delaware | New Jersey |
| District of Columbia | New Mexico |
| Guam | Puerto Rico |
| Louisiana | South Dakota |
| Massachusetts | Utah |
| Michigan | Vermont |
| Mississippi | Virgin Island |
| Missouri | West Virginia |

The National Association of Insurance Commissioners (NAIC) drafted the Long-Term Care Insurance Model Act in July 1987. Thirty-two states have reported action in regard to long-term care insurance, having either adopted the NAIC Model Act, enacted similar or related legislation, or devised pending legislation.

This report summarizes the provisions under the NAIC Long-Term Care Insurance Model Act and lists the action by the various states.

The Long-Term Care Insurance Model Act was drafted by the National Association of Insurance Commissioners to establish standards for the design of long-term care insurance policies. The NAIC model has been adopted or used as a guide by states to promote the availability of individual and group insurance coverage for long-term care.

Following is a summary of the provisions under the NAIC Model Act:

Section 1. Purpose. The intent of the act is to protect the public while recognizing the need to permit flexibility and innovation with respect to coverage.

Section 2. Scope. Clarifies the entities subject to the act notwithstanding any other applicable state insurance legislation that may be in conflict with the act. The act is intended to apply to group and individual policies, contracts, and certificates issued either by insurers, fraternal benefit societies, non-profit health, hospital, and medical service corporations, prepaid health plans, health maintenance organizations, or any similar organization.

Section 3. Title. The Long-Term Care Insurance Act.

Section 4. Definitions. The definition of "long-term care insurance" means any insurance policy or rider advertised, marketed, offered; or designed to provide coverage for not less than 12 consecutive months for each covered person on an expense incurred, indemnity, prepaid, or other basis; for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services, provided in a setting other than an acute care unit of a hospital.

The act further clarifies "other than an acute care unit of a hospital" is intended to allow payment of benefits when "a portion of a hospital has been designated for, and duly licensed or certified as, a long-term care provider or swing bed."

"Applicant" means the person who seeks to contract for benefits under an individual policy or the proposed certificate holder in the case of a group policy.

Section 5. Limits of group long-term care insurance. No group insurance coverage may be offered to a resident (of this state) under a group policy issued in another state, unless this state or another state has statutory or regulatory long-term care insurance requirements substantially similar to those adopted in this state.

Section 6. Disclosure and performance standards. This subsection permits the adoption of regulations establishing disclosure standards, renewability, and eligibility terms and conditions, and other performance requirements. Regulations should recognize the developing and unique nature of long-term care insurance and the distinction between group and individual policies.

No long-term care insurance policy may:

(1) Be cancelled, nonrenewed, or otherwise terminated because of age or deteriorating mental or physical health of the insured;

(2) Contain a provision establishing a new waiting period in the event existing coverage is converted to or replaced by a new or other form within the same company, except when the insured voluntarily selects increased benefits;

(3) Contain coverage for skilled nursing care only or provide significantly more skilled care in a facility than is covered for lower levels of care.

In terms of preexisting conditions, an insurer is not prohibited from using an application form to determine a preexisting condition; however, no policy, other than an employer's group policy, may define "a preexisting condition" more restrictive than "a condition for which medical advice or treatment was recommended by, or received from, a provider of health care services, within six months preceding the effective date of coverage."

STATE LEGISLATION ON LONG-TERM CARE INSURANCE
(as of March 1989)

| NAIC MODEL BILL | LEG/REG MORE STRINGENT THAN MODEL BILL | OTHER | LEGISLATION PENDING | AMENDMENTS PENDING |
|--------------------|--|-----------------|------------------------|-----------------------|
| Arizona | California | Colorado | Arkansas <i>Passed</i> | Arizona |
| Florida | Connecticut | Kentucky | Delaware | California |
| Georgia | Maine | New York | Hawaii* | Connecticut |
| Hawaii* | Minnesota | | Maryland | Florida |
| Idaho | Washington | <u>3 STATES</u> | Massachusetts | Georgia |
| Illinois | Wisconsin | | Michigan | Iowa |
| Indiana | | | Montana | Kansas |
| Iowa | <u>6 STATES</u> | | New Hampshire | Maine |
| Kansas | | | New Jersey | Missouri |
| Nebraska | | | New Mexico | Nebraska |
| Nevada | | | Oregon | North Dakota |
| North Carolina | | | Pennsylvania | Oklahoma |
| North Dakota | | | South Dakota | Tennessee |
| Ohio | | | Utah | |
| Oklahoma | | | Vermont | <u>13 STATES</u> |
| Rhode Island | | | | |
| South Carolina | | | <u>15 STATES</u> | |
| Tennessee | | | | |
| Virginia | | | | |
| Wyoming | | | | |
| <u>20 STATES</u> | | | | |

*Inadvertently repealed in 1988; has been re-introduced in 1989.