

Questions About Long-Term Care

1) What is long-term care?

A: Individuals with a prolonged illness, disability or cognitive condition (for example, Alzheimer's disease) often need help with daily activities (such as dressing, bathing, and eating), as well as needing skilled medical attention. Long-term care services may include care management, rehabilitation services, adult day care, or hospice. These long-term care services may be delivered in an assisted living facility, at home or in a nursing home.

2) How much will long-term care cost me?

A: The cost of long-term care depends on a number of factors, including the type of care you receive, where you receive this care, who provides this care and how long you need to receive this care. According to data available from the U.S. Department of Health and Human Services, the national average costs for long-term care services in 2016 were:

- \$225/day or \$6,844/month for a semi-private room in a nursing home
- \$253/day or \$7,698/month for a private room in a nursing home
- \$119/day or \$3,628/month for care in an assisted living facility (for a one-bedroom unit)
- \$20.50/hour for a health aide
- \$20/hour for homemaker services
- \$68/day for care in an adult day health care center

Source: <https://longtermcare.acl.gov/costs-how-to-pay/costs-of-care.html>

3) What can I do to pay for my long-term care?

A: Paying for long-term care does not need to be overwhelming. Several options are available to make paying for long-term care more manageable. Some of the options include:

1. You may choose to fund the costs of your long-term care through investments you have made, such as an annuity. For more information about annuities, see the Maryland Insurance Administration's publication, A Consumer Guide to Annuities, available online: <http://insurance.maryland.gov/Consumer/Documents/publicnew/consumerguidetoannuities.pdf>
2. You may decide to sell certain assets, such as your home or other real estate.
3. You may decide to obtain a reverse mortgage. See: www.longtermcare.gov/costs-how-to-pay/paying-privately/reverse-mortgages/.
4. You may be able to use your life insurance policy to pay for your long-term care by using one of the following methods:
 - a. Combination life/long-term care insurance policies.
 - b. Accelerated death benefits from a life insurance policy.
 - c. Life settlement.
 - d. Viatical settlement.
5. You could purchase a long-term care insurance policy. Find out more at: www.naic.org/documents/prod_serv_consumer_ltc_lp.pdf
6. You may buy a long-term care insurance partnership policy. Find out more at: <http://insurance.maryland.gov/Consumer/Documents/publications/longtermcare.pdf>

4) Will Medicare pay for my long-term care?

A: If you are eligible for Medicare, Medicare may provide limited coverage for skilled nursing and rehabilitation services in an approved facility. But, Medicare does not cover custodial care services, intermediate care or services for a prolonged period of time. For more information about Medicare, visit the Center for Medicare and Medicaid web site, www.cms.gov/home/medicare.asp.

5) Will my Medicare supplemental policy pay for my long-term care?

A: If you have a Medicare supplemental policy, keep in mind that while some supplemental policies provide a limited benefit to help pay for at-home recovery on a short-term basis, not all Medicare supplemental policies cover this expense. Also, while some Medicare supplemental policies provide a limited benefit while you are in a skilled nursing facility, the benefit only will be payable for the 20th through the 100th day of skilled nursing care in a nursing home. Under such a policy, you would not receive any benefits if you are receiving custodial or intermediate care, or if you need care after the 100th day of confinement. It is important that you carefully review and understand the terms of your Medicare supplemental policy, what it covers, and how much it pays.

6) Will Medicaid pay for my long-term care?

A: Maryland's Medical Assistance Program (Medicaid) provides coverage for some long-term care services, but this program is only available if you satisfy certain eligibility requirements. You may be eligible for Medicaid depending upon your income, available assets and/or health status. For more information about the eligibility rules for Maryland's Medical Assistance Program, visit the Department of Health and Mental Hygiene's website, <http://mmcp.dhmh.maryland.gov>. The link for Medical Care Program Eligibility explains the eligibility requirements. The link for Long-Term Care gives an overview of which long-term care services are covered.

7) What does long-term care insurance pay for?

A: Long-term insurance policies, long-term care insurance riders to life insurance policies and annuity contracts provide coverage for certain long-term care expenses that usually are not covered by traditional health insurance and HMO contracts, Medicare, or Medicare supplemental policies. Coverage is provided when you are unable to do a certain number of activities of daily living (such as bathing, eating, or dressing yourself) or are cognitively impaired. While the exact terms and conditions of coverage depend upon your individual policy, long-term care insurance generally covers services such as nursing home stays for custodial, intermediate and skilled nursing care. These policies also may cover home health care and adult day care. Long-term care insurance can be purchased as a separate stand-alone policy or as a rider to a life insurance policy or annuity contract. For more information on long-term care insurance, see *A Shopper's Guide to Long-Term Care Insurance*, produced by the National Association of Insurance Commissioners at: www.naic.org/documents/prod_serv_consumer_ltc_lp.pdf.

8) Should I buy long-term care insurance or a long-term care insurance rider to my life insurance policy or annuity contract?

A: Long-term care insurance is not for everyone. Before buying a long-term care insurance policy or a rider to your life insurance policy or annuity contract, it is important to understand what the policy or contract covers, know the limits of the policy or contract and understand any conditions the policy or contract may exclude. It is also important to make sure you can afford the premium payments. It is also a good idea to consult with a tax advisor, as well as an insurance advisor, when deciding whether a long-term care insurance policy is right for you. You may be eligible for federal and state tax benefits. Maryland law provides for a one-time tax credit of up to \$500 after you purchase a long-term care insurance policy. In addition, federal law provides tax advantages if you purchase a qualified long-term care insurance plan.

9) What questions should I ask before buying long-term care insurance or a long-term care insurance rider to my life insurance policy or annuity contract?

A: Before making a decision to buy a long-term care insurance policy or a long-term care insurance rider to your life insurance policy or annuity contract, you should consider asking:

- What type of care is covered?

- Is there a waiting period before I can start using the benefits?
- What happens if I am late paying the premium?
- Is there a maximum number of days the policy or contract covers?
- Does the policy or contract have a per-day limit? If so, does it take inflation into account?
- What are the rules about pre-existing conditions?
- What must happen in order for me to receive benefits under the policy or contract, i.e. doctor's certification, unable to perform daily activity?
- Has the insurer received approval to sell long-term care insurance in Maryland?

10) What is the Maryland Long-Term Care Insurance Partnership Program?

A: The Maryland Long-Term Care Insurance Partnership Program is an innovative partnership between Maryland and private insurance companies that issue long-term care insurance policies. A policy sold under the Long-Term Care Insurance Partnership Program, by law, must meet the same standards as a long-term care policy not sold under the program. In addition, a partnership policy must meet certain specific federal and state requirements, and be certified as a "long-term care partnership policy" by the Commissioner of the Maryland Insurance Administration (MIA). Partnership policies provide an additional level of protection, when compared to regular long-term care insurance policies. In particular, Partnership policies permit you to protect additional assets from spend-down requirements under Maryland's Medicaid program if you should need assistance under this program, and you qualify. For more information on the Maryland Long-Term Care Insurance Partnership, go to www.insurance.maryland.gov/Consumer/Documents/publications/longtermcare.pdf.

11) Where can I find the Maryland regulations about long-term care insurance?

A: Long-term care insurance regulations are found in the Code of Maryland Regulations (COMAR) section 31.14 Long-Term Care Insurance. COMAR 31.14.01 relates in general to long-term care insurance. COMAR 31.14.02 relates to long-term care insurance premium rates and reserves. COMAR 31.14.03 relates to long-term care partnership policies.

12) Why are long-term care insurance premiums increasing?

A: When long-term care insurance policies were initially introduced across the country in the late 1970's and early 1980's, they were the first of their kind. Insurance companies had no prior data from which to draw assumptions and make predictions about how the insurance market would behave 30 to 40 years into the future. Unfortunately, many of these assumptions and predictions were inaccurate and resulted in companies being unable to price the long-term care insurance products appropriately. As a result, long-term care insurers are raising premiums, to ensure that they will be sufficient to pay future claims. Some original incorrect pricing assumptions and predictions included:

- Higher than anticipated persistency: Fewer policyholders have allowed their policies to lapse than originally anticipated.
- Policyholders are living longer than originally assumed, resulting in a higher rate of utilization of long-term care benefits. Additionally, the length of time a policyholder utilizes long-term care benefits is much longer than originally assumed.
- Long-term care insurers' investment return rates are significantly lower than originally assumed.

13) What factors do insurance companies consider to determine the premium rates?

A: When insurance companies initially develop rates for long-term care insurance premiums, the main actuarial assumptions taken into account include lapse assumptions, mortality assumptions, morbidity assumptions and interest rate assumptions. Additionally, an insurance company may offer you discounts when you are initially purchasing a long-term care insurance policy, for being a very

healthy applicant (i.e. passing more rigorous underwriting criteria), being married, or living with someone. Finally, long-term care insurance is generally offered on an issue-age basis, meaning the younger you are when you buy the policy, the lower the insurance premium.

14) Is there a maximum allowed annual premium increase for my long-term care insurance?

A: Yes. COMAR 31.14.01.04(A)(5) provides that except under certain exceptional circumstances, a long-term care insurer cannot raise your premium by more than 15% in a 12-month period. Furthermore, COMAR 31.14.02.06(B)(2)(d) states that, except under limited circumstances, your renewal premium rate cannot be greater than new business premium rates, except for differences attributable to benefits.

15) Do I have any options other than accepting the premium rate increase?

A: Yes. If you would not like to accept the full premium rate increase, COMAR 31.14.01.36 requires every long-term care insurance policy and certificate to include a provision allowing the policyholder to reduce coverage and lower the policy premium in at least one of the following ways:

- Reducing the maximum benefit; or
- Reducing the daily, weekly, or monthly benefit amount.

Additionally, a long-term care insurer may voluntarily offer you other ways to reduce the impact of a premium rate increase by including options in the policy to lower the inflation protection rate, or by providing an option to reduce the inflation protection from compound to simple inflation. Before you make any decision involving reduction of benefits, you should understand the long term impact of doing so.

16) What does the MIA do when it receives a request from an insurance company to change its long-term care insurance premium rates?

The process to file a premium rate change request is as follows:

1. All insurance carriers doing business in Maryland's individual and group long-term care insurance market must submit premium rate change requests to the MIA through the System for Electronic Rate and Form Filing (SERFF).
2. After an MIA analyst confirms that all required documents have been submitted, the filing is assigned to an initial reviewer. For a detailed description of the initial review process, see the MIA's power point entitled, "Long-Term Care Insurance Rate Review Process-Maryland" (October 27, 2016), available online: <http://insurance.maryland.gov/Consumer/Documents/agencyhearings/Long-Term-Care-Insurance-Rate-Review-Process-SarahLi.pdf>.
3. After completing an initial review, the initial reviewer provides a rate review summary form to all other MIA actuarial staff for peer review.
4. A public hearing is conducted for every rate increase filing received by the MIA. The hearing serves as a means for MIA staff, the long-term care insurer that has requested the premium rate change, and consumers to discuss the rate filing, and for the long-term care insurer to respond to questions from the MIA staff regarding the rate increase request.
5. After considering the information provided in the hearing, and any additional public comments, the Insurance Commissioner makes a final decision to approve or disapprove the premium rate increase request.

Other Questions

17) Can my long-term care insurer cancel my policy because of my age or health conditions?

A: No. Under COMAR 31.14.01.04F (1), a long-term care insurance policy can only be terminated by the insurer in three instances: (1) nonpayment of premiums by the insured; (2) material misrepresentation in the application (within the contestable period); or (3) fraud in the application.

18) Following a long-term care premium rate change public hearing, will the MIA make the minutes of the hearing available to the public?

A: Yes. Within a few weeks after a long-term care insurance premium rate change public hearing, public transcripts, as well as any comments received by the MIA will be published on the MIA's website. Additionally, a video of the hearing is published on the MIA's Facebook page, and can be viewed at any time after the hearing has occurred.

19) Will the MIA issue a ruling on allowing the proposed sale of Genworth Financial, Inc. to China Oceanwide Holdings Group? What is the status of the merger?

A: No. The decision to allow or disallow the proposed sale will be made by the state(s) in which Genworth Financial, Inc. companies are domiciled. Since there are no Genworth Financial, Inc. companies domiciled in Maryland, the MIA will not rule on the proposed sale. The merger agreement has been extended until **March 31, 2020** to receive required regulatory approvals, and may be extended further, if necessary.

20) Will an actuarial memorandum corresponding to a proposed long-term care insurance premium rate change be published on the MIA's website?

A: Yes. Insurers that file a premium rate change request for a long-term care insurance product must also file an actuarial memorandum corresponding to each request. The actuarial memorandum will be published on the MIA's website. Insurers will have an opportunity to submit a redacted copy of the actuarial memorandum, omitting any material the insurer contends is confidential, subject to the determination of the Commissioner, in accordance with the Maryland Public Information Act. See Md. Code Ann., Gen. Pro. Art. § 4-335.

21) May I file a complaint against my LTC insurance company related to benefit coverages, rate increases, etc.?

A: Yes. The primary role of the MIA is to protect consumers from illegal insurance practices by ensuring that insurance companies and producers that operate in Maryland act in accordance with State insurance laws. We are here to assist you with your insurance inquiry or complaint about LTC insurance. Information about how to file a complaint may be found at: <https://insurance.maryland.gov/consumer/pages/fileacomplaint.aspx>

22) I purchased an LTC policy issued through the Federal Long-Term Care Insurance Program (FLTCIP). Will the MIA be able to answer questions I may have about my policy?

A: No. The MIA does not have regulatory jurisdiction over policies issued through the FLTCIP. Should you have a question about an LTC policy issued through the FLTCIP, contact information may be found at the following link: <https://www.ltcfeds.com/contact/phoneinfo.html>

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