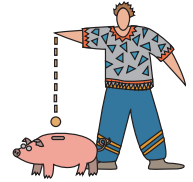


Long Term Care Insurance

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Who buys long term care insurance?

People who have purchased long term care insurance give many reasons for buying this coverage including:

- Desire to preserve assets for spouse and/or other heirs.
- Wish to maintain independence.
- Have the ability to choose where and how services are provided.
- Desire to avoid Medicaid.
- Provide peace of mind that care needs will be met.

There are also reasons why people should not purchase long term care insurance:

- Income and assets are too low. People with very few assets to protect or who would find it a struggle to pay premiums (before and during retirement), are probably not good candidates for long term care insurance.
- Health status or age make insurance unavailable or prohibitively expensive. If you have a health condition, you may find it difficult to buy a policy and if an insurer will sell you one, the premium may be more than you can afford.
- No heirs. If you have no heirs, you may not have as much reason to protect assets with long term care insurance.

What types of long term care policies are there and how do I choose one?

Long term care policies are available as individual or group policies (usually cheaper than individual policies). Many employers, are now offering employees the option of purchasing long term care insurance as an employee benefit. It may be possible to purchase coverage for the employee, his/her spouse and parents/parents-in-law. In most cases, it is necessary to pass a health examination in order for coverage to be approved.

Consider the following when choosing a policy:

Types of Services Covered.

Most policies today offer coverage for a full range of care services including services provided at home, in an adult day center, in assisted living facilities, and in a nursing home. Many also include coverage for respite care, hospice care, or other 'alternative care setting.'

Daily Maximum Benefit.

Most long term care insurance policies are 'indemnity' policies (the policy pays a fixed dollar amount for each day you receive covered services). In order to purchase a policy with the appropriate maximum daily benefit, you will want to find out what the cost of services is where you live or will receive services. Call nursing homes and home health agencies and ask about their fees.

Duration of Benefits.

Policies usually limit benefits to a maximum dollar amount or a maximum number of days. You can designate the length of time benefits will be paid from one year to a lifetime. The longer the length of time, the higher the premium will be. For most people, a policy covering 3 - 5 years will be more cost-effective.

Benefit Triggers.

All policies contain provisions that determine if and when benefits are payable, which are referred to as benefit triggers. Typically benefits are payable when a person can't perform a certain number of Activities of Daily Living (ADLs) such as bathing, eating, dressing, continence, transferring and using the toilet. Cognitive impairment from Alzheimer's disease should also trigger benefits. It is important to understand what the company will use to determine when benefits will be payable.

Inflation Protection.

Inflation protection, which increases the insurance benefit by the rate of inflation, is essential to ensure that you have adequate coverage years from now. In Missouri, companies must offer you inflation protection, which should be in writing.

Many consumers are reluctant to pay for policies that offer inflation protection because the premiums cost more. But, if you buy the policy when you are in your 50s

or 60s, the inflation protection rider is the only way to be sure that the coverage will be adequate when you need it in 20 or 30 years.

How are premiums determined?

Premiums are based on a number of factors including:

Age.

Cost of coverage depends on your age when you first purchase a policy. Premiums are lower for younger people. But, the younger you are when you buy the policy, the longer you will pay the premiums. The premiums you pay for your policy generally remain the same each year; they will not increase as you get older.

Benefits.

The higher the benefit level you select and the longer the benefit period, the higher the premium will be.

Waiting Period.

A waiting period is the time it takes before your policy becomes effective. Some policies require that you pay for a specific number of days in a nursing home or a specific number of home health visits before benefits begin. The longer the wait, the lower your premium.

What is the tax status for premiums?

Policies issued after January 1, 1997, which provide tax incentives, are classified tax-qualified plans. Policies issued before 1997 were 'grandfathered' into the law and are considered tax-qualified. Premiums for tax-qualified plans are deductible to the extent you itemize and have medical expenses in excess of 7.5% of adjusted gross income. Benefits received are non-taxable.

Policies issued after January 1, 1997, which do not provide tax incentives, are classified as non tax-qualified plans. Premiums for these policies are not tax-deductible and it is not clear whether benefits received are taxable or not.

What are some basic tips I should follow when shopping for long term care?

- Compare policies. Premiums can vary widely from one company to another. Determine how long the company has been in the long term care business (best if they have been in business for at least 10 years). Be alert to low premium quotes from companies new to this coverage.
- Ask for an Outline of Coverage. Missouri law requires that an agent leave this with you when he or she makes initial contact.
- Understand the policy. Under no circumstance should you purchase a policy you do not understand.
- Free Look Period. Missouri law requires that you have 30 days from the date of purchase to review a policy and decide whether to keep it. If within those 30 days you are not satisfied and terminate the policy, your entire premium must be refunded.
- Keep the name, address, and phone number of the agent and company you dealt with when purchasing the policy.
- NEVER PAY CASH! Pay by check and make it payable to the insurance company, not the agent.

Where can I find more information?

If you would like more information on long term care insurance, refer to the following sources:

- Missouri Department of Insurance, Long Term Care Insurance Consumer Guide. To order call 800-726-7390 or go to the consumer publications section at www.insurance.state.mo.us.
- www.insure.com
- www.medicare.gov
- www.naic.org
- www.reeusda.gov/financialsecurity