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## Long-term care: How to pay for the last years

By **WARREN WOLFE**, Star Tribune

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After watching their mom's assisted-living costs soar to \$70,000 a year as her dementia deepened, sisters Janet Sullivan and Lisa Richardson decided this month to buy long-term care insurance policies for themselves.

"We have kind of a social responsibility to do what we can to prepare for our future -- to go on public assistance for our own care only as a last resort," said Sullivan, 50, of Wayzata. "If we're not going to overburden the next generation, we have to start planning now."

Without fanfare, the state this month has quietly launched an effort to entice more Minnesotans to buy private long-term care insurance.

Called the Long-Term Care Partnership -- now approved in 16 states -- the program is aimed largely at helping baby boomers avoid catastrophic costs of nursing homes or assisted living.

"At the same time, the state hopes to rein in the \$900 million a year in Medicaid costs of caring for aged, frail Minnesotans driven into poverty by long-term care costs," said Loren Colman, assistant commissioner for continuing care at the state Department of Human Services.

Under the program, once Sullivan's policy pays out its \$365,000 benefit to cover her care, she can shelter an equal amount of cash assets and still qualify for Medicaid.

Without the qualifying long-term care policy, she would have to spend down her assets until no more than \$3,000 remained before the state would pay for her care.

Coverage has broadened

Many of the 180,000 Minnesotans who already have long-term care policies qualify for the Partnership benefit, Colman said.

No longer just a tool to pay for nursing-home care, policies now typically also cover home health care, assisted living, adult day care and sometimes even care by family members.

The policies are expensive -- each sister pays about \$2,800 a year in premiums -- but so is long-term care.

On average, nursing-home care in Minnesota costs about \$55,000 a year, with prices restricted by the state; assisted living is about \$35,000 a year, but varies widely.

State government policymakers are concerned that Medicaid financing of long-term care will create a crisis in another few decades, when baby boomers will swell the population of over-85 Minnesotans at a rate seven times the overall population growth.

#### How plans qualify

There is no minimum coverage amount that a plan must offer to qualify for the Partnership program.

But any policy bought by someone under age 61 must provide "meaningful" annual compound inflation protection -- the benefit typically growing 5 percent a year. Policies for those ages 61 to 74 must have some inflation protection.

Sullivan's and Richardson's policies could pay up to \$365,000 -- \$200 a day for five years, going up 5 percent a year with inflation protection.

Their mother, Elaine Richardson, is 75 and she's still able to pay for her own care, Sullivan said. "But Lisa and I aren't married, we don't have kids, and we know we may need care like that someday. Getting insurance feels really good."

#### First plans approved

Although action had been expected last spring, this month the state Commerce Department approved plans offered by six insurance companies, with seven more firms awaiting approval.

But many insurance agents aren't waiting. Marlys Fiterman in Bloomington has been selling policies and assuring customers that they will be eligible for the program's benefits.

"We know the law, the Partnership rules, and we got the required Partnership training," said Fiterman, 62, a retired music teacher. She became an insurance agent specializing in long-term care policies seven years ago after her mother developed Alzheimer's.

The concept began as a state-federal experiment in four states in the early 1990s, and Minnesota soon sought to join in. But federal officials blocked expansion of the program until 2006. Eventually, the program will allow policyholders who qualify to use the Partnership benefit in any cooperating state.

So far, the Partnership has had only a modest effect on long-term policy sales or Medicaid expenses in other states.

"We're in this for the long term," said Colman, whose Human Services Department is

working on a public-education campaign to start in the next few months. "How to pay for long-term care -- either the state or individuals -- is an issue that won't go away soon."

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## **FOR MORE INFORMATION**

Minnesota LinkAge Line: 800-333-2433 for advice on how to choose a policy and which ones are covered.

Minnesota Department of Human Services: Go to [www.mnltpartnership.org](http://www.mnltpartnership.org) for more details about the program.

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