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New law could boost long-term care coverage

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By Bill Toland, Pittsburgh Post-Gazette

Long-term care is a drain on everybody -- the seniors and others who have to draw down most of their savings paying for their own care, and the taxpayers who foot the rest of the tab via Medicaid when the patient runs out of money.

But a new law, approved by Gov. Ed Rendell this week, gooses the Department of Public Welfare to create an incentive for consumers to invest in a long-term care insurance policy. Under the law, a senior would be permitted to keep a portion of his savings equal to the size of the policy.

In other words, if a man buys a $100,000 policy, which would pay for professional care if he is unable to feed, dress or bathe himself, he'd get to keep up to $100,000 of his own money and assets, including estate value.

Under the current system, he'd have to liquidate all but a few thousands dollars of his assets before becoming eligible for the state's Medicaid program. And since assets are exposed whether or not a policy is in effect, there's not much incentive to absorb the premiums -- and there aren't many financial advisers telling clients to buy long-term care insurance.

The change in the law was wanted by the insurance industry -- more policies sold means more money -- and mandated by the federal government. One of the provisions under the federal 2005 Deficit Reduction Act was that more of the burden of long-term care be shifted to the consumer and the private market and away from various state welfare departments.

It's a huge expense for the government at both the federal and state level.

"The national average for nursing home costs is about $72,000 a year," said Susan Coronel, a long-term policy director with HealthDecisions, the informational arm of America's Health Insurance Plans, an insurance trade group.

"The average stay is two-and-a-half years. There are very few people who have saved $250,000" to pay for it all, even though there is a 40 percent chance that you'll need at least a few months of long-term care once you live past 65.

Despite the federal mandate, state lawmakers say the new "partnership" law provides consumers with the opportunity to protect some of their assets, which can then be bequeathed. "It sort of went unnoticed, but I would argue that this was one of the most important things we did" this budget season, said Sen. Jake Corman, R-Centre. "The largest growing share of our budget is Medicaid, and particularly long-term care."

The incentive is useless unless there are products to buy. Mr. Corman said the incentive should, eventually, encourage more insurance carriers to offer such plans in Pennsylvania.

But along with the incentive comes a federally mandated shift in the so-called Medicaid "look-back period." It's a complicated equation, but the gist of it is, in determining your eligibility for Medicaid, the government can now look five years into your past to see if you've shifted any assets out of your name in an attempt to safeguard your estate. If you have, you may be disqualified from receiving Medicaid assistance for a number of months.

The look-back period used to be three years for most would-be Medicaid recipients, but the new laws took effect this March in Pennsylvania. The result is that estate planning just became a bit more confusing, said elder law attorney David Wolf, of Florida's Wood Atter & Associates.

"The new laws are being passed, and people are not aware of them," Mr. Wolf said. "A lot of folks are making the mistake of using common sense instead of what's written in the law."

Costs of long-term care insurance vary, but a survey from the American Association for Long-Term Care Insurance says a 55-year-old considering a policy worth at least $110,000 over three years of care could expect to pay $665 a year if he is married or $1,075 annually if he is single.

About 8 million Americans currently hold such policies.

Even as the policies are being encouraged as a money-saver by government and insurance companies, Congress is investigating claims that two of the biggest long-term care insurers, Conseco and Penn Treaty American, excessively deny claims and raise premiums exorbitantly. A March New York Times report found that several companies "have developed procedures that make it difficult -- if not impossible -- for policyholders to get paid."

AARP suggests anyone interested in such a policy receive several quotes, and consult an estate planner or free counselor.

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Back
