

# Insurance: Medical and Long Term Care

Insurance. It's supposed to provide peace of mind. Yet trying to determine what kind of insurance you need and understanding the various policies can be a completely frustrating and confusing experience!

- ? *How can you make sense of the maze of confusing options?*
- ? *How can you choose between policies when each salesperson claims his is the best?*
- ? *What do you really need in terms of insurance coverage?*
- ? *What is a fair price for health insurance?*

## Points to Ponder

- ☹ While Medicare provides benefits for many health care services, it is a mistake to believe that all the health care bills of an older adult will be covered in full by Medicare. Medicare includes deductibles, coinsurance, and other types of restrictions. This means there are many health care services that are not covered in full by Medicare.
  
- ☹ Most nursing home care **is not covered** by Medicare. Those costs, beginning around \$212 a day, must be paid by the consumer or be covered under other insurance.

- ☺ There is a wide variety of medical insurance available to older adults, and, sadly, some of the people and companies selling that insurance may not have the consumer's best interests at heart. You need to evaluate these insurance policies on your own and determine which best meets your needs.
  
- ☺ Even having insurance in addition to Medicare does **not** mean that all your medical bills will be paid. Even good policies limit the amount they will pay, and will not pay at all, for medical procedures they don't consider medically necessary, even though you may find them beneficial to your health.
  
- ☺ Your doctor may not always know what your insurance covers and what it doesn't, so you have to be aware of services you may have to pay out-of-pocket.

# So Where Do I Start?

The best place to start when considering medical and long term care insurance is with an understanding of Medicare benefits. Most older adults are eligible for Medicare coverage, and it provides a base to which you can add other types of coverage.

## Medicare

Medicare is a federal health insurance program for people age 65 or older. Medicare coverage is available through the Social Security Administration. Medicare consists of two parts -- Part A and Part B.

### *1. Medicare Part A (Hospital Insurance)*

Medicare Part A *helps* to pay for:

- bed and board (in a semiprivate room) during an inpatient hospital stay,
- operating room charges,
- other inpatient hospital charges,
- inpatient care in a skilled nursing facility (although most types of nursing home care is not covered by Medicare),
- inpatient care in a psychiatric hospital, and
- hospice care.

Part A also covers:

- some home health care, and
- 80% of the cost of some medical equipment.

## **2. Medicare Part B (Medical Expenses)**

The standard premium for 2008 is \$96.40/month for individuals with incomes under \$82,000.

Medicare Part B *helps* pay for medical expenses such as:

- physician's services,
- physical, occupational, and speech therapy,
- diagnostic tests,
- durable medical equipment,
- prosthetic devices,
- ambulance services,
- influenza, pneumococcal and hepatitis B vaccines,
- home health care, and
- outpatient hospital treatment.

Deductibles and coinsurance:

Medicare pays for covered services after a deductible, which the patient pays out-of-pocket. Also, the patient is responsible for a certain portion of each service billed, called a coinsurance. For example, after a \$100 annual deductible, Medicare Part B pays 80% of the Medicare approved charges for covered services. Thus, you would pay:

- the first \$100 of charges, even if the services you received were covered by Medicare;
- 20% of the charges Medicare approved for the services you received (after your deductible is met);
- the difference between what Medicare approved and what your physician charged, unless your physician agrees to accept the Medicare approved amount as full payment; and
- the charges for any services Medicare does not cover, or which Medicare determines are not medically necessary for your particular diagnosis.

Thus, while Medicare is a good base for your health insurance needs, most experts recommend that older adults purchase additional insurance to augment Medicare's coverage.

## **Types of Additional Medical Insurance**

In Wisconsin, there are four types of insurance available to the older adult who wants to add to the coverage he or she receives from Medicare. They are:

1. Medicare Supplement insurance
2. Medicare Select insurance
3. Medicare Risk insurance
4. Medicare Cost insurance

Let's look at each of the four types, so you will have an understanding of the various options available and how they differ:

### **Medicare Supplement Insurance**

You can purchase *Medicare Supplement* insurance as part of a group or as an individual.

#### ***Group Insurance***

If you have group health insurance through an employer, it is often possible to continue or convert your health insurance to Medicare supplement coverage when you retire or turn 65. If your spouse is covered by your health insurance, check with your employer to determine what will happen when either you or your spouse become eligible for Medicare.

People older than 65 also may purchase Medicare supplement insurance as part of another group, such as an association for retired persons. If

you are interested in the plan such a group offers, carefully review the benefits of the plan and the price to ensure the plan is the most cost-effective choice for you.

### ***Individual Insurance***

Medicare Supplement policies are sold by indemnity insurers. You are billed for each service you receive and you are permitted to go to any doctor. Either you or the physician's office needs to submit a claim to the insurer for payment.

All Medicare Supplement policies are required to include the same basic benefits. Insurers also can sell special optional benefits to go along with the basic benefits, but the optional benefits must be priced and sold separately from the basic policy.

You can obtain a booklet that outlines the basic requirements for Medicare supplement policies from the Wisconsin Office of the Commissioner of Insurance. This outline, which is presented as a chart, is extremely helpful in comparing Medicare Supplement policies. By acquainting yourself with the minimum benefits required, you will be able to compare the various policies that agents or insurance companies may have offered you. ***Call the Office of the Commissioner of Insurance toll free at 1-800-242-1060.***

### **Medicare Select Insurance**

Another type of individual insurance policy is called a *Medicare Select* policy. This type of policy is nearly the same as the standard Medicare Supplement policy, except that the Medicare Select policy will pay full

benefits only if covered services are obtained through specified physicians and other specified health care professionals (except in emergency situations).

## **Medicare Risk Insurance and Medicare Cost Insurance**

Two more types of insurance policies designed to augment Medicare's benefits are *Medicare Risk Insurance* and *Medicare Cost Insurance*.

*Medicare Risk Insurance* can be sold by Health Maintenance Organizations (HMOs) that have an agreement with the federal government. The federal government pays the HMO a set amount for each Medicare enrollee the HMO insures. In return, the HMO agrees to provide all Medicare benefits to the Medicare enrollees. The HMO also may provide additional benefits at an additional cost. The Medicare enrolled must receive all medical services from HMO providers.

*Medicare Cost Insurance* is another type of agreement between the federal government and an HMO. It differs from Medicare Risk Insurance in that patients *may* receive services from providers who are not affiliated with the HMO. Medicare still will pay its share of approved charges.

These options all illustrate the wide variety of health insurance coverage available for older adults. How can you determine which is best for you?



### **Weigh Your Options: Consider Your Needs**

Just as Medicare excludes certain types of medical expenses, so do many Medicare Supplement, Medicare Select, and Medicare Risk and Cost policies. Some of the most frequently excluded items are:

- custodial care in nursing homes,

- private duty nursing,
- routine check-ups,
- eye glasses,
- hearing aids,
- dental work,
- cosmetic surgery, and
- prescription drugs up to \$6,250 each year.

Since there are so many excluded items from Medicare and the policies one purchases to supplement Medicare, you must include any items, such as prescription drugs you routinely use, as you calculate your health insurance and health care expenses.

**\$\$** It may be cost effective for some people to purchase a more comprehensive plan that covers some of the items they frequently use. However, be sure to calculate the difference in premium versus the cost you may pay out-of-pocket. It may be cheaper simply to buy your eyeglasses or hearing aids (or other expenses) out-of-pocket.

**\$\$** According to the Office of the Commissioner of Insurance, *Buying one comprehensive health insurance policy is much better than buying several limited policies. Duplicate coverage is costly and unnecessary. This is true for both group and individual policies.*

## **Are You Eligible for Medicaid?**

Any older adult who is eligible for Medicaid (age 65 or older, disabled, or in a family with dependent children, with low income and few assets) does not need to buy private health insurance.



## **Filing Your Medical Claims**

*from “Wisconsin Guide to Health Insurance for People with Medicare,” State of Wisconsin Office of the Commissioner of Insurance.*

It is important to file claims properly. The following list will help:

- Keep an accurate record of all your health care expenses with your health insurance policies.
- Whenever you receive treatment, present your Medicare card and any other insurance card you have.
- File all claims promptly. With each claim payment from Medicare, you will receive an “Explanation of Benefits.” If the insurance company requests this, make a copy of it and write down the date you send the copy to the insurance company. Keep copies of any information you have concerning services received, the dates of services, and the persons who provided the services.
- You do not have to submit your claims to Medicare. Your doctor, supplier, or other Medicare provider must submit claims to Medicare for you.
- For more information on filing claims, you may want to contact the benefit specialist at your County Commission on Aging.
- If you enroll in a health maintenance organization (HMO), you will not have to file claims for services covered by HMO providers. All claims for covered services will be handled by the HMO.
- Some insurers have an automatic claims filing program. This means that the insurer gets claims directly from the Medicare fiscal intermediary. There may be a charge for this service.

## **Long Term Care Insurance**

The phrase “long term care” refers to services that may be needed by people for an extended period of time because of a chronic illness or disability. It can include:

- medical services (such as nursing care or therapies), and
- supportive services (such as help bathing, dressing, getting in and out of bed, taking medicines, and preparing meals).

The costs involved in long term care vary by the types of services and the providers who supply the services. You can receive long term care in a nursing home, your own home, an adult day care center, or in another type of living situation, such as a group home or a community-based residential facility.

Many people would benefit from advanced planning for the financial costs involved in long term care. One way to plan for these costs is to purchase long term care insurance.

## **Types of Long Term Care Policies**

In Wisconsin, there are three types of long term care insurance policies available. They are:

### **1. Long Term Care Insurance Policies**

This type of policy covers both nursing home care and home health care in one's own home.

### **2. Nursing Home Insurance Policies**

This type of policy covers only skilled nursing care in a facility setting.

### **3. Home Health Care Insurance Policies**

This type of policy covers only home health care and other types of services based in the community.

***Life Insurance Benefits:***

A new feature, sometimes called a living benefit, is available on some cash value life insurance policies. Under a rider attached to the policy, you may receive part of the “death” benefit, within policy limits, while in a nursing home or while using home health care.

# Do I Need Long Term Care Insurance?

If your only source of income is Social Security, or if your asset and income levels mean that you are close to Medicaid eligibility, you should carefully consider whether you can afford the price of long term care insurance premiums.

If you already have some types of health problems, such as Alzheimer's disease, you probably will not qualify for a long term care insurance policy.

## Which Policy to Buy

It can be very difficult to compare long term care insurance policies because there are so many different types and benefits. Before you begin to look at any policies, ask yourself:

- **Do you have assets to protect?**

Nursing home care costs begin around \$60,000 - \$70,000 a year. You must weigh the benefits of paying premiums now versus the cost to your estate if you decide to pay out-of-pocket. If you cannot afford long term care insurance, you will have to pay out-of-pocket until you have used all your money, and then you would become eligible for Medicaid.

- **What are the benefit amounts and premium amounts best for you?**

Consider your age, your health, whether or not you are widowed or have a spouse. If you can afford to pay out-of-pocket for the first year you need long term care, you might consider purchasing a policy with a one-year "elimination" period, which means that the policy would not begin to pay until the elimination period is over.

- **What type of insurance do you prefer?**

Generally, it is so difficult to predict future needs that the more comprehensive the policy, the better. However, even a more comprehensive policy may not cover all the services you will need or want in the future.

*Questions to Ask:*

? How are benefits paid?

Are they paid in a fixed amount for each day or does the policy pay according to the actual charges?

? How long are benefits paid?

Some policies may only last one year -- some will last for the rest of your life. The premium paid will vary.

? Is there a waiting period for health conditions that already exist?

In Wisconsin, the longest waiting period permitted is six months.

? Is there an elimination period?

An elimination period is frequently included in long term care insurance. It specifies a certain number of days that you must be in a nursing facility receiving covered care before the policy will actually pay benefits.

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## **Read Before You Buy**

Don't depend on the insurance salesman as your only source of information about long term care insurance. You can obtain more information about long term care insurance from the Wisconsin Office of the Commissioner of Insurance. Other good sources of general information are:

### **A Shopper's Guide to Long Term Care Insurance**

National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, MO 64018-2662

### **The Consumer's Guide to Long Term Care Insurance**

The Health Insurance Association of America  
601 Pennsylvania Avenue, N.W.  
South Building, Suite 500  
Washington, DC 20004

### **Before You Buy: A Guide to Long Term Care Insurance**

The American Association of Retired Persons  
601 E. Street NW  
Washington, DC 20049

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# **Some Tips About Long Term Care Insurance From the Office of the Commissioner of Insurance:**

When buying insurance:

- 4 Check on the agent selling the policy. You can check with the Insurance Commissioner's Office to see if an agent is licensed. It is a good idea to work with a local agent who will be available to help file claims and answer questions. Feel free to ask the agent how long he or she has been an agent and what other companies the agent represents. Check with friends and neighbors for the name of a good agent and try to schedule an appointment in the agent's office.
- 4 Try to compare several policies. A list of all long term care insurance policies sold in Wisconsin is available from the Insurance Commissioner's Office.
- 4 Call the Medigap Helpline at 1-800-242-1060. This is a statewide toll-free number which has been set up by the state to answer questions the elderly have about health insurance.
- 4 Check with the Insurance Commissioner's Office to find out whether there have been any administrative actions taken against the company or agent.

The Office of the Commissioner of Insurance recommends that you ask an insurance agent or company the following questions:

- 4 Is the policy you are considering a long term care, nursing home, or home health care only policy?
- 4 What types of facilities or providers are eligible to provide the care covered by the policy?
- 4 How long will the benefits last?
- 4 How much will the policy pay each day?
- 4 Does the policy have elimination periods before benefits begin? What do they apply to?
- 4 Are there preexisting condition limitations? What do they apply to?
- 4 Is inflation protection offered? Return of premium? Waiver of Premium?
- 4 What happens if I don't pay my premium?
- 4 Can the company raise my rates? How often?
- 4 What conditions are not covered by the policy?
- 4 Will I receive benefits if I have other health insurance policies?
- 4 How does the company define “activities of daily living” (ADLs)?

**4 More Tips  
From the  
Wisconsin  
Commissioner  
of Insurance**

**Free Look Periods**

Take advantage of “free look” periods. You will have at least 30 days from the time you receive the policy to look it over and decide if you want to keep it. If you decide to return the policy to the company within the “free look” period, you will receive all your money back.

**Do Not Be Misled by Advertising.**

Don't be misled by the endorsements of celebrities. Most of these people are professional actors who are paid to advertise insurance policies. They are not insurance experts.

**Be wary of cards received in the mail that look as if they were sent by the federal government.**

They actually may have been sent by insurance companies trying to find potential buyers. Be skeptical if you are asked questions over the phone about Medicare or your insurance. Any information you give may be sold to insurance agents who will call you or come to your home.

**Don't overinsure.**

It is not necessary to buy several policies. One good long term care insurance policy, which covers both institutional and community-based care, is enough.

***More Tips  
from the  
Wisconsin  
Commissioner  
of Insurance  
(continued)***

**Be careful about dropping one policy to buy another.**

Before you buy a new policy, be absolutely sure that is better than the one you already have. Even if your agent has changed companies and wants you to change also, consider it carefully. If you do decide to switch policies, make sure your new application is accepted before you cancel the old policy.

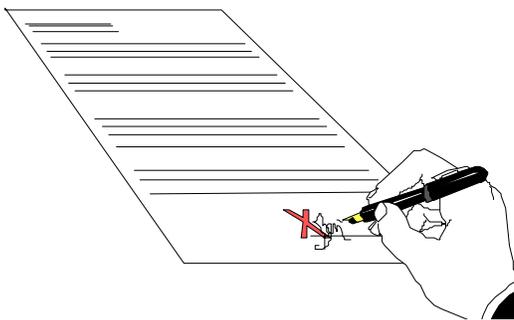
If you switch policies you may be subject to new preexisting condition waiting periods or have other restrictions placed on your benefits.

**Never pay an agent in cash.**

Pay by a check made payable to the insurance company. Be sure to get the name, address, and telephone number of the agent and the company.

Obtain a local or toll-free number (if the company has one) so you can contact the company.

**If you don't receive your policy within 45 to 60 days, contact the company or agent.**



*For more information from the Office of the Commissioner of Insurance, call the Medigap Helpline at 1-800-242-1060.*

**What about Insurance for**

## **Specific Diseases, Like Cancer?**

Insurance for specified diseases will pay benefits for only a single disease, such as cancer, or a group of specified diseases. This type of insurance usually pays only a fixed amount for each type of treatment. Since Medicare and your supplement policy will cover the costs associated with a wide variety of diseases and conditions, usually it is not a good idea to spend additional money on specific-disease insurance.

## For More Information

Ness, David. *Keys to Planning for Long term Custodial Care.*  
Barron's Keys to Retirement Planning.

Office of the Commissioner of Insurance, State of Wisconsin.

- *Wisconsin Guide to Health Insurance for People with Medicare.*
- *Medicare Supplement Insurance Approved Policies..*
- *Long Term Care Insurance Policies Available in Wisconsin. Guide to Long Term Care.*

Polniaszek, Susan. *Long Term Living.* Acropolis Books, Ltd.

Silverstone, Barbara and Helen Kandel Hyman. *You and Your Aging Parent.* Pantheon Books.

# Insurance: Medical and Long Term Care

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