

Long-Term Care Partnership Policies -

Questions and answers about
Pennsylvania's newest option for
long-term care insurance

What is the Long-Term Care Partnership?

On July 17, 2007, Governor Edward G. Rendell signed Act 40 into law, granting strong consumer protections for purchasers of long-term care insurance and helping to address the growing need for long-term care services. Act 40 also establishes a “Long-Term Care Partnership”, which offers Pennsylvanians the opportunity to provide for their own needs while helping to conserve taxpayer resources.

The new law protects consumers by requiring that all long-term care insurance policies sold in Pennsylvania provide comprehensive coverage and also gives consumers the ability to exchange existing policies for Partnership Policies. Additionally, the law increases the guaranty fund to protect consumers against loss if an insurance company becomes insolvent.

The Long-Term Care Partnership encourages Pennsylvanians to purchase long-term care insurance by providing asset coverage equal to the benefits paid by the policy. This means dollar-for-dollar asset protection. For example, a person whose qualifying policy paid for \$100,000 of care would be entitled to keep \$100,000 in assets if they need to apply for Medical Assistance in the future.

In Pennsylvania, Medical Assistance is the largest payer of long-term care services. In order to qualify, an individual must spend down or exhaust their resources, leaving many families reliant on public assistance. People who purchase Long-Term Care Partnership Policies may still qualify for Medical Assistance after depleting their insurance benefits, without losing the asset protection the Partnership Policy provides.

Long-term care is a personal responsibility — its risk and cost should not be ignored. Medical Assistance is a safety net, but only for those truly in need. Everyone who is financially and medically qualified should begin now to save, invest and insure for long-term care.

What is a Long-Term Care Partnership Policy?

A Long-Term Care Partnership Policy is a long-term care insurance product. Policies pay for some, or all, of the expenses associated with a spectrum of personal-care services, ranging from home care to skilled nursing facility care. These new policies are part of a nationwide effort that consists of private/public partnerships that encourage people to purchase long-term care insurance by allowing them to keep their assets if they ever exhaust their insurance and have to turn to Medical Assistance. Protected assets are not considered in determining eligibility for Medical Assistance or estate recovery.

How does a Partnership Policy differ from other long-term care insurance policies?

A Long-Term Care Partnership Policy provides the added benefits of offering those who own them a way to protect their assets, dollar-for-dollar, in the amount of policy benefits paid out on their behalf in the event they ever need to apply for long-term care benefits under Pennsylvania's Medical Assistance program. Additionally, a Long-Term Care Partnership Policy has beneficial tax treatment and requires inflation protection features that protect younger purchasers from increases in expenses caused by inflation. For most people, the benefits of a Partnership Policy are likely to cover all the care they will ever need. However, because of the unique asset protection feature, you won't have to impoverish yourself if you run out of benefit coverage and still need care.

What will it cover and how does it work?

A Long-Term Care Partnership Policy will cover some or all of the expenses for nursing home stays, community services such as adult day care, in-home care, assisted living facility care or a combination of these services. The type of care provided includes skilled nursing (daily nursing and rehabilitative care), intermediate (occasional nursing and rehabilitative care), custodial (personal needs such as walking, bathing, dressing) and home health care (part-time skilled nursing care, speech therapy, physical or occupational therapy).

Are these policies now available for sale in Pennsylvania?

Many companies are currently selling comprehensive long-term care policies.

Recently, these companies began filing Partnership Policies for approval for sale in Pennsylvania. We anticipate that Partnership Policies will be available in the very near future. If you are thinking about buying a policy now, you should check with your insurance consultant to see if you will be able to exchange a current policy for a Partnership Policy when they become available.

For more information about Partnership Policies, be sure to view the resources listed on our Web site. Once you have a good idea about what you want in a policy, a licensed insurance producer can assist you.

How much do long-term care policies generally cost?

These policies can be expensive, depending on your age when you buy the policy and the specifics of the policy terms. For example, it is generally less expensive to purchase a long-term care policy at a younger age. Another example is that it will cost more to get a policy that provides benefits for your lifetime than if you only get two years of benefits. A Partnership Policy may be more expensive than a non-partnership policy because it must have some benefits that are optional with other policies, such as inflation protection. A range of prices on sample policies can be found on our Web site.

Are income levels or personal assets a factor?

Income levels and personal assets are important factors in determining if the purchase of a long-term care policy is right for you. Financial planners recommend considering long term care insurance if you own assets of at least \$75,000 (this does not include your home or car); have annual retirement income of at least \$25,000 to \$35,000 for an individual or \$35,000 to \$50,000 for a couple; and are able to pay premiums without financial difficulty, even if premiums increase over time.

Can I claim a portion of the premium I pay as tax deduction, if I purchase a Partnership Policy?

Yes, all Partnership Policies are “tax-qualified.”

What does it mean to have a “tax-qualified” Partnership Policy?

With a tax-qualified policy, federal law allows you to claim a portion of the premium as a medical deduction, if you itemize your taxes and your medical and dental expenses exceed 7.5 percent of your adjusted gross income. In addition, benefits received from a tax-qualified long-term care policy are treated as not taxable. There are certain requirements that a person must meet to receive benefits under a tax-qualified policy. Partnership Policies are tax-qualified.

Then what is a “non tax-qualified” policy?

A non tax-qualified policy does not get the same tax treatment as a tax-qualified policy, but it has more flexibility as to when benefits become payable. In addition, it may have lower premiums. A non tax-qualified policy does not meet the requirements of a Partnership Policy.

How can I decide if a Long-term Care Partnership Policy is right for me or a family member?

The decision to purchase any long-term care policy is a big and important decision to make. A policy may be of great value to you by paying for many types of long-term care services; however, a long term care policy – whether a Partnership Policy or not – is not for everyone. It is important that you understand the coverage, as well as compare the costs and benefits of policies from different companies. After educating yourself about the product, consider your personal risk factors, assets, income, costs and available alternatives. For more information, we encourage you to review the department’s *Long-Term Care Insurance Guide*.

If I already have long- term care insurance, how do I get the added protections of a Partnership Policy?

If you bought your policy after February 8, 2006, the company will offer you the opportunity to exchange your current policy for a Partnership Policy. If there is no significant change in the coverage, this can be done easily. If there are any significant changes, the company will use its normal approval process and pricing considerations for those changes.

Frequently Asked Questions

If I bought a Partnership Policy in another state, can I get asset protection if I go onto Medical Assistance here in Pennsylvania?

The Partnership is a national effort and states are coordinating their activities as well as working with the federal government to provide for reciprocity standards between states. We expect that most states will agree to these standards, so that if you buy a Partnership Policy in another state, you will be able to get Pennsylvania's asset protection benefits if you go onto Medical Assistance here. Those reciprocal standards would also apply if you buy a policy here in Pennsylvania and then move to another Partnership state and need long-term care there.

Are there others sources available?

Additional resources about long-term care insurance, and the Own Your Future Campaign, can be found on the department's Web site.

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A Supplement to the Pennsylvania Insurance Department's *Long-Term Care Insurance Guide*

For more information and additional resources, log onto www.insurance.pa.gov, call us toll-free on our automated hotline at 1-877-881-6388 or at any of our regional offices:

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