

A new way to pay for elder care

State to offer long-term care insurance policies

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Oklahoma will roll out a new program this month designed to increase the number of Sooners who carry long-term care insurance.

Such insurance helps to pay for nursing home costs and other expenses of people who need extended help with activities of daily living, such as eating and bathing.

Though numbers are rising, fewer than 1 in 10 Americans over 65 currently have long-term care insurance, according to the National Care Planning Council. In Oklahoma, that means the state, through its Medicaid program, SoonerCare, ends up covering the costs of about 73 percent of all bills for nursing home care provided in the state, according to Jo Kilgore, public information officer for the Oklahoma Health Care Authority. In 2006-07, the per-patient cost averaged \$23,000, which resulted in a bill of more than \$490 million paid by the state.

Some may wonder why it would make sense to pay premium costs for long-term care insurance considering that Medicaid will step in and pay for those who can't pay for themselves. The answer, Kilgore said, lies in the key phrase, "can't pay for themselves." Medicaid programs, like SoonerCare, only begin paying bills of nursing home patients after the patients have "spent down" all of their assets

"If a (uninsured) person needs to go into a nursing facility and they have \$100,000 in the bank, they must spend down those assets before Medicaid would begin taking over their bills," Kilgore said. "Through this program, if they want to buy a policy they can protect that \$100,000."

For the Long-Term Care Partnership Program, set to premier Monday, Kilgore said the Health Care Authority and Oklahoma Insurance Commission worked in partnership with independent insurance carriers to formulate policy types that will fit needs of most Oklahomans. Policies will allow for their care to be covered, including by SoonerCare, while at the same time protecting their assets equal to the value of their insurance.

"By purchasing the insurance, they will be able to provide for their own long-term care needs and still retain assets for their loved ones and family left behind," said Cassell Lawson, director of Opportunities for Living Life, an initiative program of the Oklahoma Health Care Authority. "People will be protected from having to become impoverished to qualify for Sooner-Care, and at the same time, the state will be able to avoid bearing the entire burden of long-term care costs."

Some people may believe they would come out ahead saving on insurance premium costs and simply planning to pay for whatever long-term care they might need themselves. While it's true that many people finish their lives without ever entering nursing homes or requiring extended care, Thomas Day, of the National Care Planning Council, points out that odds of needing such care are greater than those of having a car accident or of having a house burn down – and costs of long-

term care are expensive and rising.

“The purpose we buy insurance is to preserve assets by leveraging premiums to buy a benefit at pennies on the dollar instead of paying dollar for-dollar out-of-pocket for a loss,” Day wrote in a report about long-term care insurance for the council. “The probability of a house fire is 1 in 1,200; of having a major auto accident 1 in 240; and of needing long-term care 1 in 2. With a much higher probability, doesn’t long-term care insurance make as much sense as buying those other coverages?”

Day adds that many people misunderstand the coverage limits of other standard health care insurance or of Medicare. Consumer surveys, he reports, have shown that many don’t realize that health insurance, Medicare, and/or disability coverage do not pay for most long-term care services.

According to the council, the annual premium for a long-term care policy with good inflation protection can run about \$2,000 for someone age 65. Premiums will be lower for those who are younger and more for those who are older.



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