

II. OVERVIEW

The prospect of failing health and long-term illness concerns many of us as we get older, especially regarding the potential need for facility-based or community services that are not covered under Medicare or traditional health insurance plans. In order to assist consumers to understand the types of available services and the array of financing options that may be available to finance the cost of these services, the Division has developed “*Your Options for Financing Long-Term Care: A Massachusetts Guide*” – available at www.state.ma.us/doi/Consumer/css_health_LTCGuide.html.

Long-term care insurance (“LTCI”) – classified as an accident and sickness policy in Massachusetts - covers certain non-medical services when an insured is unable to perform certain specified everyday tasks – often called Activities of Daily Living (“ADLs”) - due to a chronic illness or cognitive impairment. Although almost all such coverage is guaranteed renewable once issued, companies do medically underwrite policies and may turn down an applicant if they do not meet their underwriting criteria. Consequently, those buying LTCI plans are generally healthy and may hold their policies for decades before ever receiving plan benefits.

LTCI policies are not standardized and purchasers can choose plans based on the types of services covered (*e.g.*, nursing home, home health or chore care), the level of coverage (usually a fixed dollar amount per day or month), the duration of coverage (usually categorized by the number of years of covered benefits) and an elimination period (waiting period) before carrier payments begin. In addition to these features, consumers can add inflation protection, nonforfeiture benefits and additional services. The premium for the coverage will change depending on the level of coverage the insured chooses.

Insurance carriers sell LTCI coverage either on an individual basis or through group policies sponsored by employers³ or associations.⁴ Group policies are not subject to Massachusetts LTCI regulations,⁵ but individual policies are required by the Division of Insurance to meet certain standards, including that they:

- Are guaranteed renewable or non-cancelable;
- Provide at least 730 days (or a comparable dollar amount) of coverage;
- Not include an elimination period (waiting period) of more than 365 days;
- Provide benefits based upon no more than two Activities of Daily Living (ADLs);
- Include alternate care provisions allowing coverage for unspecified services if agreed to by the insured, insurance company and health care practitioner;
- Offer an applicant the opportunity to buy inflation protection and nonforfeiture benefits.
- Offer at least one policy with home health care benefits and one that qualifies for certain MassHealth (Medicaid) exemptions;
- Limit any pre-existing condition clauses to no more than six months after the policy’s effective date; and
- Not limit benefit payments because an individual develops Alzheimer’s Disease, mental illness, alcoholism or other chemical dependency after the policy is issued.

The Division has surveyed the market for long-term care insurance to understand the products that Massachusetts and national insureds buy in the individual and group markets and the ways that carriers offer products to understand trends and identify areas that may require further action in the future.