IOWA LONG-TERM CARE ASSET PRESERVATION PROGRAM

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Traditional long-term care policies have been around a long time. If you need care longer than your policy pays, you must use your own resources and may qualify for Medicaid. The closest you can get to total asset protection is buying a policy with lifetime coverage. Even then, the cost of care may be more than the daily benefit, and you will have to use your resources to help pay for care.

Asset Preservation policies are different approach. They work in partnership with Medicaid to protect assets. If your policy benefits run out and you still need care, you might apply for Medicaid (Title 19) to pay for your care. Your resources (see note on page 2) can be no more than **$2,000** to qualify. If you have an asset preservation policy, you can keep additional assets equal to the amount of benefits the policy paid. The example below shows how this type of policy works.

Example: How the Partnership Works

You buy an asset preservation policy with benefits of $100,000. Later you need long-term care covered by the policy. The policy pays for covered services until all $100,000 in benefits is used. You continue to need long-term care and must pay for it yourself.

At this time you have $175,000 in countable resources (see note on page 2). When you apply for Medicaid, $100,000 of these resources will not be considered. This amount equals the benefits paid by your asset preservation policy.

You must use your remaining resources to pay for your care until you have only $2,000 left. In this example, you would have to spend $73,000 before reaching the Medicaid **resource** limit.

$175,000	(total countable resources)
- $100,000	(plan benefits paid out = resources protected)
$ 73,000	**(you spend)**
$ 2,000	(Medicaid resource limit to qualify)

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NOTE: The terms assets and resources mean the same thing in this discussion. Resources that count include bank accounts, stocks, bonds, certificates of deposit and real estate besides your home. Certain things are not counted, such as the home you or your spouse live in, one automobile, burial plots, home furnishings, personal jewelry and some life insurance.

Issues to Consider

Taxability:
Asset Preservation policies are **not tax-qualified**. You can't deduct the premiums on your federal taxes. Benefits paid may be counted as income.

Qualifying For Policy Benefits:
The requirements you must meet before an asset preservation policy pays benefits can be different from the requirements in a traditional policy (see benefit triggers on page 4).

Medicaid Eligibility:
You must be **at least 65 years old** to apply for Medicaid unless you are receiving Social Security disability benefits under age 65. Asset protection under the Iowa Long-Term Care Asset Preservation Program is not applied until you are at least 65 years old. However, benefits paid before age 65 can count toward the total amount of assets protected.

You must meet **both an income and a resource limit** before Medicaid will pay for long-term care services. The resource limit is **$2,000** of countable resources (see note above). The income limit is **$1,656 per month*** in 2003.

(*A Miller Trust would allow you to have income up to $2,926 effective July 1, 2002 and still qualify for Medicaid. For information contact your county Department of Human Services office.)

An asset preservation policy can help you meet resource limits. However, if your income is too high, you will not be able to qualify for Medicaid. If you cannot qualify for Medicaid, an asset preservation policy will not protect your resources.

SHIIP has additional information to help you:

- Guide: *Iowa Guide to Long-Term Care Insurance*
- Factsheet: *Protecting Your Spouse When You Go to a Nursing Home*
- One-to-one assistance from a SHIIP counselor

Contact SHIIP through the following…
Toll-free: 1-800-351-4664
Website: www.shiip.state.ia.us
E-mail: shiip@iid.state.ia.us

SENIOR HEALTH INSURANCE INFORMATION PROGRAM
SHIIP

Comparing the Types of Long-Term Care Policies

<table>
<tr><th>Issues</th><th>Traditional Long-Term Care Policies</th><th>Iowa Long-Term Care Asset Preservation Plan</th></tr>
<tr><td>Agent Requirements</td><td>Standard health insurance <u>license</u> issued by the State of Iowa Insurance Division</td><td>License <u>plus</u> initial and continued specified education hours – Ask for proof of required education.</td></tr>
<tr><td>Asset Protection</td><td>Can't guarantee permanent asset protection if you outlive benefits or benefit amount not big enough.</td><td>Policies provide permanent asset protection through a partnership between the State and Medicaid.*</td></tr>
<tr><td>Tax Issues:
• Deduction of premium
• Taxation of benefits (check with your tax advisor)</td><td>Tax-qualified policies: Premiums are deductible and benefits are not taxable.
Non-tax-qualified policies: Premiums are not deductible on federal returns. Benefits may be counted as income and be subject to income tax.</td><td>• Plans are not tax-qualified.
• Premiums are not deductible for federal income taxes.
• Benefits may be counted as income and be subject to income tax.</td></tr>
<tr><td>Types Of Care Covered
What will the policy pay for?</td><td>You can buy policies that are Nursing Home only, Home Health only or Comprehensive covering many services.</td><td>Policies must cover Nursing Home and many Home and Community Based Services.</td></tr>
<tr><td>Daily Benefit
How much will the policy pay each day you receive covered services?</td><td>You can buy any amount of daily benefit the insurance company chooses to offer.</td><td>• Initial Nursing Home benefit you choose must be at least 80% of the average daily private pay rate charge which is $2,933 per month effective July 1, 2001.
• Home and Community Based benefits must be between 50% and 100% of the Nursing Home benefit.</td></tr>
<tr><td>Elimination Period
Days you pay</td><td>It can be any number of days. You may have to pay it more than one time.</td><td>The elimination period is required only once.</td></tr>
<tr><td rowspan="2">Premium Increases</td><td>No increase based on age is allowed after 65. Premiums can increase for other reasons.</td><td>Premiums are based on your age when you buy a policy. Premiums can increase for other reasons.</td></tr>
<tr><td colspan="2">Initial premiums must be set to make future increases unlikely. The Iowa Insurance Division will approve an increase request only if extensive documentation is provided that justifies the increase.</td></tr>
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- Assets protected under an Iowa Asset Preservation Long-Term Care policy are **NOT** subject to estate recovery by Medicaid when the insured dies.

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Issues	Traditional Policies	Iowa Asset Preservation Plan
Inflation Option Will the policy benefits increase over the years as the costs of long-term care services increase?	Must **offer** one of these options: 1. Automatic increase every year: The premium is higher at the beginning, but it doesn't go up when the benefits increase each year. 2. Benefit increases offered on a regular basis: Generally, the premium starts out lower than with the automatic option but increases each time you accept a benefits increase.. • The increase for either option can be a simple or compounded amount. • You may have the option to turn down benefit increases.	Inflation protection is **required**. Options: 1.Annual automatic increases 2.Offers on a regular basis to increase benefits. • Increases may be based on the Consumer Price Index or can be 5% compounded annually. • The premium may stay level, or it may be increased when benefits increase. • Increases in premium are based on your <u>age when you bought the policy</u>. • You may be able to turn down a benefit increase. -- *Asset protection may be lost if benefit amounts fall below required levels.*
How Long Policy Pays	Must be at least one year. It can be in dollars, days or years.	Must be at least one year and be expressed in dollars.
Benefit Triggers You must meet these requirements before any benefits are paid regardless of where you may be living.	• **Tax-qualified** plans: Must use needing *substantial* assistance with at least 2 activities of daily living (ADLs), such as bathing or dressing, or have *severe* cognitive impairment as defined in the law. • **Non-tax-qualified** plans: Must use inability to do ADLs or cognitive impairment. Other triggers can also be used.	The law states which triggers are allowed and how they are defined. Must meet **one** of the following: • Need assistance with at least 2 activities of daily living (ADLs) for Home or Community Based Care or 3 ADLs for Nursing Home Care • Have Cognitive Impairment • Have a complex, yet stable medical condition.
Portability What happens if you move?	Generally pay benefits in any state. Check the policy for any limitations.	Must pay insurance benefits in any state. But, asset protection will be honored only by Iowa's Medicaid program. You must be in Iowa when applying for and receiving Medicaid assistance.

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