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By John Waggoner

Long-term care insurance has its rewards but may not be for everyone

"Long-term care insurance is a wonderful thing," says Judy Koehler, a state government worker in Southfield, Mich.

Koehler's mother, Lillian Jurcak, spent four months in a hospital in 1998 with emphysema before she died. Long-term care insurance paid most of the bill, and did so promptly.

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Unfortunately, many people's experiences with long-term care insurance have been far from wonderful. Hilda Puth, a Southern California homemaker, took out a long-term care policy on herself in 2001 because her husband, George, had been disabled by a stroke. She wanted to be sure that if she, too, became disabled, someone would be able to take care of her in her home.

When Puth needed knee-replacement surgery, her policy was supposed to pay \$100 a day for home health services. But her insurer denied the claim. Its reason: It couldn't determine whether the home aide would be helping Hilda or George — even though George had his own care arrangements.

For millions, long-term care insurance, which is supposed to pay for at-home care, assisted living or nursing-home care, is a savior. But for other people, delays, premium increases and denials of payment make the enormous investment in long-term care policies all but worthless.

Allegations of deceptive practices in long-term care insurance have prompted a congressional inquiry. Reps. John Dingell, D-Mich., and Bart Stupak, D-Mich., have written letters to two insurers — Penn Treaty American and Conseco — asking for documents related to their claims practices. Both companies say they have fully cooperated with the inquiry, whose results could be made public by the fall.

"We're in the business to pay claims and honor contracts, and we want to make sure that the protection consumers are counting on for the future is there for them," says Cameron Waite, an executive vice president for Penn Treaty.

In a statement, Conseco said it paid 98% of its long-term care policy claims submitted last year — more than \$600 million.

For those who worry about whether their parents will be able to afford long-term nursing care, the task of sorting out long-term care policies is arduous enough. Worrying about whether a policy will pay off after 20 years of payments — with annual premiums typically exceeding \$1,000 for a 55-year-old healthy married person — can be excruciating.

Patti Puth, George and Hilda's daughter, had to downplay the insurance setbacks in front of her father, fearing that if he became too upset, he might suffer another stroke.

"It was a really difficult time," she says.

A profit center

Though most insurers pay the requested claims, some long-term care insurers have been accused of invoking every possible reason to deny payments.

"What I'm seeing, on a regular basis, is that the insurers have made the claim process cumbersome and complicated," says Frank Darras, a lawyer in Ontario, Calif., who specializes in battling insurers that have denied long-term care claims. "In almost all the cases I have tried, the senior has died before the case has gotten to trial. They have turned the claim department into a profit center."

Paula Johnson of Orono, Minn., bought a long-term care policy for herself and her husband, Gene, when she was 39 and he was 47. The cost: about \$1,300 a year for each of them. When Gene was only 49, he began showing signs of Alzheimer's.

"He couldn't find his way to familiar places, or he'd tell the same story over and over," Paula says.

She hired a company to help with his home health care. Insurance paid the first few months. Then the reimbursements stopped.

"I spent countless hours on the phone playing the insurance ducking game," Johnson says. "I had to get the state insurance commission involved, send letters, and threaten to sue."

The insurance company restarted payments. "But every time the assigned processor changed, that person would try and find a weasel route or just not pay me for three months and then claim it was because I didn't clarify something," Johnson says. "It was as if they were torturing me."

Gene Johnson died in May 2007, of pneumonia.

"I still had to struggle to get them to pay the last week," Paula Johnson says. "Having a diagnosis from the Mayo Clinic of Alzheimer's should be a slam-dunk, but still I fought and struggled and begged and pleaded and cried to get the claims paid."

James Stephenson of Morristown, Vt., had to step in and fight for his stepmother's long-term care policy claim. She suffered a severe stroke two years ago and has been in a nursing home ever since. At age 99, Stephenson's father couldn't handle all the paperwork for securing payments. Stephenson stepped in and spent six months fighting the insurer for payments.

"I suspect that many companies hope to avoid paying because the insured are too old to go through all the obstacles erected," Stephenson says.

Those in the industry argue that some claims are denied because the consumer doesn't understand a policy's deductible period. Many policies, for example, don't begin to pay until the patient has spent one to three months in a long-term care facility.

Insurers also want to verify that payments will be going to a qualified caregiver, says Jesse Slome, executive director of the American Association for Long-term Care Insurance.

"If you're looking to attack an industry, it's easy to add up all the 'denied' claims," Slome says. "But once the proper paperwork is submitted, most claims are approved."

Rising premiums

Long-term care insurance is essentially a bet with your insurance company over whether you will need long-term care. If you "win" — that is, if you eventually need long-term care — the insurer will pay all or part of the cost. If you "lose," by never needing long-term care, the insurer keeps the premiums. And those premiums can be considerable, especially if you pay over many years.

The odds in a long-term care policy are in the insurer's favor. Most policies are sold to healthy people in their 50s and 60s; most end up never making a claim, or make claims that fall far short of the total premiums they've paid over the years. Those with a high chance of needing long-term care generally can't obtain long-term care insurance.

Jon Lawson, 51, has tried repeatedly to get long-term care insurance coverage. No luck. The Atlanta native has HIV, the virus that can lead to AIDS.

"I have been living with HIV for over 20 years, and I have never been affected by any HIV-related illnesses," he says in an e-mail. "I fully expect to live a long, healthy and productive life. Apparently, the insurance companies will only sell LTC insurance to those they believe will never use it."

Just 7% of all women who are healthy enough to qualify for long-term care policies will need long-term care for more than two years, according to the American Association for Long-term Care Insurance, an industry group. Only 2% of men will need it for more than two years.

Still, some companies underprice their premiums for new policyholders, then raise premiums dramatically. The price increases help make the policies profitable by boosting revenue. Also,

the insurer gets to pocket the premiums paid over the years by people who have to drop their coverage because they can no longer afford it.

Tom Russell, an insurance agent in Payson, Ariz., who sells long-term care insurance, found that low initial premium costs were a powerful selling point for his competitors.

"I would explain over and over again to prospective policy owners that the lower rates these companies were offering for the LTC insurance would not hold, and as time went by, the company would raise their premiums because the insurance pool would not be solvent," Russell says.

When Leonard Bloom, of Sarasota, Fla., bought a long-term health care policy eight years ago, he was told the policy couldn't be canceled unless he and his wife missed a payment. Since then, his policy's premium has soared 35%. Now, he and his wife feel trapped: They find it increasingly difficult to afford their policy. Yet they've been paying premiums for eight years, so dropping it now would feel like throwing away tens of thousands of dollars.

Good policies out there

While some policyholders have waged frustrating battles to secure benefits from their long-term care policies, others are grateful they bought theirs.

Elizabeth Morin and her husband, Dave, took out long-term care insurance when they retired 15 years ago. Dave Morin was diagnosed with Alzheimer's in 2002. His policy paid for home health care once Elizabeth could no longer care for him by herself. And when Dave moved to an assisted-living facility in 2005, insurance paid \$100 a day towards that, too, just as the policy promised.

"It gave me such peace of mind and saved our resources for our children," Elizabeth Morin says. "As long as you pick a sound company, I cannot understand why anyone, who can afford it, does not buy long-term care insurance."

Despite her tribulations in collecting on her husband's long-term care policy, Paula Johnson was glad he had it: Her bills were about \$6,000 a month. "I'd be financially ruined without long-term care insurance," she says.

Even the most fervent advocates of long-term care insurance point out that it's not for everyone. The very poor, for example, have Medicaid, which pays for nursing home care. The very wealthy can afford to pay for long-term care themselves.

And the middle class? Medicare isn't the answer; it doesn't pay for long-term care. Which is why long-term care insurance appeals to many middle-income Americans.

With different policies offering vastly different features, though, consumers must research their options with extreme care.

For some, the cost dwindles in relation to the benefit. Judy Koehler had been wrestling with whether to get a long-term care policy when her mother died. At the time, she was considering buying a new car, too.

"The amount I was going to pay to buy the long-term insurance for one year was just 1/20 of what that car cost me," she says. She bought the policy.

For others, the cost of coverage and the uncertainty of receiving benefits don't seem worth it. Shirley Callen, of Harrisburg, Pa., was turned down for a long-term care policy because of her health. She has sarcoidosis, a type of inflammation that produces microscopic lumps in various parts of the body.

"I'm glad they did," she says. "I couldn't afford \$232 a month."

Callen plans to save and invest her money instead: "If I'm unable to care for myself, I'd rather be dead."