LONG-TERM CARE FOR RETIRED TEACHERS

Research Report No. 235
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Frankfort, Kentucky

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Prepared by Bob Gray

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FOREWORD

The 1986 House Concurrent Resolution 40 directs the Interim Joint Committees on Education and Health and Welfare to "conduct a study of long-term health care and in-home services for retired teachers" . . . and examine "alternatives for providing assistance to retired teachers in obtaining these services and the associated costs." This research report, the result of that study, identifies several options for assisting retired teachers in providing for their long-term health care, including the provision of necessary information to retired teachers and private long-term care insurance coverage.

This report was prepared by Bob Gray with the assistance of Bonnie Brinly. The assistance of the Kentucky Teachers' Retirement System in supplying information is gratefully acknowledged.

Vic Hellard, Jr.
Director

Capitol
Frankfort, Kentucky
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Long-term care consists of a wide range of health, social and personal care services for functionally disabled persons who require assistance with the activities of daily living. These services include **institutional care**, such as skilled, intermediate and personal care, and **in-home services**, such as home-delivered meals, housekeeping assistance, home repair, assistance with personal care needs and home health care (such as administration of medications, monitoring of health status, and physical therapy). About 5% of Kentuckians over the age of 65 are institutionalized, with about one-third of the remaining 95% (about 140,000 persons) having some measurable functional disability. Only about 20% of those with long-term care needs use a nursing home, home health agency or other "formal" caregiver, as 80% of care is provided by families, friends, neighbors and other "informal" caregivers.

Financing of Long-Term Care

Medicaid, the federal-state program which provides health care to the indigent, pays for about **ne-half** of all institutional care in Kentucky. Medicaid spent approximately $250 million for long-term care in Fiscal Year 1986. About 3% of care is covered by **Medicare**, the federal health insurance program for the elderly, while another 17% comes from other public sources such as **Supplemental Security Income** (SSI). The remaining 30% of payment comes from **private sources** such as personal income. Because eligibility levels for Medicaid are low (income of $192/month for a single person with less than $1,700 in financial resources), most persons must exhaust their resources in order to qualify for Medicaid (by "spending down" to the level of eligibility).

In-home services, with the exception of home health care, are funded primarily through Title III of the federal Older Americans Act and state appropriations. These services are non-medical in nature, are provided on a sliding fee scale and include home-delivered meals, adult day care, congregate meals and various social services. While clients are charged based on their ability to pay, most clients have family incomes below $6,000 per year. **Home health services**, which are medically oriented, are primarily financed by Medicare coverage (63% of payment for home health care comes from Medicare).

Retired Teachers

There are now about 44,000 active teachers in Kentucky and 18,330 retirees receiving benefits from the Kentucky Teachers' Retirement System. The average monthly retirement benefit is $786. Retired teachers receive health insurance coverage that covers skilled nursing care and home health care at the same level as Medicare (100 days of skilled care

after a hospital stay and physician-ordered home health care for homebound patients). Intermediate care personal care and in-home services are not covered. Benefits received by retirees would render them ineligible for Medicaid coverage unless they exhausted their incomes on health care expenditures.

State Actions

Most states' efforts directed towards long-term care have involved ways to reduce government expenditures for nursing home care, improve the quality of care provided and encourage more private financing of long-term care. Actions relevant to retired teachers include the use of the **individual medical account**, to provide tax incentives to encourage saving for health care costs; **home equity conversion,** to allow homeowners to convert equity built up in their homes into cash without forcing the homeowners out; **regulation of life care communities,** which provide housing and supportive services for senior citizens; and the development and regulation of **private long-term care insurance.**

Options for Retired Teachers

Since retired teachers do not readily qualify for governmental assistance for long-term care services without substantially reducing their financial resources, actions could be taken as follows:

Information and Education: Reliable information about long-term care is essential for making decisions about long-term care needs. The American Association of Retired Persons estimates that only **one-third** of senior citizens have basic knowledge about long-term care services. Formal educational efforts could be undertaken to educate retired teachers about the aging process, available services and methods of financing care.

Planning Assistance: National surveys suggest most seniors underestimate their potential need for long-term care services and 79% incorrectly think Medicare covers all long-term care. This leads to poor or no planning for future long-term care needs. A trained counselor could assist retired teachers in understanding their care needs, using various financing methods and arranging for services necessary to help maintain the person at home.

Long-Term Care Insurance Coverage: Coverage for long-term care services could be included as part of retired teachers current health insurance package. A 1985 estimate set the cost of such coverage at $24 million annually. Additional member contributions and state matching support would be necessary to fund this benefit.

INTRODUCTION

The 1986 Kentucky General Assembly passed House Concurrent Resolution 40, which directed a study be conducted concerning ways to assist retired teachers in meeting their long-term care needs. House Concurrent Resolution 40 specified that such a study include an overview of long-term care services, potential barriers to accessing such services, actions taken in other states with respect to long-term care and options for assisting retired teachers in Kentucky in obtaining long-term care services (See Appendix 1 for copy of HCR 40).

This report provides a description of the current long-term care service delivery and financing system in Kentucky, an overview of the current population of retired teachers and the health care benefits they now receive, problems in obtaining long-term care services, other states' efforts in providing citizens long-term care services and options for providing assistance to retired teachers in Kentucky.

CHAPTER I

OVERVIEW OF LONG-TERM CARE IN KENTUCKY

What is long-term care?

Long-term care is best described as the range of health, social, emotional and personal care services needed by functionally disabled persons who require assistance in performing the necessary activities of daily living. This care is usually provided on a "long-term" basis, such as several months or years, as in the case of a person disabled by a stroke or suffering from a degenerative disease, as opposed to the shorter duration care provided in a hospital. Although persons of any age may require long-term care services, most long-term care facility patients are over the age of 80.[1] At present, about 5% of Kentuckians over the age of 65 are institutionalized, while about one-third of the remaining 95% (about 140,000 persons) have some measurable functional disability.[2] Of this group, only about 20% will use a nursing home or other "formal" or professional providers of care. Formal caregivers include nurses, social workers, therapists, personal care workers, home health aides and homemakers who provide services in the home, in institutions or in community-based settings, such as adult day care centers. The remaining 80% of long-term care is provided by "informal" caregivers, such as family members, friends and neighbors.[3] This report will focus on the formal providers of care with respect to assisting retired teachers.

Institutional long-term care services (what we traditionally call "nursing homes") are divided into specific levels based on the severity of the patient's health status. The following levels of care are listed in descending order, starting with the most intensive level of care for the sickest patients down through the lower levels of care:

Skilled nursing care is the highest level of long-term care and is just below hospital care in terms of the intensity of services provided. Skilled nursing care is provided in an institution and is for persons who require 24-hour a day nursing services (902 KAR 20:026). This would include persons on intravenous fluids or a naso-gastral feeding tube, or similar circumstances which require constant nursing supervision. Persons usually require skilled nursing care directly after being discharged from a hospital for a period of convalescence or rehabilitation or being transferred from a lower level of care when their condition worsens. The median age of skilled nursing facility residents is 80.7, with females comprising about 70% of the skilled nursing facility population.[4]

Intermediate care is provided in an institution and is for persons who require some nursing care but do not require 24-hour nursing services. Patients must have a physical or mental condition that requires intermittent nursing services along with continuous supervision of

the activities of daily living. Services provided in intermediate care include 24-hour supervision of patients, physician, nursing, pharmaceutical, personal care, activities and residential services (902 KAR 20:051). Intermediate care is provided in an institution and constitutes the largest level of care, as approximately 55% of all long-term care beds are in the intermediate level of care. The average age of intermediate care facility residents is 82.5 and 73% are female.[5]

Personal care is for persons who require "general supervision" but do not require nursing or medical services. Also provided in an institution, this level of care is for those who require a protective environment along with assistance in taking medications, eating, bathing, grooming, toileting and other personal needs. Personal care is non-medical in nature and is for people who are able to manage most of the activities of daily living. Personal care residents must be 16 years of age or older and must be ambulatory or mobile nonambulatory (able to get around with a wheelchair or walker) (902 KAR 20:036). Personal care patients can be quite self-sufficient, as some only need minimal supervision. The average age of personal care residents is 76.5 and 64% are female.[6]

Family care provides essentially the same services as the personal care level except that services are provided in a home setting for two or three persons instead of in an institution. Family care residents usually have the same characteristics as persons in personal care. Typically the family care operator has patients living in the operator's home, with the operator serving as the primary caregiver. Family care residents require a protective environment but do not have an illness, injury or disability for which constant medical care or skilled nursing care is required. As in a personal care home, residents must be ambulatory or mobile non-ambulatory and able to manage most of the activities of daily living (902 KAR 20:041).

In-home services are provided in the patient's home by a number of different service providers. The primary goal of such services is to maintain the patient in their own home with the appropriate support instead of in an institution; these services include the following:

Home health services: Home health agencies provide intermittent skilled nursing services (up to a few hours per day or several days per week or month) and perform such tasks as administration of medications, monitoring of health care status, health care education and similar health services, and provide medical social services, home health aide services and physical, speech or occupational therapy services (902 KAR 20:081).

Title III: Refers to services funded by Title III of the federal Older Americans Act and provides Kentuckians aged 60 and over access to nutrition services, such as congregate and home delivered meals, and supportive services, such as transportation, escorting, doing

chores, legal assistance, home repair, respite, telephone reassurance, counseling, informing and referral.[7]

Alzheimer's Disease Respite: The provision of community-based care for persons suffering from Alzheimer's Disease. (Alzheimer's Disease is a non-treatable, irreversible organic brain disease afflicting approximately 50,000 Kentuckians over the age of 65.) Since about 66% of Alzheimer's victims are being cared for at home, the primary intent of the program is to provide respite for the overburdened caregiver and to extend the period of time an Alzheimer's victim may remain at home.[8]

Homecare: A statewide program for persons aged 60 or older for whom in-home services may be a more appropriate and cost-effective alternative than a long-term care facility. The specific purpose of the program is to prevent, divert or delay long-term institutional care. Homecare uses a social model with a health care component and focuses on serving the frail and vulnerable elderly. Homecare services include the core services of case management and assessment, as well as homemaker, respite, and chore services, home repair, home delivered meals, escort and home health aide services, as the client's needs are identified (905 KAR 8:020).

Adult Day/Adult Day Health Care: A community-based group program designed to meet the needs of functionally impaired adults over the age of 60 who are at risk of entering an institution. It is a structured, comprehensive program that provides a variety of health, social and related support services in a protective setting during any part of a day, but it is less than 24-hour care. Persons who participate in adult day care attend on a planned basis during specified hours. Adult day care helps its participants remain in the community, allowing families and caregivers to continue caring for an impaired family member at home.[9]

Personal Care Attendant: A program for severely disabled adults who want to live independently but need both the help of a personal care attendant and financial assistance. It is designed to keep disabled persons at home who are at risk of being placed in an institution. To qualify, a person must be 18 or older with two limbs non-functioning and must meet income eligibility criteria. Applicants for the program must also be capable of hiring, firing and supervising an attendant. Services provided by the attendants involve assistance in the activities of daily living (KRS 205.905 to 205.920).

CHAPTER II

FINANCING AND DELIVERY OF LONG-TERM CARE SERVICES

Institutional Long-Term Care

Institutional long-term care refers to skilled nursing care, intermediate care or personal care provided in a long-term care facility. A facility may provide only one level of care, as in the case of a personal care home with only personal care beds, or may be a multi-level facility with a combination of skilled, intermediate or personal care beds. There are currently 98 skilled nursing facilities, 209 intermediate care facilities, 196 personal care homes and 508 family care homes in Kentucky.[10] With the exception of three state-operated intermediate care facilities for the mentally retarded and developmentally disabled, all of these facilities are privately owned and are operated as non-profit entities or as for-profit operations.

Table 1 below, from the Kentucky State Health Plan for 1986-88, shows the total number of long-term care beds for each level of care, the need for additional beds and any unmet need by area development district.

As the table shows, there are 30,784 long-term care beds in Kentucky. The main sources of payment for long-term care facilities are governmental programs and private sources. Each funding source and the level of funding is described below:

Kentucky Medical Assistance Program (Medicaid)

Medicaid is a federal/state program designed to provide health care services to indigent persons. Kentucky receives funding from the federal government for Medicaid at a 28/72 matching rate. Thus, of every dollar spent on Medicaid services Kentucky receives 72% from the federal government and contributes the remaining 28% from state funds. Eligible recipients are covered for 27 different services, including hospital services, physician services, dental care, drugs, skilled nursing care, intermediate care, home health care and home and community-based services.

In order to qualify for Medicaid, a person is limited to the following financial resources (907 KAR 1:004):

(1) Resources of $1,700 for a family of one and $3,400 for a family of two, with $50 added for each additional family member;
(2) A home, whether occupied or abandoned, household equipment and farm equipment without any limit on value;
(3) Equity of $6,000 in income-producing, non-homestead real property, business or non-business essential for self-support;
(4) Equity of $4,500 in automobiles, with no such limitation if the automobile is

PROJECTED LONG—TERM CARE SERVICE NEEDS 1988
(Refers to Table 27 in State Health Plan)

January 31, 1987

ADD	projected 1988 pop. age 75 +	Skilled nursing beds Target Ratio = 25.5[c]			intermediate care beds[a] target ratio = 74.5			personal care beds[b]			family care beds[b] (As of August, 1986)			home health nurse[d] FTEs target ratio = 3.2		
		actual	need	unmet need	actual	need	unmet need	actual	need	unmet need	actual	need	unmet need	actual	need	unmet need
1	14,416	290	314	**24**	1,213	1,074	(139)	485	573	**88**	48	57	9	30.3	46.1	**15.8**
2	12,808	292	279	(13)	1,133	954	(179)	998	544	(454)	30	16	(14)	30.2	41.0	**10.8**
3	12,236	195	267	**72**	1,087	912	(175)	850	528	(322)	11	7	(4)	29.3	39.1	**9.8**
4	14,713	289	321	**32**	1,202	1,096	(106)	623	611	(12)	32	32	**0**	36.3	47.1	**10.8**
5	10,383	242	226	(16)	967	774	(193)	228	357	**129**	62	97	**35**	27.0	33.2	**6.2**
6	44,748	1,713	1,459	(254)	3,171	3,334	**163**	1,897	1,640	(256)	360	315	(45)	120.4	143.2	**22.8**
7	17,496	332	381	**49**	1,351	1,304	(47)	653	747	**94**	16	18	**2**	50.5	56.0	**5.5**
8	3,696	34	81	**47**	297	275	(22)	56	49	(7)	130	113	(17)	17.5	11.8	(5.7)
9	3,688	85	80	(5)	289	275	(14)	56	80	**24**	56	81	**25**	9.7	11.8	**2.1**
10	7,719	88	168	**80**	554	575	**21**	210	243	**33**	81	94	**13**	15.4	24.7	**9.3**
11	8,253	159	180	**21**	665	615	(50)	187	286	**99**	49	75	**26**	29.5	26.4	(3.1)
12	6,587	127	144	**17**	468	491	**23**	177	279	**102**	5	9	**4**	30.6	21.1	(9.5)
13	13,084	211	285	**74**	928	975	**47**	266	515	**249**	30	57	**27**	62.2	41.9	(20.3)
14	11,973	193	261	**68**	841	892	**51**	266	324	**58**	170	199	**29**	88.5	38.3	(50.2)
15	28,812	1,020	939	(81)	2,104	2,147	**43**	808[e]	835	**27**	404	424	**20**	83.8	92.2	**8.4**
state	210,612	5,270	5,385	**115**	16,270	15,693	(577)	7,760	7,612	(148)	1,484	1,594	**110**	661.2	673.9	**12.7**

( ) indicates a surplus. Bold numbers indicate unmet need.

Note. "Actual" figures include licensed and approved services. Target ratios are per 1,000 population age 75 and over. State need figures are sums of ADD figures and, due to rounding, may not exactly equal the target ratio applied to the state population.

[a]Excludes Glasgow ICF, IC beds at Western State Hospital, and IC beds exclusively for the mentally retarded.

[b]The total ratio of 43.7 is applied separately for personal care and family care according to the existing configuration in the ADD.

[c]This ratio is applied as 32.6 in ADDs 6 and 15; 21.8 in the other ADDs.

[d]Actual numbers (see Table 18) have been rounded for convenience.

[e]Excludes PC beds at Eastern State.

used for employment, to obtain medical treatment or is specially equipped for use by the handicapped; and

(5) Burial reserves of up to $1,500 per individual, with no limit placed on the value of burial spaces, plots, vaults, crypts, caskets and similar items.

In addition to the above limitations on resources, income is limited as follows:

TABLE 2
Medicaid Income Guidelines

of Family	Annual Income	Monthly Income
1	$2,300	$192
2	2,700	225
3	3,200	267
4	3,900	325
5	4,600	383
6	5,200	433

For each additional family member $600 annually or $50 per month is added (907 KAR 1:004).

Persons who qualify for Medicaid based on the above standards are known as "medically needy." In addition, persons who currently receive Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) automatically qualify for Medicaid. A person may also qualify through the "spend-down" provision, which allows a person with income in excess of the limitations listed in Table 2 to qualify for Medicaid coverage. For example, to qualify under the spend-down provision, a person in need of medical care with an income of $500 per month would have to spend the additional $308, which falls above the $192 income limit for a family of one, on medical care. In this manner, the person "spends down" to the level of Medicaid eligibility and qualifies for Medicaid reimbursement. It has been estimated by the House Select Committee on Aging that approximately one-half of all Medicaid recipients in long-term care facilities became eligible for Medicaid through the spend-down procedure.[11] These persons exhaust enough of their financial resources on long-term care to become eligible for Medicaid.

Medicaid is by far the largest payor of long-term care in Kentucky. The following Table summarizes key information concerning long-term care expenditures in the Kentucky Medical Assistance Program:

TABLE 3

Medicaid Long-Term Care Expenditures

(FY 1986)

	SNF	ICF	ICF-MR	HOME HEALTH
Expenditures (In Millions)	$37.4	$123.2	$39.9	$17.0
# of Recipients	2,124	11,503	1,144	4,880
Participating Facilities	88	193	9	
Total Medicaid Certified Beds	3,632	14,942	1,942	
Total Occupancy Percent	92.9%	98.3%	98.7%	
Medicaid Occupancy Percent	57.5%	78.7%	94.5%	
Medicaid Payment Rate (Per Day)	$51.93	$36.14	$123.49	

SOURCE: Department for Medicaid Services, March 1987

As Table 3 indicates, over 57% of all skilled care and 78% of intermediate care beds are reimbursed by Medicaid, representing a total of $254.9 million in long-term care expenditures for 19,651 recipients. This accounts for about 40% of the total $600 annual Medicaid expenditures in Kentucky for all covered services.

Medicaid also covers in-home services under the home and community-based services waiver program. This program provides homemaker services, personal care, respite care, adult day health care, respiratory therapy, case management and simple adaptations to the recipient's residence to make it possible for the person to remain at home instead of in a skilled nursing or intermediate care facility (907 KAR 1:160). Projected expenditures for this program in 1987 are $2.6 million for 1,555 recipients.[12]

Medicare

Medicare is a federally sponsored health insurance program for persons over the age of 65. Medicare has two parts: Part A covers hospital care, skilled nursing care, home health care and hospice care; Part B—Supplementary Medical Insurance—pays for physician services, lab services and outpatient services. Medicare pays for a limited amount of

long-term care. Only 100 days in a skilled nursing facility are covered following at least a three-day hospital stay. Home health care is covered if the patient is confined to home and a physician's care plan orders home health services. Medicare pays for only about 17% of all skilled nursing care in Kentucky, while about 63% of all home health care services is covered by Medicare.[13]

Supplemental Security Income (SSI)

SSI is a federal income assistance program administered by the Social Security Administration for the aged, blind and disabled. Elderly persons must meet eligibility guidelines and may receive a maximum monthly benefit of $325 for an individual and $488 for a couple. Kentucky, as does 42 other states, provides "state supplementation" to persons receiving SSI who reside in personal care homes, family care homes or board and care facilities. SSI recipients receiving state supplementation are limited to the following financial resources (904 KAR 2:015):

(1) Cash resources of $1,800 for an individual and $2,700 for a couple;
(2) Income-producing property with a net equity of $6,000 or less;
(3) The first $4,500 of equity value in an automobile; there is no limit on value if the automobile is used for employment, to obtain medical services or is specially equipped for the handicapped;
(4) Burial reserves up to $1,500; and
(5) A homestead, household items and personal items.

The amount of state supplementation is based on the living arrangement of the recipient. Recipients residing in personal care homes receive not less than $517 per month, while recipients in family care homes receive not less than $430 per month (904 KAR 2:015). Approximately 57% of all reimbursement for the personal level of care comes from the state supplementation of SSI.[14] State supplementation of SSI does not cover skilled or intermediate care, as SSI recipients automatically qualify for Medicaid coverage of such care.

Private Payment

Private payment from personal sources of income makes up about 26% of all payment for long-term care services. Another 3% comes from other sources, such as private insurance coverage.[15]

As summarized in Table 4, government funding accounts for approximately 70% of payment for all levels of long-term care, with the remainder coming from private sources:

TABLE 4

Percentage of Payment Sources by Level, 1981

Level of Care	Principal Source of Payment (% of patients)				
	Medicare	Medicaid	Other Public	Private Pay	Other
SNF	17.5	46.3	3.1	29.8	3.3
NH	.4	.2	.6	87.0	11.8
ICF	1.5	78.3	1.1	18.7	.4
PCH	.0	4.4	57.5	30.4	7.7
TOTAL	3.5	49.9	17.0	26.3	3.3

SOURCE: LTC in Kentucky, Department for Health Services (1986)

In-Home Services

In addition to Medicare and Medicaid coverage of home health services, financing for in-home services is also provided through the federal Older Americans Act. Title III of this Act provides funding to states to develop a system of services to older persons designed to help senior citizens maintain maximum independence in their own homes. Funding is allocated to the states based on the size of the population 60 years old and older and services are coordinated and planned by the Area Agency on Aging. In Kentucky the Area Agencies on Aging operate through the 15 Area Development Districts.[16]

Services provided with Older American Act funds are offered on a "sliding scale" fee basis. Thus, persons receiving services are charged based on their ability to pay. The main services provided include congregate meals, home delivered meals, transportation, homemaker care, information and referral, outreach and other social services. The total allocation for Title III services for fiscal year 1987 is $11.3 million.[17]

In addition to these services, the state operates the Homecare program, which provides coordinated supportive services to elderly persons in their homes, to prevent unnecessary institutionalization. Homecare clients are assessed to determine their individual care needs and necessary services are arranged by professional case managers. Services provided include home delivered meals, light housekeeping, home maintenance and repair, shopping assistance and personal care services (905 KAR 8:020). Clients are charged for services on a sliding fee scale based on their ability to pay. The client is charged a percent of the actual cost as set forth in Table 5 below:

TABLE 5

Schedule of Fees for the Homecare Program

Annual Income	Applicable Percentage by Family Size	
	1	2
$7,000 and below	0%	0%
7,001— 8,000	20%	0%
8,001— 9,000	40%	20%
9,001—10,000	60%	20%
10,001—11,000	80%	40%
11,001—12,000	100%	60%
12,001—13,000		80%
13,001—14,000		80%
14,001—15,000		100%

SOURCE: 905 KAR 8:110

Although services are provided on a sliding fee scale, most clients (68%) have family incomes below $6,000 per year. In fiscal year 1986, the Homecare program served 8,094 clients, at a cost of $9.1 million.[18] The primary difference between Homecare services and Title III services is the source of funding. Some Older American Act funds are used in the Homecare program, but the bulk of funding comes from a direct state appropriation.

CHAPTER III

RETIRED TEACHERS IN KENTUCKY

The Retired Teacher Population

At present there are 44,375 active teachers in the public school system in Kentucky.[19] This total includes elementary, secondary and university level teachers. State law permits teachers to retire after 27 years of active service regardless of age with penalty, after 30 years without penalty, at age 60 with at least five years of service, or due to disability (KRS 161.600). All teachers participate in the Kentucky Teachers' Retirement System through contributions based on a percentage of their salary (7.45% for university members and 8.93% for non-university members), which are matched by the state in addition to a 3.25% overmatch.[20] Upon retirement or disability, retirees are paid retirement benefits based on salary level and years of service and receive health insurance coverage. The dependents of deceased teachers receive a survivor's benefit.

There are now 18,109 retirees and beneficiaries receiving $144,312,000 in annual allowance under the Kentucky Teachers' Retirement System.[21] Table 6 sets forth the number and annual retirement allowances of beneficiaries by age as of June 30, 1986:

TABLE 6

The Number and Annual Retirement Allowances
Of Beneficiaries Distributed by Age
As of June 30, 1986

Service Retirements

	Men		Women	
Age	Number	Amount	Number	Amount
49			1	$ 9,786
50	4	$ 54,042	6	60,126
51	1	16,102	12	122,838
52	16	241,828	28	314,115
53	29	422,975	27	307,861
54	42	624,338	51	557,355
55	49	626,684	95	955,154
56	67	762,746	121	1,105,902
57	77	1,057,014	138	1,336,751

Service Retirements

	Men		Women	
Age	Number	Amount	Number	Amount
58	90	1,080,392	179	1,641,833
59	100	1,301,656	197	1,794,110
60	123	1,455,750	224	2,032,277
61	129	1,576,637	214	1,920,068
62	155	1,860,143	238	2,172,126
63	153	1,746,103	306	2,680,017
64	148	1,806,930	324	2,761,596
65	150	1,718,332	391	3,378,125
66	148	1,694,526	373	3,169,612
67	161	1,728,285	375	2,899,401
68	126	1,152,468	412	3,260,070
69	144	1,409,631	419	3,362,176
70	143	1,449,871	433	3,431,068
71	162	1,591,834	492	3,802,495
72	143	1,238,308	549	4,145,015
73	155	1,366,627	561	4,127,521
74	132	1,343,633	652	4,622,378
75	119	947,223	627	4,486,982
76	135	1,139,940	573	3,900,579
77	124	1,048,048	575	4,114,837
78	129	1,072,283	525	3,560,661
79	103	892,496	466	3,032,496
80	92	783,325	481	3,169,903
81	81	655,738	419	2,715,711
82	67	507,356	337	2,294,239
83	57	427,447	336	2,137,626
84	55	393,330	252	1,694,601
85	33	255,890	166	1,044,127
86			2	8,861
87	26	195,027	133	823,450
88	21	154,448	115	673,685
89	9	53,273	89	496,360
90	7	48,449	61	352,751
91	12	71,958	63	368,469
92	12	62,461	48	272,294
93	7	47,218	44	241,442

Service Retirements

	Men		Women	
Age	Number	Amount	Number	Amount
94	7	44,340	25	152,203
95	6	24,471	18	107,921
96	1	900	9	56,600
97	1	900	13	76,776
98	3	9,956	4	20,094
99	1	5,957	11	62,491
100	1	6,822		
101			2	8,921
102	1	6,429		
103			1	900
105			1	4,151
TOTAL	3,757	$38,172,540	12,218	$91,869,808

SOURCE: Teachers' Retirement System of the State of Kentucky Report of Actuary on the Valuation Prepared as of June 30, 1986

The average monthly allowance for retirees is $786. Approximately 80% of the retirees are aged 65 and over and are receiving monthly allowances ranging from an average of $720 for 65 year olds to $525 for 80 year olds. Average allowances are lower in the higher age groups, as salaries for teachers were lower at the time of retirement.

Health Insurance Benefits

Retired teachers receive health insurance coverage pursuant to KRS 161.675. Most long-term care services are not covered under the current health insurance plan for retired teachers. For retirees 65 and older, the plan acts as a Medicare supplemental insurance policy.[22] This means the plan will pay for those services covered under Medicare that are not fully reimbursed. As discussed in the section on Medicare coverage, Medicare only covers physician-ordered home health care and 100 days of skilled nursing care if the patient is transferred directly from a hospital to a skilled nursing facility. Because Medicare-approved skilled nursing care represents a small proportion of all the long-term care services being provided (about 3.5%), retired teachers are not covered by their health insurance plan for the majority of long-term care services available. Although the actual number of retirees receiving long-term care services is not known, it is reasonable to assume that a retired teacher with an average monthly allowance of $786 per month could not afford the cost of private skilled nursing care ($2250 per month) or private intermediate care ($1650 per month)[23] without using savings, insurance coverage or some type of financial assistance. (This assumes the retiree has no source of income other than retirement benefits.)

CHAPTER IV

ACTIONS IN OTHER STATES

Because the need for long-term care is not confined to the retired teacher population, but rather is a need associated with all senior citizens, state actions are limited with respect to assisting retired teachers with long-term care. Therefore, for purposes of this report, state efforts in general to assist senior citizens with their long-term care needs will be examined. This examination will provide a range of options which could be applied to a specific portion of the elderly population such as retired teachers.

Summary of State Actions

As has been previously noted, most of the long-term care provided in the 50 states is publicly financed. As a result, most states' efforts directed towards long-term care have involved ways to:

(1) **Reduce government expenditures for long-term care** by changes in Medicaid reimbursement policies; prescreening of all nursing home admissions, to reduce unnecessary institutionalization; developing less costly alternatives to nursing home care, such as in-home services programs; and limiting or prohibiting the construction of new long-term care facilities;

(2) **Encourage more private financing of long-term care** through regulation of private long-term care insurance coverage; changes in Medicaid eligibility to make it difficult to transfer financial assets to family members for the purpose of becoming eligible for Medicaid; facilitating the development of Individual Medical Accounts to encourage savings for future health care costs and tax incentives to encourage caring for the elderly at home; and

(3) **Improve the quality of long-term care provided** by the enactment of sanctions for facilities in violation of licensure standards; development of long-term care ombudsman programs designed to resolve complaints in facilities; improvement in the investigation and prosecution of elder abuse and neglect cases; the use of "case-mix" and similar reimbursement systems designed to pay more for patients with heavier care needs; mandatory training of nurses' aides employed by long-term care facilities; and the use of outcome related measures which focus on the patient's medical condition and whether it is improving as a measure of the quality of care provided.[24]

As discussed in Chapter III, most retired teachers (with an average monthly allowance of about $800) would not be eligible for Medicaid coverage because their income is in excess of the Medicaid eligibility criteria. To become eligible, most retired teachers would have to exhaust their assets down to the eligibility level and "spend down" all but

$192 of their monthly retirement benefit on long-term care. In essence, a person must impoverish himself to become eligible for state assistance. Because this report seeks to examine ways to prevent this from happening, emphasis will be placed on state actions designed to encourage more private financing of long-term care.

Tax Incentives

Tax incentives designed to encourage family and informal caregivers to provide care to elderly family members, by providing families with exemptions, deductions and credits on state taxes, are used in several states. Five states currently offer tax incentive programs to persons providing care to the dependent elderly: Arizona, Idaho, Iowa, North Carolina and Oregon.[25]

Arizona allows deductions for medical and nursing home care provided to the elderly, even to those who are not relatives of the taxpayer. If the amount of such care exceeds $800, informal caregivers may claim an additional $600 standard deduction.

Idaho offers taxpayers a choice between a $1,000 deduction from gross income or a $100 refundable tax credit. To qualify, an elderly relative must reside in the taxpayer's home and receive half of his support from the taxpayer.

Iowa permits caregivers to claim a deduction up to $5,000 for eligible expenses in addition to standard or itemized deductions. To qualify, the relative must be disabled, eligible for Medicaid and unable to live independently. Because Iowa's tax system taxes higher income at a higher rate, deductions for higher income levels would be greater. The intent of this program is to encourage taxpayers in the higher income bracket to provide care to older relatives and thus keep them out of nursing homes.

North Carolina allows deductions up to $3,000 for the care of aged parents with disposable income under $9,000. The parent must be a North Carolina resident and may not be in an institution.

Oregon provides a tax credit of up to 8% of eligible care expenses up to a maximum credit of $250. This program targets taxpayers in the lower income levels; those with incomes over $17,500 do not qualify for this credit.

Home Equity Conversion

Home equity conversion allows elderly homeowners to convert equity built up in their homes into cash without forcing the homeowners to vacate. Home equity conversion can take several forms. **Reverse annuity mortgages** allow homeowners to borrow against the equity in their homes for a specified period at a defined rate of interest. The loan is paid periodically to the homeowner, usually over a period of five to 15 years. The homeowner must repay the loan or sell the property at the end of this period. **Shared appreciation reverse mortgages** are similar, but calculate anticipated increases in property values in the

payment rate to homeowners. **Sale-lease back plans** permit the homeowner to sell to an investor who then leases the home back to the seller for life. The investor pays a down payment and regular monthly payments to the homeowner during his lifetime. The investor is responsible for payment of taxes, insurance and home maintenance.[26]

Because most elderly homeowners wish to pass their homes on to relatives, financing methods associated with home equity conversion are viewed with suspicion. Surveys have shown that less than 10% of elderly citizens are interested in home equity conversion.[27] Since legislation is not required to permit home equity conversion, the states' role in regulating this area has taken the form of consumer protection legislation. Arizona requires consumer counseling for older persons considering a home equity loan.[28]

Individual Medical Accounts

Individual medical accounts (IMAs) operate in the same manner as individual retirement accounts, except invested funds would be used to pay for medical care for elderly retirees. Initially a federal proposal, this concept is being considered by several states, according to the National Conference of State Legislatures. IMA proposals allow adults to deduct up to $2,000 per year from taxable income; funds are deposited with a trustee and cannot be withdrawn without a penalty until age 59.5. Withdrawn funds may be used for Medicare deductibles or to purchase private health insurance coverage. Colorado is the only state to currently allow a tax deduction for IMAs. Because there is no federal tax deduction at present for IMAs, there is little incentive for a person to open such an account, due to the relatively small savings that would result from a state tax deduction.[29]

Life Care Communites

Life care communities (LCCs) provide food, shelter, nursing and personal care services to older persons for an entrance fee and a monthly charge. LCCs operate much like condominiums, and consist of facilities with private apartments for residents, a dining room and a nursing home on the premises, with supportive services provided to residents in their apartments if needed.

Entrance fees for LCCs are fairly high, ranging from $10,000 to $100,000 in 1981, with an average fee of $35,000 plus $4,000 for a second person. Monthly charges averaged $600, with an additional $250 for an second person. Most LCC residents raise the entry fee by selling their homes.[30]

State laws regulating LCCs relate to protecting the resident from mismanagement of funds and inadequate cash reserves that could cause failure of the LCC. The states of Arizona, California, Colorado, Florida, Illinois, Indiana, Maryland, Michigan, Minnesota, Mississippi, Oregon, Pennsylvania and Virginia have statutes regulating and licensing LCCs.[31]

Long-Term Care Insurance

Long-term care insurance is a fairly new area of private health insurance coverage

and such policies are evolving constantly to adjust to a rapidly changing market. Long-term care policies cover only long-term care services, but may be sold as a part of a comprehensive health insurance package. Policies now available have the following basic characteristics:

(1) Coverage for skilled nursing care and usually intermediate care and home health care. Benefits are paid up to a maximum number of days or dollar amounts;

(2) Policies provide indemnity benefit payments of a specified amount per day or per home visit, regardless of the cost of care. Policy holders are responsible for making up any difference; and

(3) Limitations on coverage are usually specified. Certain long-term conditions such as alcoholism or mental illness may not be covered. "Pre-existing conditions" (present at the time the person purchased the policy) usually are not covered until after a specified waiting period (three months to one year).[32]

Most long-term care policies are sold on an individual, rather than a group basis. Persons purchasing long-term care coverage usually have a minimum age of 55 to 60, with monthly premiums averaging from $28 to $37 at age 55, to $106 to $148 at age 75.[33] A recent General Accounting Office study found an extremely wide range of premium levels among current policies on the market—from $20 to $7,000 per year for different levels of coverage at varying ages.[34] Premium costs would be lower with group long-term care insurance by allowing insurers to spread the risk across a wide range of persons instead of a smaller, older group more likely to need long-term care services. This latter phenomenon is known as "adverse selection," which occurs when only those persons most likely to need health care purchase insurance coverage, and is a cause of the fairly high cost of many individual long-term care policies. Since most group insurance is provided by employers, long-term care coverage is generally not included, because younger workers are not interested in such coverage. This factor may make lower cost group policies slow to develop.[35]

Until recently, only a few states had laws governing the sale of long-term care insurance. Rapid development in the market and increased interest among insurers and consumers have caused 26 states to enact statutes regulating long-term care insurance. Specific state actions include:

Specifying the content of long-term care policies: This type of legislation is the most common and mandates the level of coverage in policies, including minimum daily payments, coverage of specific services, minimum number of nursing home days or home health visits covered, pre-existing condition requirements and deductibles or copayments for services.[36] Kentucky enacted legislation in 1986 (KRS 304.17-314 et. seq.) requiring all health insurers in Kentucky to offer long-term care insurance and make such coverage available to policyholders (See Appendix 2 for full text of legislation). Kentucky is the only state in the

country to require that long-term care coverage be made available. The legislation also sets forth the minimum standards for long-term care policies in the areas enumerated above.

Tax Incentives: Colorado permits an income tax deduction for long-term care polices meeting state standards, to encourage the purchase of such policies. Similar proposals were considered but not adopted in Hawaii and Arizona. Colorado also enacted a one percentage point reduction in the insurance premium tax on long-term care policies to encourage insurers to sell such policies.[37]

Consumer Education: The states of Arizona, Georgia, Massachusetts and Washington have undertaken efforts to educate consumers about long-term care insurance. Such programs aim to encourage "prudent purchasing" of long-term care insurance by dispelling misconceptions about long-term care and its costs and to reducing the possibility that consumers will fall prey to unscrupulous sales tactics and purchase unnecessary, duplicative or overly restrictive policies.[38] The General Accounting Office study reported that the potential for abuse is similar to that found in the sale of Medicare supplemental policies, as coverage in long-term care policies varies widely, with some offering little more coverage than a basic Medicare supplemental policy.[39] Initial public education efforts have been taken in Kentucky by the Office of the Attorney General through the publication of a pamphlet that answers basic questions about long-term care and related insurance policies.[40]

CHAPTER V

OPTIONS FOR ASSISTING RETIRED TEACHERS

As this report has stressed, most long-term care services are financed with governmental funds for people who are poor upon entering the long-term care system or who become impoverished as they exhaust their financial assets to pay for services. The retirement benefits they receive would render retired teachers ineligible for governmental assistance, unless they reduced their financial resources through expenditures for health care. In order to prevent such a situation from occurring, several options are available.

Information and Education

Reliable information about long-term care services is essential for any person trying to make a decision regarding future long-term care needs. A six-state survey indicated that only one-third of senior citizens had basic knowledge about long-term care services.[41] Formal efforts could be undertaken to provide retired teachers with the following information:

(1) Education concerning the aging process, functional disabilities and the skills necessary to provide care;

(2) Information about available institutional and in-home services, associated costs and the quality of care provided;

stb1rbtb2on financing care, such as Medicare coverage and Medicare supplemental insurance, eligibility for Medicaid and the cost and availability of private long-term care insurance; and

(4) Information about housing options, such as life care communities, boarding homes and shared housing.[42]

The information listed above is not readily available in one central location in Kentucky and a person must possess a certain basic level of knowledge to even know where to find such information and how to request it. Making such information easily available to retired teachers would assist them in making informed decisions about their long-term care needs.

Planning Assistance

Once retired teachers had an understanding of the long-term care system, their potential need for such services and methods of financing, formal assistance in planning would encourage retired teachers to make arrangements for care before the need arises. National surveys suggest that most senior citizens tend to underestimate their potential need

for services.[43] Long-term care services and how to pay for them are often not considered until an unexpected illness or medical condition develops that requires long-term care. This is primarily due to the fact that an estimated 80% of the elderly mistakenly believe that Medicare covers all long-term care services.[44] The truth that Medicare covers only a limited number of services is often learned too late to make alternative plans.

A trained counselor could assist retired teachers in understanding their health care needs and help in arranging for methods to finance long-term care. Referrals could also be made to existing in-home service programs, such as Homecare, through which professional case managers can arrange for an assessment of a client's health status and the provision of necessary services designed to keep him at home instead of in a long-term care facility.

Long-Term Care Insurance Coverage

The final option for assisting retired teachers with long-term care is to provide long-term care coverage as a part of current health insurance benefits. The current policy for retired teachers only provides coverage for skilled care and home health care at Medicare coverage levels. Expanding the current policy to include skilled, intermediate and personal care, as well as expanding home health benefits, would be the most obvious method of assisting retired teachers. However, it would also be the most expensive. In 1985, the actuary for the Kentucky Teachers' Retirement System's health insurance carrier estimated an annual cost of $24 million to provide such coverage in addition to current benefits. At that time the basic health insurance policy cost a total of $18 million per year.[45]

According to the latest report of actuary on the valuation of the Teachers' Retirement System, the current financial condition of the system could not support an expansion of benefits without an increase in member contributions and state matching support.[46] Futher actuarial study would be required to determine the current cost of providing a comprehensive long-term care policy to retired teachers. In lieu of providing such coverage, the system could serve as an information clearinghouse to assist retirees in making decisions on the purchase of long-term care insurance.

FOOTNOTES

1. Ben Yandell and George Robertson, *Long-Term Care in Kentucky*, Cabinet for Human Resources, 1986, p. 52.

2. Kentucky State Plan for Aging Services, Fiscal Years 1988-1989, p. 16.

3. Pamela Doty, Korbin Liu and Joshua Wiener, "An Overview of Long-Term Care," *Health Care Financing Review* 6, Number 3, Spring 1985, p. 70.

4. Yandell and Robertson, p. 52.

5. Yandell and Robertson, p. 52.

6. Yandell and Robertson, p. 52.

7. Kentucky State Plan for Aging Services, p. 4.

8. Division of Aging Services, Cabinet for Human Resources, Presentation to Special Advisory Commission of Senior Citizens, November 1986.

9. Kentucky State Plan for Aging Services, p. 5.

10. Division of Licensing and Regulation, Cabinet for Human Resources, Report to the Subcommittee on Elderly Health Care Costs and Related Problems, March 1987, p. 7.

11. 8House Select Committee on Aging, *Long-Term Care Costs*, November 1987.

12. Letter from Commissioner Hughes Walker, Department for Medicaid Services, March 1987.

13. Yandell and Robertson, pp. 45 and 51.

14. Yandell and Robertson, p. 45.

15. Yandell and Robertson, p. 45.

16. Kentucky State Plan for Aging Services, p. 7.

17. Presentation to Special Advisory Commission of Senior Citizens, November 1986.

18. *Showcase on Homecare*, Division of Aging Services, Cabinet for Human Resources, 1986.

19. Buck Consultants, *Teachers' Retirement System of the State of Kentucky Report of the Actuary on the Valuation*, May 1987, p. 1.

20. Buck Consultants, p. 7.

21. Buck Consultants, p. 3.

22. Teachers' Retirement System of the State of Kentucky, *Your Group Plan*, August 1986, pp. 10 and 26.

23. Kentucky Office of the Attorney General, *Long-Term Care Insurance, What You Should Know*, 1987.

24. Robert M. Pierce, *Long-Term Care for the Elderly: A Legislator's Guide*, National Conference of State Legislatures, 1987, pp. 16-24.

25. Pierce, pp. 45-46.

26. Pierce, pp. 109-110.

27. Pierce, p. 110.

28. Pierce, p. 110.

29. Pierce, p. 110.

30. Pierce, p. 107.

31. Pierce, p. 108.

32. David Landes, *What Legislators Need to Know About Long-Term Care Insurance*, National Conference of State Legislatures, May 1987, p. 3.

33. Landes, p. 7.

34. United States General Accounting Office, *Long-Term Care Insurance: Coverage Varies Widely in a Developing Market*, May 1987, p.3.

35. Landes, p. 7.

36. Landes, pp. 12-15, 17-18.

37. 1986 Colorado Session Laws, Chapter 246.

38. Landes, p. 18.

39. United States General Accounting Office, p. 4.

40. Kentucky Office of the Attorney General, *Long-Term Care Insurance, What You Should Know*, 1987.

41. Mark Meiners and A. K. Tave, *Consumer Interest in Long-Term Care Insurance: A Survey of the Elderly in Six States*, Washington, D.C., National Center for Health Services Research, 1984.

42. Pierce, p.40.

43. Meiners and Tave, Tables 3 and 5.

44. Cryril Brickfield, "Long-Term Care Financing Solutions are Needed Now", *American Health Care Journal* 11, No. 6, October 1985, p. 14.

45. Buck Consultants, p. 1.

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GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1986

HOUSE CONCURRENT RESOLUTION NO. 40

MONDAY, FEBRUARY 10, 1986

The following concurrent resolution was reported to the Senate from the House and ordered to be printed.

A CONCURRENT RESOLUTION directing the Interim Joint Committees on Education and Health and Welfare to conduct a study of long-term health care and in-home services for retired teachers.

WHEREAS, the 1987 population of Kentuckians ages 65 and over is projected to exceed 500,000 by 1990, an increase of nearly 100,000 persons since 1980; and

WHEREAS, many of these older Kentuckians will be retired teachers; and

WHEREAS, the availability of and payment for long-term health care and in-home services will be growing concerns for our retired teachers;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky, the Senate concurring therein:

Section 1. That the Interim Joint Committee on Education and the Interim Joint Committee on Health and Welfare are directed to jointly conduct a study of long-term health care and in-home services for retired teachers to include the following:

(1) An overview of the current and projected problems associated with long-term health care and in-home services for retired teachers including the availability

of and payment for such services;

(2) A review of other states to determine what efforts have been made in this area for retired teachers; and

(3) An examination of alternatives for providing assistance to retired teachers in obtaining these services and the associated costs.

Section 2. This report shall be made to the Legislative Research Commission no later than November 1, 1987.

Section 3. Staff services to be utilized in completing this study are estimated to cost $10,000. These staff services shall be provided from the regular Commission budget and are subject to the limitation and other research responsibilities of the Commission.

KRS 304.17-314 (Long-Term Care Insurance)

304.17-314. Long-term health care coverage. [Effective July 1, 1987.] — (1) As used in this section, "long-term health care" means the care and treatment provided in this state by long-term care facilities as defined in KRS 216.510(1).

(2) All insurers issuing individual health insurance policies in this state which provide coverage on an expense-incurred basis shall develop an insurance policy to provide coverage for long-term health care in a long-term health care facility licensed by the Commonwealth of Kentucky.

(3) The coverage provided for long-term health care under this section shall:

(a) Be payable upon certification by an attending physician that admission to a long-term care facility as defined herein is required for the insured;

(b) Be subject to the same deductible and coinsurance provisions as other services covered by the insurers who are subject to this section;

(c) Include a maximum benefit limitation and a deductible clause. The deductible clause shall delay any payments under long-term health care insurance policies until the expiration of sixty (60) days from the date the insured entered a long-term care facility;

(d) Provide complete coverage on an expense-incurred basis and pay at least seventy-five percent (75%) of the total cost of covered long-term health care;

(e) Make medicare beneficiaries eligible to receive benefits under the contract, provided that the contract shall pay only for those long-term health care services which are not paid by medicare and do not exceed the maximum benefit limitation of the policy;

(f) Inform the insureds under such policies, in writing, of the specific benefits which are covered, such written notice to be given at the time of issuance of the policy;

(g) Not require as a prerequisite to admission to an intermediate care facility a prior confinement in a hospital or a skilled nursing care facility; and

(h) Provide coverage for skilled, intermediate and custodial care.

(4) Insurers shall at least annually advertise to the general public the availability of long-term care insurance policies. Such advertising shall include the specific benefits which are covered by such policies. (Enact. Acts 1986, ch. 409, § 1, effective July 1, 1987.)

304.18-038. Long-term health care coverage. [Effective July 1, 1987.] — All insurers issuing group or blanket health insurance policies and certificates issued thereunder in this state providing coverage on an expense-incurred basis shall make available to the master policyholder coverage for long-term health care as defined in KRS 304.17-314. Such coverage shall meet the minimum standards set forth in KRS 304.17-314. (Enact. Acts 1986, ch. 409, § 2, effective July 1, 1987.)

Long-Term Care Insurance

What You Should Know

Dear Citizen:

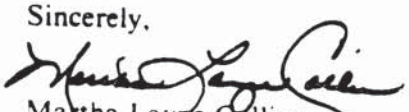
A new law, enacted by the 1986 General Assembly, requires health insurers doing business in Kentucky to provide policies to assist with the payment of long term care expenses. You may want to consider the purchase of such a policy to help insure against the cost of a stay in a long-term care facility, much like you have hospitalization insurance to protect yourself from the costs of hospital stays.

National studies indicate that 20 percent of all persons over the age of 65 will use a long term care facility at some point in their lives. Your chances of needing nursing home care are affected by age, health and the availability of support from family and community based services.

There are over 30,000 people in Kentucky long-term care facilities today. Chances are these individuals lived the same life styles and had similar health conditions that you have. It is too easy to say "it will never happen to me" and "my Medicare or personal health insurance will pay for it." However, if the need for long-term care does arise, your financial resources are probably inadequate to cover the costs. Sadly, many patients and their families learned too little too late that they're primarily responsible for paying for long-term care.

This booklet has been developed to make you aware of the potential cost of long-term care, the availability of long-term care insurance protection and to highlight the areas you should consider when evaluating the need for long-term care insurance coverage.

Sincerely,



Martha Layne Collins
Governor

What Is Long-Term Care?

"Long-term care" refers to a wide range of health and residential services for people who, because of illness or infirmity, need assistance in care. The following services offer people varying levels of health care to meet their individual care needs.

What Are These Levels of Care?

Skilled nursing facility care provides 24-hour nursing and/or rehabilitation services performed by or under the supervision of licensed medical personnel.

Intermediate nursing facility care provides periodic nursing and medical services with emphasis on assistance with activities of daily living (bathing, eating, dressing, etc.)

Personal and family care homes (also called custodial care) provide care for those persons who require professional assistance with day-to-day activities.

In-home services may range from skilled nursing services to homemaking and chore services. Occupational therapy and laboratory services may also be available.

How Much Can Long-Term Care Cost?

Long-term care can be expensive, depending on the level of disability and the care needed. One year in a long-term care facility in Kentucky may cost an average of $27,000 for skilled care ($75 per day), $20,000 for intermediate care ($55 per day) and $13,000 for personal care ($35 per day). Few people have the financial resources to maintain themselves in a long-term care facility without financial assistance from government or private insurance sources.

Who Pays?

In Kentucky, 50 percent of all long-term care expenditures come from individual nursing home residents. While nursing home residents often enter a facility paying for their own care, fewer than 10 percent are able to continue paying for an extended period without financial assistance. On the average it takes about one year for persons to spend all their money.

Medicaid is a government program jointly funded by the state and federal governments for those with low income. Approximately 80 percent of Kentucky's skilled and intermediate care patients receive some Medicaid assistance in paying for nursing home care. In order to become eligible for Medicaid nursing home benefits in Kentucky, you must have a limited income and less than $3,600 in assets per couple or less than $1,800 in assets per individual. Many nursing home residents are distressed to find they have to spend all other assets on their care before they can receive Medicaid.

Many persons mistakenly believe the federal Medicare program will pay for their stay in a long-term care facility. However, Medicare provides benefits only for skilled nursing care in a certified skilled nursing facility following a stay in the hospital of at least three days. If a patient's level of care is skilled, Medicare may pay for the first 20 days in full, and all except $65 (1987) per day for the next 80 days. Less than 10 percent of those admitted to long-term care facilities are considered skilled care patients. In other words, Medicare is extremely restrictive when paying for long-term care.

What Should I Look For In a Long-Term Care Insurance Policy?

A number of long-term care insurance policies are now available. Some policies are subject to the requirements of the 1986 law; others are not.

Long-term care insurance policies vary considerably. Many policies are more flexible than Medicare and some cover all levels of care. There are policies that provide home care benefits which may be used after a patient has spent a specific period of time in a hospital or nursing home, or as an alternative to placement in a nursing home.

You might want to consider a long-term care policy now, not later, when age or poor health could prevent your obtaining coverage. You will be required to complete an application which will ask health questions. Answer the questions completely. Be wary of agents who omit or discount your responses. Inaccurate or incomplete responses may later invalidate your policy.

The policy that is best for you depends on your personal needs and financial resources. You should review policies very carefully. Some policies are expensive and, depending on your needs, could provide limited coverage in relation to their cost. Some of the major factors you should review when comparing policies or talking with your insurance agent are outlined in the following checklist:

Yes No

— — Does the policy pay enough to cover the cost of long-term care in your area?

— — Does the policy have additional benefits such as home health care?

— — What levels of care does the policy cover (skilled, intermediate, personal/custodial, in-home?)

— — Do you have to be hospitalized before the policy will pay for long-term care?

— — Do you need to have received a higher level of long-term care before a lower level of care is covered?

Yes No

— — Do you understand what the policy will not cover? (Exclusions)

— — Do you understand what current health problems will not be covered and for how long? (Pre-existing conditions)

— — Does the policy pay from the first day of long-term care, or is payment delayed for a number of days? (Elimination period)

— — Is the maximum, in days or dollars, that the policy will pay adequate to meet all your needs?

— — Is renewability guaranteed? (Guaranteed makes the policy renewable as long as you pay the premium, although the premiums may increase. Optional renewability allows the insurer to decline renewal of all such policies issued in the state.)

— — Have you been given an outline of coverage, which summarized the policy?

Careful shopping does not end when the application is signed. After you receive your policy, you have a minimum of 10 days to return it for full refund. Use that time to carefully review the policy and the application. Are your responses correct? Does the policy agree with the benefits described by the agent? If the policy is not clear to you, go to someone you trust and discuss the policy. If you are dissatisfied for any reason, return the policy in the time allowed and the insurer must refund your payment.

If you purchase insurance, be sure to keep your policy in a safe place, with your family or a trusted friend knowing of its existence and location.

This brochure is intended as a basic guideline. If you have additional questions or concerns or need additional copies of this booklet, you should contact the following agencies for assistance.

Department of Insurance
229 West Main
Frankfort, Kentucky
(502) 564-3630

Office of Attorney General
Office of Senior Citizen Advocacy
Capitol Building
Frankfort, Kentucky
(502) 564-7600

Office of Long-Term Care Ombudsman
Cabinet for Human Resources
275 East Main
Frankfort, Kentucky
1-800-372-2991

Kentucky Association of Health Care Facilities
P.O.Box 692
Frankfort, Kentucky
(502)875-1500

Department for Medicaid Services
Cabinet for Human Resources
275 East Main
Frankfort, Kentucky
(502) 564-3476

Kentucky Association of Homes for the Aging
1018 S. Fourth Street
Louisville, Kentucky
(502) 587-7333

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