

Chapter 11 Terminology

Acute Condition: The individual is medically unstable. Such an individual requires frequent monitoring by medical professionals, such as physicians and registered nurses, in order to maintain the patient's health status.

Ambulation: In some policies, ambulation is considered an activity of daily living (ADL), but not in all contracts. Tax-qualified LTC policies have eliminated this as an ADL. Ambulation is the ability to move around independently, without help from others.

Assets: As it applies to the Partnership definition, assets mean savings and investments but exclude income. Medicaid qualification considers everything as assets, including income.

Automatic Benefit Increase Option (ABI): An inflation protection clause where the amount of LTC coverage increases automatically on an annual basis by a contractually specified amount. The increase may be on either a simple or compound basis, depending upon policy terms. The premium remains fixed since the increases were automatically built into the original premiums.

Bathing: Washing oneself by sponge bath or in either a tub or shower, including the task of getting into and out of the tub or shower.

Benefit Trigger: Also known as a Policy Benefit Trigger, it is the condition or circumstance that "triggers" policy payment or Medicare payment.

Cognitive Impairment: A deficiency in the person's short or long-term memory, orientation as to person, place and time, deductive or abstract reasoning, or judgment as it relates to safety awareness.

Continence: The ability to maintain control of bowel and bladder function; or, when unable to maintain control, the ability to perform associated personal hygiene (including caring for a catheter or colostomy bag).

Copayment: An amount paid in some Medicare plans and Medicare prescription drug plans for each medical service, such as a doctor's visit or prescription.

Custodial Care: Non-skilled personal care, such as help with the daily activities of living. It may include care that most people do for themselves, like using simple medications or nonprescription products. Medicare does not pay for custodial care.

Deficit Reduction Act of 2005: Signed by President George W. Bush in 2006, DRA allowed long-term care insurance Partnership models to be used in all 50 states. It increases the incentives to purchase long-term care insurance. This act also changed the asset transfer time period from

three to five years making asset transfer more difficult if done for the purpose of Medicaid qualification.

Dollar-for-Dollar Asset Protection: In Partnership LTC policies, the amount of protection (benefits) purchased by the consumer protects an equal amount of assets (never income) from Medicaid qualification requirements. Therefore, since it matches dollar-for-dollar, an individual who buys \$50,000 of insurance is also protecting \$50,000 of assets from Medicaid spend-down requirements.

Dressing: Putting on and taking off all items of clothing and any necessary braces, fasteners, or artificial limbs.

Eating: Feeding oneself by getting food into the body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously.

Elimination Period: Also called a waiting period, it is a long-term care policy deductible expressed as time not covered. It is the first days of confinement or benefit qualification that must be covered by the insured prior to the policy paying benefits.

Exceptional Increase: Means only those increases filed by an insurer as exceptional for which the director determines the need for the premium rate increase is justified due to changes in laws or rules applicable to long-term care coverage, or due to increased and unexpected utilization that affects the majority of insurers of similar products.

Extension of Benefits: When an insured is receiving qualified benefits under their policy at the time the policy cancels, most states require benefits to continue through the duration of the policy terms.

Future-Purchase Option (FPO): An inflation protection clause where the consumer agrees to a premium for a set amount of coverage. At specified time intervals the insurer offers to increase existing coverage for additional premium, but does not underwrite the increase.

Guaranteed Renewable Policy: A guaranteed renewable policy gives the insured the right to continue their coverage as long as they pay their premiums in a timely manner. The insurer may not unilaterally change the terms of the coverage or decline to renew. Premiums rates can (and often do) change.

Hands-On Assistance: Physical assistance (minimal, moderate, or maximal) without which the individual would not be able to perform the activity of daily living.

Home Health Care Services: Medical and non-medical services, provided to ill, disabled, or infirm persons in their residences. Such services may include homemaker services, assistance with the activities of daily living and respite care services.

Hybrid Partnership Plans: Hybrid plans offer both dollar-for-dollar and total asset protection. The type of asset protection depends on the initial amount of purchased coverage. Total asset protection is available for policies with initial coverage amounts equal to or greater than a level defined by the state.

Income: For Medicaid purposes, income is anything received during a calendar month that is used or could be used to meet food or shelter needs. It includes cash, savings accounts, stocks, or property that can be converted to cash.

Indemnity Insurance Contracts: Indemnity plans pay a set amount of money per day or per covered ailment, but will not exceed the actual cost. In LTC policies, this would be expressed as \$100 per confinement day, for example.

Inflation Protection: There are two types of inflation protection used in LTC policies (1) future purchase options (FPO) and (2) automatic benefit increase options (ABI). Refer to FPO or ABI.

Integrated Long-Term Care Policies: Integrated policies offer a more relaxed benefit formula than other models since they offer a “pool” of benefits that allow the policy owner to make personal care choices, as long as those choices qualify under the terms of the policy contract. Once the pool of money is exhausted, the policy ends.

Level Premium: This term might be taken to imply that premiums will not increase, which is not necessarily true. Depending upon state language, level premium means that premium will not increase due to advancing age or increased claim submission, but claims can increase if they do so for all policyholders.

Long-Term Care: A variety of services that help people with health or personal needs and activities of daily living for an extended period of time (federally defined as no less than 90 days). Such care may be provided in a nursing home, but also in the patient’s home, in an assisted living facility or some other community setting.

Look-Back Period: The period of time during which assets may be successfully transferred to another without affecting Medicaid eligibility. Previously set at three years, the Deficit Reduction Act of 2005 extended that time period to five years. If an individual transfers assets for less than their fair market value within this “look-back” period, he or she becomes ineligible for Medicaid benefits for the length of time those assets would have covered their medical care. The DRA also changed the beginning date of the penalty period.

Medicaid: A joint Federal and state program that helps with medical costs for those who have limited income and assets. Medicaid programs vary from state to state, but most health care costs are covered if the individual meets the criterion.

Medicare: "The Health Insurance for the Aged Act, Title XVIII of the Social Security Amendments of 1965 as Then Constituted or Later Amended" or "Title I of Public Law 89-97, as Enacted by the Eighty-Ninth Congress of the United States of America and popularly known as the Health Insurance for the Aged Act, as then constituted and any later amendments or substitutes thereof," or words of similar import.

Mental or Nervous Disorder: A condition that includes more than neurosis, psychoneurosis, psychopathy, psychosis, or mental or emotional disease or disorder.

Non-Cancelable Policies: Non-cancelable means the insured has the right to continue their coverage as long as they pay their premiums in a timely manner. The insurer may not unilaterally change the terms of the coverage, decline to renew, or change the premium rates. The fact that premiums do not increase is the outstanding point of non-cancelable policies and the reason that it would be rare to find an LTC policy with this contract clause.

Nonforfeiture Values: A policy feature that provides a specified paid-up benefit or returns at least part of the premiums to a consumer who cancels the policy or lets it lapse.

Partnership Long-Term Care Policies: A tax-qualified long-term care policy purchased through the Partnership program that provides asset protection on either a dollar-for-dollar method or a total asset protection method. There may also be hybrid models. The purpose of asset protection is to allow the specified amount of assets to be disregarded for the purpose of Medicaid qualification.

Personal Care: Hands-on assistance with the activities of daily living. This may also be called custodial care.

Pre-existing Condition: A preexisting condition is one for which the policyholder or applicant has received treatment or medical advice within a specified time period prior to policy issue or prior to receiving policy benefits.

Respite Care: care which gives families temporary relief from the responsibility of caring for family members who are unable to care for themselves. Respite care is provided in a variety of settings, including in the patient's home, at an adult day center, or in a nursing home.

Skilled Nursing Care: A level of care requiring the daily involvement of skilled nursing or rehabilitation staff, and provided under the instruction or supervision of a physician or skilled medical person. This type of care must be performed in an institution that is licensed to deliver such care.

Suitability Standards: Guidelines issued by an insurer that help consumers determine whether a long-term care insurance policy is appropriate for them.

Toileting: Getting to and from the toilet, getting on and off the toilet, and performing the associated personal hygiene.

Total Asset Protection: Available only in New York and Indiana, these Partnership LTC policies provide total protection of all personal assets as long as the insured has met the minimum policy requirements, such as three years of nursing home care, or six years of home health care.

Traditional Long-Term Care Insurance: A long-term care policy that was purchased on either a tax-qualified or non-tax qualified basis that does not offer asset protection for Medicaid qualification purposes.

Transferring: Moving into or out of a bed, chair, or wheelchair.

Underwriting: The process of reviewing the applicant's medical and health-related information to determine if he or she presents an acceptable level of risk for insurance coverage.

Waiting Period: Also called an elimination period, it is a long-term care policy deductible expressed as time not covered. It is the first days of confinement or benefit qualification that must be covered by the insured prior to the policy paying benefits.

Waiver of Premium: Offered in many LTC contracts, a waiver of premium waives the premium requirement once the insured begins to collect qualified policy benefits. The waiver of premium clause is subject to the listed conditions in the policy.