



The Impact of Private Long-Term Care Insurance on Claimants: Formal and Informal Care in the Community

Policy makers show continuing interest in the potential for long-term care (LTC) insurance to save public money by reducing pressure on the Medicare and Medicaid programs. Although the purchase of LTC insurance is being encouraged by government – through tax incentives and the offering of private LTC insurance as an option for public employees – little is known about how benefits are used, whether those claiming benefits feel they are getting good value for their money, and whether the patterns of formal (paid) and informal (unpaid) service use differ for insurance claimants compared to similarly disabled persons without private LTC insurance. This brief provides information on older people claiming LTC insurance benefits and compares their experiences to those of non-privately insured older people who need LTC. We conclude that LTC insurance is an important source of support for those who lack informal support from family and friends. However, LTC insurance remains a complex product; claimants need help in using their benefits to obtain the appropriate level and quality of care and in understanding at the time of purchase how much protection they need.

How does the disability profile differ between community-dwelling elders with private LTC insurance and those without such insurance?

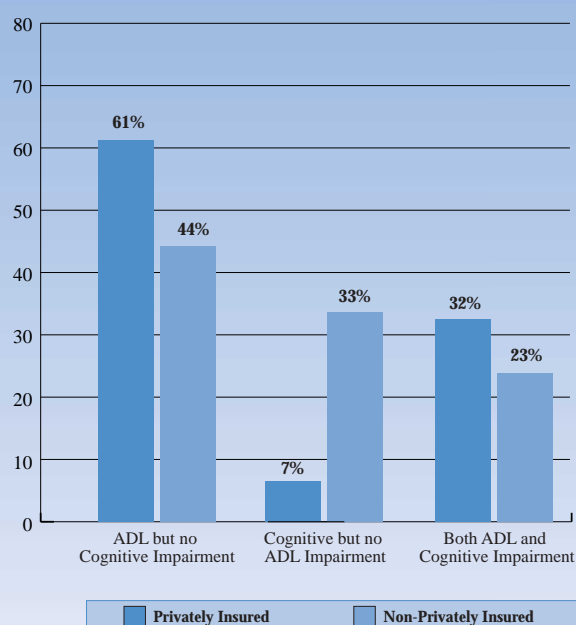
The privately insured are much more likely to be physically impaired, while the non-insured are much more likely to suffer cognitive impairment (Figure 1).

- The privately insured are more likely than those without private insurance to need help with ADLs but to have no cognitive impairment.
- Conversely, those without private insurance are much more likely to have cognitive impairment but no need for help with ADLs.¹

Six out of ten elderly private LTC insurance claimants need help with activities of daily living (ADLs), such

¹ They may, however, need help with IADLs. For the analysis in Figure 1, IADL limitations were not taken into consideration. It is possible, and perhaps likely, that those who have ADL limitations but no cognitive impairment and vice versa were also impaired in one or more IADLs.

Figure 1:
Disability profile by insurance status



Data Sources

We contacted eight of the largest long-term care insurance carriers and asked them to provide us with a random sample of people receiving insurance benefits, who were both over 65 and living in the community, and obtained a sample of 693 claimants. Information was gathered from in-person interviews of claimants (conducted in 1999), which were then linked to policy design and claim information generated from the administrative systems of the participating insurance companies. If the claimant was cognitively impaired, then a proxy, identified by insurance company records or by the researchers upon initial contact, was interviewed. We also collected information on the specific design elements of policies.

A sample of comparable community-dwelling individuals without private insurance was obtained using the 1994 National Long-Term Care Survey (NLTCs), which collects data about the health and functioning of Medicare beneficiaries age 65 and older who have at least one chronic limitation in either activities of daily living (ADLs) or instrumental activities of daily living (IADLs). However, only those individuals whose level of disability matched the benefit eligibility criteria commonly used in private LTC insurance policies were included in the comparison group, providing a sample of 1,357 individuals.

as bathing or dressing, while 3 out of ten have both ADL and cognitive impairments (Figure 1). Another 7% have cognitive impairment only.

Two reasons might account for the lower prevalence of cognitive impairment among privately insured individuals living in the community.

- People who might otherwise be in the community may have moved to an institution because they lack family supports.
- Alternatively, insurance companies may screen out individuals who are at high risk for future cognitive impairment, reducing the prevalence of cognitive impairment among the insured population.

Among elders living in the community with some functional impairment, the extent of impairment is higher among individuals with private LTC insurance than among those who don't have such insurance. This is true whether they need help with ADLs or with instrumental activities of daily living (IADLs), such as shopping or doing laundry (see Figure 2). However, the non-insured have needed help with ADLs longer – an average of about 3 years – whereas claimants have needed help with ADLs for closer to 2 years.

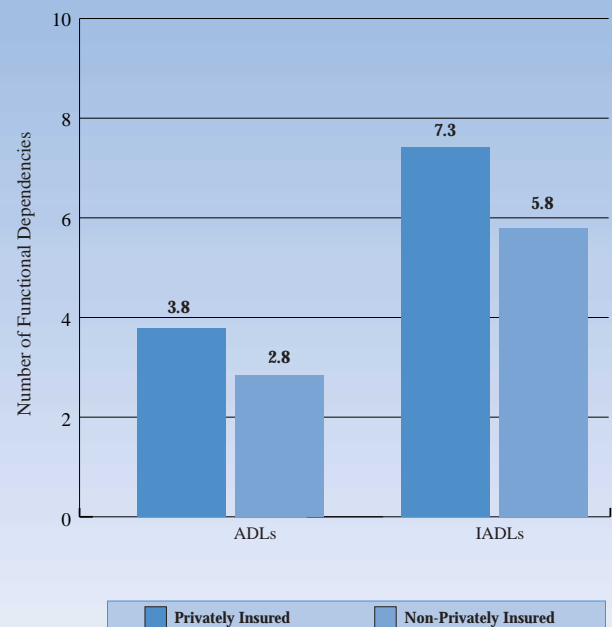
How much care do private LTC insurance claimants receive?

Claimants receive, on average, a total of 59 hours of ADL and IADL assistance per week (Figure 3). The typical claimant receives 26 hours of help with ADL-related tasks (44% of the total) and 33 hours of help with IADLs (56% of the total). The majority of care consists of formal or paid service. Insurance benefits cover most ADL and IADL care for community dwelling elders with private LTC insurance (Figure 3).

- Overall, 36 hours (61% of total ADL and IADL care) are paid (formal) services.
- Seventeen hours (65%) of ADL care are paid, while 19 hours (58%) of IADL care are paid.
- About 23 hours (roughly 40% of total ADL and IADL care) consist of informal, unpaid care provided by family and friends.

In general, claimants have comprehensive policies that appear to provide appropriate financial resources for their care needs. For nearly all (86%) of the policies,

Figure 2:
Functional status of privately and non-privately insured elders



the insurance company reimbursed the actual costs of home care up to a daily maximum, and more than half of claimants had policies that covered the equivalent of daily care for a three-year period.

- At the time of our interviews, in 1999, the average daily benefit for home care coverage was \$80.
- The average claimant had been on claim for about 13 months and had received \$18,000 in benefits.
- The average monthly insurance benefit paid was \$1,527.

What is the impact of private LTC insurance on claimants and caregivers?

The study's findings suggest that private LTC insurance allows elders to remain at home despite experiencing a substantial level of disability.

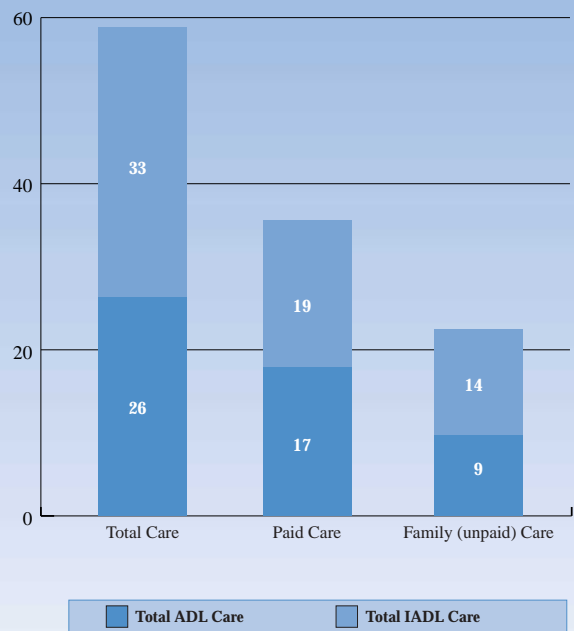
- About half of all claimants indicated that without private insurance to pay for care in the community, they would have to seek institutional alternatives – care in nursing homes or assisted living facilities.
- Many (54%) also indicated that without their policy benefits, they would have to rely on more help from their family and friends.
- About 60% of claimants indicated that without their policy they would not be able to afford their current level of services and would have to use fewer hours of paid care.

Private insurance may help people stay at home because many claimants lack any family support.

- About one-third of LTC insurance claimants live alone.
- Over half do not have children living within 25 miles.
- More than one in five (23%) rely solely on formal services, versus roughly 5% of the non-privately insured.

For those who do have family support, it appears that insurance benefits do not largely replace family caregiving. However, the presence of benefits may change the type of care that family caregivers provide.

Figure 3:
Weekly Hours of Paid and Unpaid ADL and IADL Care



- About two-thirds of family caregivers have not reduced the level of care that they provide since insurance benefits started.
- Of those who changed the nature of the care they provide, most (63%) said they provide less hands-on ADL care but about half (45%) indicated that they spent more time just being with the elder.

How satisfied are claimants with their LTC policies?

In general, claimants' experience with insurance appears to be positive.

- The vast majority (86%) reported satisfaction with the LTC insurance policy they had purchased.
- Seventy percent found it easy to access their benefits when the time came.

The policies appeared to have benefits for family caregivers as well. About two in three family caregivers felt that the availability of private insurance benefits had reduced their level of stress.

However, claimants did report some problems.

- About a third of claimants, all of whom were receiving home care services, felt they had not purchased enough home care benefits.
- Many claimants felt they needed more help in managing providers to receive the care they needed when they needed it.
- Despite their overall satisfaction with the policies, a sizeable minority of claimants (23%) indicated that not all of their functional needs were being met. Reasons for this included lack of service availability, scheduling difficulties, gaps in continuity and coordination of paid and unpaid caregivers, difficulty satisfying their particular preferences, and unsatisfactory quality of care.

Relatively few claimants (34%) had policies that include some level of inflation protection, which ensures that benefit amounts increase on an annual basis. Inflation protection will be especially important as younger people purchase policies, extending the length of time between policy purchase and use of the benefit.

Summary and Implications

It appears that private LTC insurance is doing what it is supposed to: helping disabled elders to remain in their homes while at the same time relieving family caregivers of some of the burdens of caregiving. Moreover, most claimants are satisfied with their policies, understand the coverage provisions, and find it easy to file claims.

While long-term care insurance is not a realistic financing option for poor or near poor Americans, middle and upper income individuals may benefit from considering this insurance as a way to fund future long-term care costs. Policymakers should continue to find ways to educate Americans about their potential need for long-term care and this financing option. Insurance companies also play an important role in both getting the word out and continuing to find ways to make their products flexible, attractive and affordable to individuals. They should continue to look for ways to assist and support family caregivers who provide care that complements insurance benefits.

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FACTS ABOUT HCRI: The Home Care Research Initiative, a program of The Robert Wood Johnson Foundation, was established to support research and analysis that will improve the knowledge base underlying home care policy and practice. It is based at the Center for Home Care Policy and Research at the Visiting Nurse Service of NY.

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