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G91-1013 Nursing Home Insurance Insights

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Nursing Home Insurance Insights

Definitions of nursing home care and alternatives for covering nursing home costs are covered in this guide.

Kathy Prochaska Cue, Extension Family Economics and Management Specialist*

Nursing home costs now average \$22,000 or more annually nationwide. A recent Massachusetts research study found that almost half of the single 75-year-olds interviewed would be poor within three months after entering a nursing home. Almost three-quarters would have nothing left within a year.

While 90 percent of adults 65 and older never go to a nursing home, one in 10 do. Of those who enter a nursing home, half get well and return home from a skilled or intermediate care facility. The other half go from skilled or intermediate care into a long-term care facility, and very seldom go home.

The odds of entering a nursing home increase dramatically for people 80 and older. One-quarter of those 85 and older go into long-term nursing home care and never return home.

Many people erroneously believe long-term nursing home care is covered by Medicare, or by a Medicare supplement insurance policy. Usually this is not the case.

Medicare and Medigap policies restrict coverage to skilled nursing care in a Medicare-certified facility. Medicare's rules about skilled care state that the services of a doctor or registered nurse must be required daily. Needing help with dressing, eating, going to the bathroom or taking medication does not qualify a person for Medicare funds.

Few people require the type of skilled care covered by Medicare for long. The average stay in a Medicare-approved facility is 10-18 days.

Definitions of Nursing Home Care

There are three levels of nursing home care. They are:

Skilled Care: The everyday meaning of skilled care generally is more liberal than Medicare's definition. Most insurance policies require a stay of at least three days in a hospital not more than 14 to 30 days before the patient is admitted to a nursing home by a physician.

Skilled care means nursing care performed under the orders of a doctor, supervised by a licensed registered nurse, and carried out by licensed registered or practical nurses available around the clock. Skilled care includes one or more professional nursing procedures performed for the patient's benefit *on a daily basis*. It

might include such things as changing IVs, or physical, occupational or speech therapy. The care is expected to result in some significant improvement in the medical condition of the patient that will aid the patient in convalescing from a sickness or injury.

Intermediate Care is nursing care that must be performed under the orders of a doctor and under the supervision of a licensed registered or practical nurse. Intermediate care provides the patient, *on a periodic basis*, with one or more procedures which cannot be done without professional skill or training. Examples include giving injections or changing bandages.

A person is seldom in skilled and/or intermediate care for longer than six months. The patient usually returns home or enters custodial care within 120 to 180 days of skilled or intermediate care.

Custodial Care is primarily for meeting personal needs, and could be provided by persons who do not have professional skills or training. Assistance with eating, bathing, dressing, walking, getting in and out of bed, and taking medication which could be self-administered is considered custodial, and does not require trained medical personnel. *Medicare does not pay for custodial care.*

Alternatives for Covering Hurting Home Costs

1. **"Going bare" -- Buying no insurance and hoping to stay healthy.** As already mentioned, 90 percent of those 65 and older never go to a nursing home. The odds of going to a home increase drastically for people 80 and older, and most long-term nursing home insurance is not sold to people that age. For those who take the risk of going bare and do end up going to a nursing home, the costs can be devastating in a very short time.
2. **Buying insurance for skilled and/or intermediate level care.** This is insurance for short-term care. It covers only medical convalescence as a result of early release from the hospital. With this, there is no coverage for custodial care. Patients who lose the bet that custodial care will not be needed end up paying for custodial care out-of-pocket or going on Medicaid to pay for it.
3. **Buying insurance for skilled/intermediate/custodial level care.** This is short- and long-term insurance. People must have the financial means to pay for it, and even with it may pay \$10-\$20 per day for custodial care. People with a private insurance contract are independent of government agencies. Governmental benefits and eligibility requirements change unexpectedly, and people who have been counting on them may find themselves stranded when it is too late.

This insurance protects the spouse of a nursing home patient by preserving joint assets that otherwise would be exhausted to pay for the nursing home bills. Great financial distress results for the impoverished spouse.

4. **Having Medicaid only.** This is a government program to pay for the health care of people who have no assets. It is the largest payment source for nursing home care. People who "go bare" and do not beat the odds must impoverish themselves by using up almost all of their assets before Medicaid begins to pay nursing home bills.

Also, as with other government programs, there is no guarantee that the benefits and requirements of Medicaid will not change in the future.

5. **Finding alternatives to nursing home confinement.** Nursing home care may not be needed if the person can take advantage of either of the following:
 - home health care through Medicare or a commercial agency.
 - family support and help.

6. ***Dying before nursing home is required.*** Unpleasant as it is to think about, this possibility must be considered as an option. Death definitely precludes any necessity for further insurance.

Medicare Coverage

Nursing home care is the weakest coverage in the Medicare system, presumably because the cost of long-term care is very high.....\$80-\$100 per day. It is, however, less expensive than the \$500 per day for hospital acute care.

It already has been noted that Medicare does not pay for custodial care at all, and that the conditions for paying skilled care are extremely restrictive. The nursing home care must be similar to intensive care in a hospital before Medicare will pay. Moreover, the care must be obtained in a Medicare-approved skilled nursing facility.

Even when such a facility participates in Medicare, not all its beds may be participating. Patients must be in a participating bed before Medicare will pay the bill.

Here are three common examples of Medicare not paying for nursing home care:

1. The patient enters a skilled nursing facility but requires *less than Medicare's definition* of skilled care. This is the case with most Medicare applications. Patient must pay private rates.
2. The patient qualifies for Medicare skilled care but the nursing home does not participate in Medicare. Patient must pay private rates.
3. The patient enters a Medicare skilled nursing facility, qualifies for Medicare level of skilled care, but there is no Medicare bed available. Patient must pay private rates.

Before Buying a Nursing Home Policy

Shopping around for the best policy is especially Important when looking for nursing home insurance. The coverage is relatively new, and insurance companies still are trying to figure out the right premiums to charge for benefits offered. Benefits and costs vary widely between companies. Some questions to ask before buying a nursing home policy include:

1. ***What levels of nursing care are covered by the nursing home policy?*** Skilled and intermediate care are needed for reasonable protection. Custodial care is optional if it is affordable.
2. ***How long will the nursing home policy pay for a stay in a facility offering skilled/intermediate care?*** The policy should provide at least six months to one year of coverage.
3. ***How much per day will the policy pay for skilled and intermediate care?*** Some will pay the same amount for both. Others pay less for intermediate care. It is recommended that the policy include at least \$40-\$50 daily for both skilled and intermediate care. Even with this amount, some people covered with nursing home policies still will have to pay an additional \$300-\$600 per month.
4. ***When do benefits begin?*** Most policies begin to pay on the first or the 21st day the patient is in the nursing home following hospitalization of at least three days. A few policies start paying on the 101st day.

The earlier benefits begin, the more expensive the policy is. Consumers should weigh the price of the first day protection against the savings in premiums paid for a policy starting on the 21st day. The first 20 days in skilled care could cost \$1,000 or more.

Starting on the 101st day is too late. Patients often are discharged from skilled or intermediate care by the 101st day and never would receive any benefit from the policy. Consumers must decide how much they can afford out-of-pocket, and then must buy nursing home coverage accordingly.

5. ***What exclusions or limitations are in the policy?*** If a patient has been treated for a medical condition by a physician prior to buying a nursing home policy, a claim for that medical condition (called a pre-existing condition) might not be covered until the policy has been in force for one month to two years, depending on the policy.
6. ***How long must a patient stay in a hospital in order to be covered by the policy?*** Most policies require a three-day stay, but a few have no requirement. With the new limits on what Medicare will pay hospitals for inpatient care, normal time in the hospital has been cut drastically. Patients might not be in the hospital for three full days and would, therefore, not qualify for Medicare or private nursing home insurance coverage. Policies requiring more than a three-day hospital stay should be avoided.
7. ***What does the nursing home policy cost?*** Annual premiums for long-term care insurance vary enormously -- from under \$100 to as high as \$2,500. Age, health and policy benefits determine the price. In general, the younger you are when you buy a policy, the lower your premium will be. The price of such a policy generally increases every five years, at ages 70, 75, 80, etc. Most companies will not sell policies to those over the age of 79.
8. ***Can the consumer afford a nursing home policy?*** Only the consumer can decide what coverage is needed. More and more nursing home policies will pay custodial care, but coverage is expensive and generally will pay only up to one or two years in custodial care.

Custodial care cannot be bought separately from skilled/intermediate care in a nursing home policy. Remember, about 80-90 percent of the senior population never go to a nursing home, and only about five percent ever reach the point of needing custodial care.

9. ***Does the policy cover organically based mental conditions, such as Alzheimer's disease?*** Many policies do not cover this, although a few do. It is worth keeping in mind that very few nursing homes will accept Alzheimer's patients even if they have insurance to pay for it.

Read the Policy

It is important to carefully read the policy. Be aware of the type of home and level of care necessary to qualify for benefits. If you have difficulty reading a policy, contact your nearest Area Agency on Aging office or a family member. An attorney or nursing home administrator also may be a source of help.

Need Help?

If you have a problem with an insurance company or agent, contact:

Nebraska Department of Insurance

Claims and Inquiries Division

Box 94699

Lincoln, NE 68509-4699

Telephone:(402) 471-2201

Filing Claims

When considering a claim, insurance companies may obtain copies of the nurses' notes from the nursing home. If daily nursing notes, showing receipt of skilled care, are not kept by the nursing home, the patient

may be receiving intermediate or custodial care in the opinion of the insurance company.

The company also may review the nursing home notes to determine if the patient is well enough to leave the home for short periods of time (a family outing, for example). Generally the companies feel that if patients are well enough to leave the home, they are not ill enough to be in need of skilled care. Companies then may say patients are receiving intermediate or custodial care, and benefits may be reduced or denied.

If a policy pays benefits for intermediate or custodial care, its benefits usually are payable provided the patient was in need of and received skilled care previously.

When filing a nursing home claim with an insurance company, be sure to complete the proper claim form and attach a copy of the nursing home bill. In order to avoid delays in claim payments, it might be helpful to include a copy of the nurses' notes from the nursing home. *Keep a copy of the claim and the original nursing home bill for your own records.*

Resources Used

- Abbott, Susan D. *"Health Care and Finances: A Guide for Adult Children and Their Parents,"* American Council of Life Insurance/Health Insurance Association of America, 1987.
- Horton, Sally. *"What You Should Know About Nursing Home Insurance,"* Cooperative Extension Service, Washington State University, 1987.
- "Who Can Afford A Nursing Home?"* Consumer Reports, May 1988, pp. 300-309.
- Liewer, Paul, and Chet McPherson. *"Check List When Selecting Nursing Home Coverage,"* Lincoln Information Service for the Elderly, Lancaster County, 1987.

Nursing Home Insurance Worksheet

	Policy 1	Policy 2	Policy 3
Company			
<ul style="list-style-type: none">• Is the company licensed in Nebraska?• Rating by Best Insurance Guide (see local library)			
Agent/Agency			
<ul style="list-style-type: none">• Knowledge about this type of insurance• Service available			
Benefits			
<ul style="list-style-type: none">• Daily benefit limit for <i>skilled</i> care• Maximum number of days for <i>skilled</i> care payments• What do local nursing homes charge per month for skilled care?• Daily benefit limit for <i>intermediate</i> care• Maximum number of days for <i>intermediate</i> care payments• What do local nursing homes charge per month for intermediate care?• Daily benefit limit for <i>custodial</i> care• Maximum number of days for <i>custodial</i> care payments• What do local nursing homes charge per month for custodial care?			
Qualifications			
<ul style="list-style-type: none">• Wait before benefits begin (number of days)• Days of prior hospitalization required before eligible for nursing			

home benefits <ul style="list-style-type: none"> • Minimum number of days of skilled or intermediate care required before eligible for custodial care benefits • Waiting period for pre-existing medical conditions • Coverage provided for organically based mental conditions such as senility, dementia, • Alzheimer's (yes/no) 			
Home Benefits			
<ul style="list-style-type: none"> • Daily benefit limit for home health care • Maximum number of days of home health care covered • What do home health care agencies in your area charge per month for unskilled care? Skilled care? • Days of prior hospitalization or nursing home confinement required before eligible for home care benefits • Limited on types of care covered by home care benefit? • Waiver of premium if in a nursing home (number of days must be confined before premium is paid, length of time premium will be paid) 			
Other Restrictions			
<ul style="list-style-type: none"> • Must care be delivered in a certain type of facility? (Skilled, intermediate, custodial) • Any lifetime maximums for benefits? • Is policy guaranteed renewable? • Under what conditions may policy be canceled? • Will benefits be paid for confinements in facilities away from your area of residence? Outside the U.S.? • Does policy allow premium payment 30-31 days after the due date without cancellation? • Under what conditions can policy premiums be changed? 			
Policy Costs for First Year			
<ul style="list-style-type: none"> • Annual premium • Policy fee • Membership or other fee 			
Total Cost First Year:			

*Much of this material was written by Sally Horton, Washington State University.

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