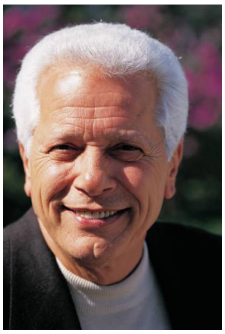
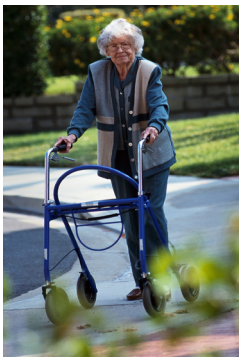
Kentucky Insurance Program for Seniors

KIPS





Working to serve the insurance education needs of Kentucky's senior citizens

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KIPS

Kentucky Insurance Program for Seniors

Insurance educational workshops

The Kentucky Insurance Program (KIPS) for Seniors presents educational seminars for senior citizens in cooperation with senior centers and other community groups. Topics include Medicare supplements, long-term care insurance, viaticals (life or senior settlements), insurance fraud and insurance plan review.

KIPS works with the Medicare Partners program, an association dedicated to developing educational and training programs for seniors in Kentucky. Members include the Office of Insurance, Office of Aging Services and Department for Medicaid Services in the Cabinet for Health and Family Services, AdminaStar Federal, federal Center for Medicare and Medicaid Services, Health Care Excel and Social Security.

Free publications

Several publications of interest to older adults are available. You can get free copies of the *Long-Term Care Insurance Guide, Medicare Supplement Guide, Consumer Guide to Auto and Home Insurance* and other publications by calling **800-595-6053** or the TTY line (for the deaf/hard-of-hearing) 800-462-2081. You can also view or order these publications online under Free Publications at the Office of Insurance's Web site — **http://doi.ppr.ky.gov/kentucky/**

Kentucky senior page

KIPS has created a new section of the Office of Insurance Web site -- *Seniors Health*. There you will find updates on KIPS activities, news of interest to older Kentuckians and links to other senior citizen sites.

A Medigap primer

Medicare is a federal health insurance program for people age 65 or older, younger people with disabilities and people with end-stage renal disease (permanent kidney failure requiring dialysis or transplant). Medigap insurance is designed to supplement Medicare's benefits and is regulated by federal and state law.

Medigap must be clearly identified as Medicare supplement insurance and it must provide specific benefits that help fill gaps in Medicare coverage. Other kinds of insurance may help with out-of-pocket health care costs, but they do not qualify as Medigap plans.

Standard Medigap Plans

To make it easier for consumers to comparison shop for Medigap insurance, Kentucky limits the number of different Medigap policies that can be sold to no more than 12 standard Medigap plans with two additional high-deductible plans added.

They have letter designations ranging from "A" through "L" (there are two F and J plans). Plan A is the "basic" benefit package. The other plans include the basic package plus a different combination of additional benefits. Plan J provides the most coverage of all the plans. Each plan covers specific expenses either not covered or not fully covered by Medicare. Insurance companies are not permitted to change the benefits or the letter designations of any plan.

Medigap insurers must make Plan A available if they are going to sell any Medigap plans in Kentucky. Insurers are not required to offer any of the other plans, but most offer several plans from which to choose and some offer all 12 plus the two high-deductible plans. Insurers can decide which of the optional plans they will sell as long as the plans they select have been approved for sale in Kentucky by the Kentucky Office of Insurance.

Medigap Premiums

Medicare supplement policies sold after January 1992 are standardized. There are no benefit differences in these standard plans among insurance carriers. (Benefits in plans issued prior to 1992 may differ somewhat from company to company.)

Types of private health insurance that supplement Medicare

If you decide you need more insurance, there are private insurance policies available to help pay health-care expenses not paid by Medicare. The basic types of coverage include:

1. Medigap policies that pay when Medicare does not fully pay for a covered service or that pay for services not covered by Medicare.
2. Managed-care plans such as a Health Maintenance Organization (HMO).
3. Nursing home, long-term care or home health care policies that pay cash amounts for each day of covered nursing home or at-home care.
4. Hospital indemnity policies that pay cash amounts for each day of in-patient hospital services.
5. Specified disease policies that pay only if you need treatment for the insured disease, such as cancer, heart disease, etc.

Although the benefits are identical for standardized Medigap plans, the premiums may vary greatly from one company to another and from area to area.

Insurance companies use three different methods to calculate premiums: **issue age, attained age, and no age** rating, also referred to as community rating.

If your company uses the **issue age** method, your premium will not increase due to aging. If it uses the **attained age** method, your premium will automatically increase as you age. Under the **no age** rating method, everyone pays the same premium regardless of age. Insurers may file for rate increases with any of these rating methods. All rates and rate increases must be approved by the Kentucky Office of Insurance before they may be used by your insurer.

Guaranteed Renewable

All standard Medigap policies are guaranteed renewable. This means that the insurance company cannot refuse to renew your policy unless you do not pay the premiums or you made material misrepresentations on your application.

What Medigap Plans Cover

Medigap policies pay most, if not all, Medicare co-insurance amounts, and may provide coverage for Medicare's deductibles. Some of the 12 standard plans pay for services not covered by Medicare such as outpatient prescription drugs, preventive screening and emergency medical care while traveling outside the United States. Some plans also cover health care provider charges that are in excess of Medicare's approved amount, and pay for care in your home.

An important point to remember: providers (physicians, medical suppliers) may not always file claims on Medicare supplement insurance. It is your responsibility to make sure the claims are filed.

For information about Medicare Part D, call 800-MEDICARE (800-633-4227) or go online to **http://www.medicare.gov**.

Tips for buying Medigap

1. When replacing an existing policy:
   - Do not cancel the old one until the new one is in force.
   - Be sure to state in the application that you are replacing your old policy. (It is illegal for an insurer to sell a consumer more than one Medicare supplement policy.)
2. Answer all health questions yourself and be sure your responses are accurate.
3. Remember that once you receive your policy, you have a 30-day "free-look" period during which you can return the policy for a full refund.
4. When you purchase your policy from an insurance agent, get addresses and telephone numbers for the agent and the company.
5. When you purchase a Medicare supplement policy, always use a check made payable to the insurance company:
   - Do not make the check payable to the insurance agent.
   - Do not pay with cash.

Long-term care insurance

Long-term care insurance is a form of health insurance that provides coverage for nursing home care for at least a year or longer. There are short-term nursing home policies that provide benefits for less than 12 months.

Purchasing long-term care insurance may not be a good idea if:

- You can't afford the premiums now or in the future
- You have limited assets
- Your only source of income is a Social Security benefit or Supplemental Security Income (SSI)
- You often have trouble paying for utilities, food, medicine, or other important needs

You should CONSIDER buying long-term care insurance if:

- You have significant assets and income
- You want to protect some of your assets and income
- You want to pay for your own care
- You want to stay independent of the support of others

Long-term care insurance

Some important points:

1. Long-term care policies sold today cannot require prior hospitalization or a higher level of institutional care before providing nursing home benefits.
2. The policy must provide a 30-day "free-look" provision.
3. A policy issued to an individual must be either guaranteed renewable or non-cancellable:
   - *Guaranteed renewable* means the insurer may not terminate your coverage except for fraud or failure to pay premiums. However, the insurer may increase your premiums after obtaining approval from the Office of Insurance.
   - *Non-cancellable* means the insurer may not terminate your coverage except for your failure to pay premiums or fraud and the insurer may not increase your premiums beyond those specified in your policy.
4. Long-term care policies cannot be canceled or terminated because of age or deterioration of health.
5. A final note: be sure the company you're dealing with is financially secure.

For tips on checking out a company, read the Office of Insurance publication *Your Insurance Company's Financial Strength & You* online at the Office of Insurance Web site **http://doi.ppr.ky.gov/kentucky/** under Free Publications. A detailed buying guide -- the *Long-Term Care Insurance Guide* -- is also available from the Office of Insurance and online.

Viatical settlements and investments

A *viatical settlement* is the sale of a life insurance policy to a third party. The owner of the life insurance policy sells it for less than the full amount of the death benefit. The buyer becomes the new owner and/or beneficiary, pays all future premiums and collects the death benefit when the insured dies.

People decide to sell their policies for many reasons. A settlement may or may not be the right choice for you.

Viatical investment is investing or buying a viatical settlement contract.

You should **proceed cautiously** with full information when either selling a policy or investing in a viatical settlement. For detailed information, contact the Office of Insurance and ask for a copy of the *Kentucky Consumer Guide to Understanding Viaticals.* The publication is also online at the Office of Insurance Web site under Free Publications.

Kentucky Environmental & Public Protection Cabinet

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