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Maine lawmaker's bill highlights novel option for affording long-term care: life insurance

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By Jackie Farwell, BDN Staff
Posted April 23, 2013, at 8:46 p.m.

Maine seniors and the state's cash-strapped MaineCare program could both win under new legislation up for debate Wednesday in the Legislature, according to the bill's supporters.

The legislation, sponsored by Sen. Margaret Craven, D-Lewiston, involves an often overlooked way for seniors to pay for long-term care. The bill aims to help some older consumers who, faced with the prospect of paying for expensive assisted-living and nursing facilities, surrender their life insurance policies in order to qualify for MaineCare, Maine's version of Medicaid.

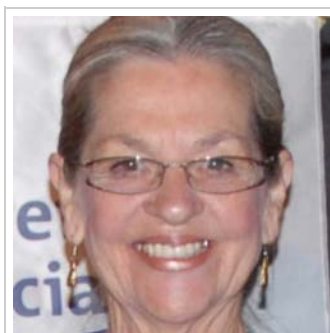
To qualify for MaineCare, applicants must deplete their financial resources. Life insurance policies can prevent some seniors from qualifying for the health insurance program for the poor because the policies are considered assets.

Craven believes her bill, [LD 1092](#), could help many seniors delay or avoid signing up for MaineCare by informing them about other ways to pay for long-term care themselves. The bill, which is scheduled for a public hearing Wednesday, would create a program at the Department of Health and Human Services, which oversees MaineCare, to help consumers learn about and sort through such alternatives.

The Legislature's Health and Human Services Committee consistently struggles with how to fund nursing home care through MaineCare, said Craven, the lead Democrat on the committee. Individuals who aren't covered by the program, meanwhile, often rapidly run through their financial resources paying for such care, she said.

"One of the first things to go is their life insurance policy," Craven said.

That often proves costly, as consumers typically get back only pennies on the dollar when surrendering their policies for cash, said Chris Orestis, CEO of Life Care Funding, a Portland company that converts life insurance policies to help consumers pay for long-term care. Other



State Sen. Margaret Craven, D-Lewiston.

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seniors simply stop paying their premiums.

By converting their policy, consumers can maintain much more of the policy's value and use that money to pay for long-term care, he said. But many seniors aren't aware of that option, he said.

"This is not long-term care insurance," he said. "People don't buy this because they think in 20 years they might need long-term care. This is for people with an immediate need for care, with a life insurance policy that they're getting ready to get rid of."

Life Care Funding, which worked with Craven to draft the bill and would benefit from its passage, buys out the policies and sets up accounts to pay its customers' long-term care providers. Customers do take a hit, getting anywhere from 30 to 60 percent of their policies' value, but can use the money they've paid into life insurance, sometimes over decades, while they're still alive, Orestis said.

Most of his company's customers are middle-class families who aren't poor enough to qualify for Medicaid or wealthy enough to easily afford long-term care, he said. If consumers no longer need the death benefit payout that life insurance provides — their children are grown and have policies of their own, for example — converting a policy to pay for long-term care can make sense, Orestis said.

Seniors gain financial relief and maintain more choice about their care by avoiding MaineCare, while the MaineCare program saves money during a time when its costs are ballooning, he said.

MaineCare has faced funding shortfalls in the hundreds of millions of dollars in recent years.

Craven's bill builds on earlier legislation she submitted three years ago which required insurers to notify consumers that they have the option to sell their life insurance policy on the open market. Maine emerged as a leader on the issue, and several other states followed suit, Orestis said. The new bill would require MaineCare to make a similar notification about alternatives to surrendering life insurance policies.

"We always say we feel like we're yelling as loud as we can in the middle of a Category 5 hurricane to get people to understand that they can do this," he said. "Every day, seniors, not just in Maine but across the country, are abandoning policies by the billions."

The half million life insurance policies in place in Maine have a combined value of \$98 billion, he said.

The type of service that Life Care Funding offers fulfills a consumer need, but also presents the potential for abuse, said Doug Dunbar, a spokesman for the Maine Bureau of Insurance.


"Circumstances change and life insurance policies might no longer be suitable for the purposes for which they were originally purchased," he wrote in an email. "In those situations, the sale of the policy can be a valuable option for the policyholder. At the same time, strong standards are necessary in order to prevent unscrupulous operators from taking advantage of a vulnerable population."

Maine, like other states, has enacted licensing, disclosure and reporting requirements for such settlement providers, along with other protections, he said.



The Maine chapter of the AARP hasn't yet taken a position on the bill.

"As with most financial decisions, consumers should consider any modifications to their insurance policies carefully and seek competent advice as necessary," Jane Margesson, communications director for AARP Maine, said in a statement. "Not every insurance policy will be right for every person. It is important for consumers to be aware of the details so they can make an informed decision based on their individual needs and circumstances."

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harveyammerman

Good idea, but what we really need is a single-payer universal healthcare system that covers everyone pre-natal to grave. The sooner the better.

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Gak. This woman and Diane Russell. What a tag team they make. These left wing progressives need to be flushed come next election. if for any reason, to save on mirrors and camera lenses.

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And derailed trains, and stray pork chops, and haunted houses, and ten foot poles
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