A public home-care insurance cushion

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IN 1997 our parents took out a long-term care home health insurance policy with the Bankers Life and Casualty Company of Chicago. They thought this policy would offer peace of mind for their golden years. After all, the Bankers Life website declares: "We will be there to support you when it matters most." Our parents paid about $2,500 per year in premiums for 13 years for a total of more than $32,000.

Little did they know how difficult it would be to recoup their investment. When our father (and father-in-law) finally did need home health services at 91, it would take months of frustrating phone calls, repeated rejections, and stalling on the part of company representatives before Bankers Life finally agreed to honor a claim. We shouldn't have been surprised; after all, Bankers Life and its parent company, Conseco, were investigated by state regulatory agencies in 2008 and forced to pay more than $30 million in restitution and fines for denying and stalling on claims in 40 states, including Massachusetts.

It was precisely this kind of abuse - and the growing demand for home care services among the elderly - that prompted passage of the Community Living Assistance Services and Support Act, or CLASS, as part of this year's health care reform law. Beginning in 2012, all working adults will be given the chance to sign up for CLASS, a federally administered insurance program to help people stay in their homes if they are disabled. A voluntary program (employees can opt out), CLASS is expected to function as a "floor benefit" for home care services, much as Medicare functions as a basic health insurance benefit, leaving room for private insurers to provide supplementary benefits to those who want more coverage.

CLASS couldn't come at a more opportune time. According to the National Council on Aging, more than 10 million Americans are currently in need of long-term services to help them function in daily life, and that number is expected to mushroom as the baby boomers age. Our dad was diagnosed in September, 2009 with early dementia. Then, last fall he fell ill and needed emergency surgery. The subsequent hospitalization worsened his dementia, and he could no longer live alone without home health services.

In order to qualify under the terms of his private insurance policy, Dad had to have either a diagnosis of dementia or be dependent in two out of three daily activities.

We had first filed a claim with Bankers Life last fall but were told that he didn't meet their criteria, even though he had a diagnosis of dementia and needed help getting dressed and getting in and out of bed. We filed the second claim in April when it became clear that he needed home health services beyond what his son and daughter-in-law could provide.

We began paying for those services ourselves and discovered that calling Bankers spit us into a Kafkaesque automated system that required the input of multiple numbers: policy, date of birth, Social Security number, and date first evaluated by the home health care agency, followed by complex instructions and a wait on hold. Then, we had to repeat all the numbers to a customer service representative.

We can't remember the number of times the rep informed us that they didn't have the correct information or that we had to wait 14 more days. And when one of us would call back two weeks later, we would be advised that they needed 14 more days. In the meantime, we sent Bankers Life numerous plans of care, daily notes, and bills from the home health agency by certified mail. All we got in return were rejection letters or missives asking us for yet more information. Finally, in late July, three months after we filed the second claim and weeks after we filed complaints with the Better Business Bureau, we received a check. When offered a chance last week to explain the long delay in honoring Dad's claim, a representative of the company said it strives "to pay all claims in a timely manner."

Now, there is no guarantee that there won't be similar frustrations in obtaining coverage under the new federal insurance program. Under CLASS, however, it will take only the approval of the patient's own doctor to get most claims approved. The bigger question is whether enough working adults will sign up for CLASS in advance of their senior years to smooth out the risk pool and build up sufficient capital from premiums so that claims (which will average $50 to $75 a day) can be paid without bankrupting the system. If they do, then it's a good bet that middle-class Americans will finally obtain the peace of mind that our dad envisioned when he signed up for Bankers Life.

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Abstract (Document Summary)

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