



**House  
Legislative  
Analysis  
Section**

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**LONG-TERM CARE INSURANCE:  
DEFINE HOME CARE COVERAGE**

**House Bill 4313 (Substitute H-1)  
First Analysis (3-9-00)**

**Sponsor: Rep. Susan Tabor  
Committee: Senior Health, Security and  
Retirement**

***THE APPARENT PROBLEM:***

As health care costs have risen during the past two decades, it has become common for many of those approaching retirement age to purchase long-term health care insurance for medical or personal care services provided in a setting other than a hospital. (Long-term health care refers to nursing home care and such services as home health care or assisted living services.) In addition, new products have become available that combine life insurance with long-term care coverage. Such policies provide long-term care benefits through the acceleration of death benefits. Public Act 84 of 1992 was enacted, in part, to regulate long-term health care insurance. It was intended that the act would provide, among other things, inflation protection for consumers, minimum standards for home health care benefits, protection against the issuance of duplicate policies, and the adoption of marketing standards. However, some people who have purchased long-term care policies have been shocked to find -- when they needed long-term care -- that their policies didn't cover the assisted living situations they sought. In some cases, this can be blamed on deceptive marketing practices. In other situations, the misunderstanding occurs because of the complex wording of the policy. In order to ensure that individuals understand which home care and assisted living services they are entitled to when they purchase long-term insurance policies, legislation has been proposed to specify that long-term care insurance policies must provide, in plain English, a detailed explanation, including a definition or list of the home care or assisted living services covered under each policy.

***THE CONTENT OF THE BILL:***

The bill would amend Section 39 of the Insurance Code, which regulates long-term care insurance, to require that a long-term care insurance policy that provides coverage for home care or assisted living

services provide a detailed explanation, in plain English, of what home care or assisted living services are covered. In addition, the bill would require that each insurer that provided coverage for home care or assisted living services include a specific definition or list in each policy of the home care and assisted living services provided under that policy.

MCL 500.3913

***FISCAL IMPLICATIONS:***

An analysis of House Bill 4313 by the Insurance Bureau, within the Department of Consumer and Industry Services, estimates that the bill would have no fiscal impact on the bureau. (3-11-99)

***ARGUMENTS:***

***For:***

Those who provide services for the elderly maintain that "assisted living" services are a desirable option for elder citizens, and -- from a taxpayer's point of view -- that this type of care is much more desirable than expensive nursing home care. Such programs encompass a variety of services for care provided either in the patient's home or at another housing setting, such as an adult foster care home, home for the aged, or assisted living facility, that has become the patient's home. The services provided may include visiting nurses, home-delivered meals, chore services, or even respite services for caregivers. Generally, Medicare, private health insurance, and Medicare supplemental policies do not pay for long-term care costs. Medicare does pay a portion of short-term skilled nursing home care following hospitalization, and for some skilled at-home care for short periods of time. Otherwise the balance is paid for by Medicaid, provided that the patient meets federal poverty guidelines or spends down his or her assets to become eligible.

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As more people choose to have long-term care services through home health care, or by moving to an assisted living facility, it is important that long-term health care insurance policies clearly outline the services that will be provided under each policy. However, it often happens that elderly persons discover, when it is too late, that their policies don't cover all the services they had assumed they would receive. House Bill 4313 would provide policy holders with clear and detailed language, in plain English, that specified which services would be covered. In addition, the bill would require that insurers provide in each policy a specific definition, or list, of the services provided under the policy. This latter provision is important, since definitions of terms such as "assisted living" differ from community to community: In some communities it may refer to care provided in the patient's home, and in others it may refer to care provided outside the home.

***Response:***

As written, the bill is confusing. For example, in testimony before the House Senior Health, Security and Retirement Committee, health care advocates pointed out that the term "plain English" may, paradoxically, result in more confusion: What is "plain English" to one person may yet be perceived differently by another. A nursing home, for example, may be referred to as adult foster care facility in some communities. Also, "assisted living" services have traditionally referred to services provided outside an insured person's home, but now may refer to services provided within the home. Consequently, those who testified advocate that the bill should provide a definition of the term "assisted living" that includes residential care. Others pointed out that the act applies only to insurance policies for "home health care" benefits, and that this may cause confusion, since the bill, as written, refers to both home care and assisted living services.

***Against:***

The bill is unnecessary, since another section of the Insurance Code (MCL 500.2236[3]) already requires that insurance contracts meet specific readability requirements.

***POSITIONS:***

The American Association of Retired Persons (AARP) supports the bill. (3-8-00)

The Michigan Association of Homes and Services for the Aging (MAHSA) supports the bill. (3-8-00)

The Health Care Association of Michigan supports the bill. (3-8-00)

The Michigan Center for Assisted Living (MCAL) supports the bill. (3-8-00)

The Michigan Assisted Living Association supports the bill. (3-8-00)

The Insurance Bureau, within the Department of Consumer and Industry Services, does not oppose the bill, but notes that the bill duplicates provisions contained elsewhere in the Insurance Code. (3-8-00)

Citizens for Better Care (CBC) would support the bill if it were amended to include a definition of the term "assisted living" that included "residential care." (3-8-00)

The Area Agencies on Aging supports the concept of the bill. (3-8-00)

Analyst: R. Young

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.