



**House  
Legislative  
Analysis  
Section**

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**LONG-TERM CARE INSURANCE:  
DEFINE HOME CARE AND  
ASSISTED LIVING COVERAGE**

**House Bill 4322 as introduced  
First Analysis (2-28-01)**

**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 more common for people to purchase long-term care insurance for medical or personal care services provided in a setting other than a hospital. (Long-term 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 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 care insurance policies, legislation has been proposed to require that long-term care insurance policies provide, in plain English, a detailed explanation of covered services.

***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, a policy that provides

coverage for assisted living facility stays would have to define in plain English what assisted living facilities were covered.

MCL 500.3913

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bill would have no fiscal impact on state or local government. (2-23-01)

***ARGUMENTS:***

***For:***

Those who provide services for the elderly maintain that "assisted living" services are a desirable option for many older 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.

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

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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 4322 would require that insurers 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 an explanation of what kinds of assisted living facilities would be covered under the policy. This latter provision is important, since there is a wide variety of assisted living facilities, offering various residential and nonresidential services, and there is little consensus on just what "assisted living" includes.

***Response:***

As written, the bill may create confusion. There is concern that the term "plain English" is not universally understood or defined in statute. The Office of Financial and Insurance Services has said that the legislation would be more effective if it addressed exactly what must be included in the definitions. Further, the bill may be unnecessary, since another section of the Insurance Code (MCL 500.2236[3]) already requires that insurance contracts meet specific readability requirements.

***POSITIONS:***

The Michigan Association of Homes and Services for the Aging (MAHSA) supports the bill. (2-27-01)

The Michigan Center for Assisted Living supports the bill. (2-27-01)

The Michigan Assisted Living Association supports the bill. (2-26-01)

The Office of Insurance and Financial Services, within the Department of Consumer and Industry Services, does not oppose the bill. (2-26-01)

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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.