

Long-Term Care Insurance

Key Policy Features



It is difficult to prepare for the possibility that you or someone you love may need long-term care (LTC) as a result of an accident or illness. Your world could change suddenly, affecting not only your quality of life, but your finances, as well. Long-term care insurance can help pay for long-term care expenses should you or someone you love develop a chronic condition and need assistance with activities of daily living (ADLs). A well-rounded policy may assume the costs of nursing homes, assisted living facilities (ALFs), adult daycare centers, and/or home care, allowing you to keep significantly more of your savings, as well as alleviating the burden on younger generations, who often provide financial support and act as unpaid caregivers.

Most insurers offer policies to people age 40 and over, and many employers offer long-term care insurance plans that may permit your spouse and your parents to purchase policies, as well. The amount you pay is typically based on three factors: age; current health; and specific policy features, such as breadth of coverage, levels of care, and length of benefits. As you think about a plan that's right for you, consider these questions:

Is the policy “qualified” under the Health Insurance Portability and Accountability Act?

With a qualified LTC policy, you may be able to deduct a portion of insurance premiums or unreimbursed expenses that exceed a certain percentage of your gross income. Unqualified policies do not meet the legislative requirements for tax deductions.

Is the policy guaranteed to be renewable?

With this protection, an insurer cannot cancel your policy unless you fail to make payments. Many insurers also offer a grace period—generally 7 to 31 days after a premium due date—which provides an opportunity for payment before a policy may be canceled.



Is the policy protected against inflation?

Because the purchasing power of a dollar tends to decrease over time, it is important to make sure a policy adjusts benefits to keep pace with inflation. For example, if a policy currently agrees to pay \$100 per day, the daily rate in 20 years should be more than

\$100 to account for a probable rise in costs. Be advised that some insurers offer inflation protection only under a policy rider commonly called a “benefit adjustment option,” and there may be an additional charge.

Is Alzheimer’s disease covered?

Most policies cover Alzheimer’s disease and other cognitive disorders, often referred to as “organically based mental conditions.”

Is there a pre-existing conditions clause?

While this stipulation is common, there should be no more than a six-month exclusion for pre-existing conditions.

When will benefits begin?

Benefits commonly begin when a physician determines that a person is unable to perform two activities of daily living (ADLs) unassisted. In the same way that physical limitations can trigger benefits, cognitive impairments associated with conditions such as Alzheimer’s disease or Parkinson’s disease may also trigger benefits.

What are the coverage restrictions?

Comprehensive plans cover many different types of care, including nursing homes, assisted living facilities, adult daycare centers, and home care; whereas, noncomprehensive plans tend to restrict coverage to either nursing homes or home care. Some insurers only offer home care with a policy rider, often at an additional charge. There also may be stipulations regarding the licensing of facilities and state certification.

What levels of care are covered?

There are three main levels of care: skilled, intermediate, and custodial. Licensed medical professionals provide skilled care under the direct supervision of a physician. Nurses, therapists, and nurse’s aides provide intermediate care, most often nursing and rehabilitation services, under the supervision of a physician. Home health aides provide custodial care, which includes companion and homemaker services and accounts for a large percentage of long-term care. While this is a non-skilled form of assistance, it is considered by many to be one of the most important components of long-term care.

How long will benefits last?

Oftentimes, you have a choice as to the duration of your benefits, which may be available up to a lifetime maximum. Consider these factors: your age, the amount you can afford to pay for premiums, and your risk tolerance based on your own health and the income and assets you expect to have in the future.



What is the daily benefit amount?

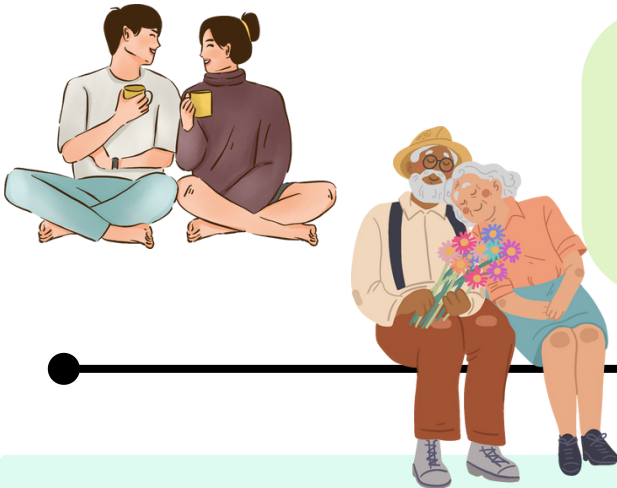
Daily benefits vary depending on where you live and the type of care you are receiving. For example, a person may receive benefits ranging from \$100 to \$150 a day for nursing home care, and \$100 a day for at-home care. Remember, it is important to know if your benefits will be adjusted for inflation.

Is there an elimination period?

You may have to wait for a prescribed amount of time—often called an “elimination period”—before receiving benefits, during which time you will be responsible for expenses. In general, elimination periods range from 21 to 365 days. A longer elimination period may reduce your premium.

Will premiums be waived while you receive benefits?

You should not have to pay premiums while you are receiving benefits. Some insurers may require that you receive benefits for a prescribed period of time, 90 days for example, before premiums are waived.



Who can purchase long-term care insurance?

Anyone age 40 and over, and in moderately good health, should be eligible. The more tenuous your health is, and the older you are, the harder it may be to qualify, and the more likely you are to pay a higher premium.

**While we might not know what the future holds,
we can hope for the best and plan for the worst.
Planning today for an uncertain tomorrow may afford
you more independence with your savings, offer you more
options for care, and help ease your mind.**

