

# Making Sense of Long-Term Care Insurance

## *Designing the Right Policy for your Clients*

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One of the biggest threats to your clients financial security can be the high cost of long-term care. The reality is that extended care can be needed by anyone...at any age. Long-term care is the extended care you or your clients would need because of chronic illness, injury, or frailty due to old age. Your conventional health plan won't provide the extended or personal care you'd need if you required long-term care.

Without long-term care insurance coverage, the financial and emotional ramifications could be devastating. Having long-term care coverage gives your clients control over their assets and their care choices - and the peace of mind to enjoy today, knowing that tomorrow is secure.

## **Where Can my Clients Receive Care?**

Long-Term Care Insurance (LTCi) can help you preserve the savings and assets your clients worked a lifetime to build. With a wide range of benefits, you can help ensure that your clients will be able to get the type of care they need, where they want it.

Depending on the coverage chosen, most LTCi plans include:

- **Home Care** – for most people, the option to receive care in the comfort of their home is the choice they prefer most. Long-Term Care Insurance offers coverage for care generally provided by a licensed nurse, or a licensed physical, occupational, speech or respiratory therapist. You can also receive care or services from a certified private aide, home health aide, homemaker, or from a care advisor from a care management organization.
- **Adult Day Care** – offers care, health support and rehabilitative services for adults during the day.
- **Assisted Living** – for many, these licensed (where required) facilities, provide a great way to receive skilled nursing or custodial care in an environment that helps maintains independence and an active lifestyle.
- **Skilled Nursing Homes** – your LTCi policy from will provide coverage for all levels of care, from skilled to custodial, in a Nursing Home.
- **Informal Care** – many people would prefer to have a friend or loved one provide the care they need at their home. Care you receive at home from friends, neighbors, or relatives who are not health-care professionals. Some programs allow a benefit that provides some compensation to cover this care.

## Understanding Long-Term Care Policy Design

LTCi policy design does not have to remain a mystery to consumers. There are some basic design parameters that need to be reviewed, and then, based on your own unique choices, will allow you to select the policy that best suits your clients comfort level as well as budget.

There are **FOUR BASIC COMPONENTS** to designing a LTCi policy:

- **Daily Benefit Amount**
- **Benefit Period**
- **Elimination Period (waiting period)**
- **The Inflation Protection**

### 1. Selection of Daily Benefit Amount

The average cost of care varies from city to city. Benefit amounts available vary from \$40/day to \$500/day. You totally transfer the risk on a policy to the insurance company, or co-insure with your clients personal assets or income.

### 2. Selection of Benefit Period

There are two types of Comprehensive LTCi coverage that consumers can purchase, namely;

(i). *Unlimited/Lifetime Benefit Periods* - which mean that the insurance company will pay for as long as the client requires care. There is no limit to the length of time that they will pay;

OR

(ii). *Specific Benefit Periods* - which mean the consumer can chose the length of time they want the company to guarantee payments, i.e. 2, 3, 4, 5, or 6 years. These policies are proportionally less expensive than Unlimited/Lifetime type.

Currently, the average LTC claim is not exceeding 4 years. However, with our baby boomer population living healthier and medical advances, the average claim duration could lengthen.

### 3. Selection of Elimination Period or “Deductible”

An Elimination period is the initial time period that your clients elect to be responsible for their care. After you have satisfied the initial elimination period (days that you selected), your clients qualify for benefits. Elimination period vary from carrier to carrier (most offering 0,30,60,90, and 180 days).

### 4. Selection of Inflation Protection

There are generally two primary ‘types’ of Inflation Protection consumers can purchase, namely;

(i) *5% Compound Inflation*, which adds 5% to the benefit value based on the previous years attained amount, *or*

(ii) *5% Simple Inflation*, which adds 5% annually based on the ***original amount only***.

If you are over 70, a 5% Simple COLA is usually suggested. Outside of that, anyone under the age of 70 should seriously consider including Compounded COLA.

## CONCLUSION

Keep it simple! The above analysis review simply provides the mechanism by which to establish the chassis of the policy. There are over 100 insurance companies offering LTCi – but all of them have the same four basic components when it comes to policy design. There are important additional riders and options that should be considered, the 4 basics above will resonate with your clients. We as an industry need to do a better job simplifying the case design component of the sales process. Most consumers want to know when they are going to be paid benefits, where, how much, and by whom?