

What features of long-term care policies should I focus on?

There are various questions and issues to keep in mind when choosing a long-term care policy.

Where may care occur?

The best policies pay for care in a nursing home, assisted living facility, or at home. Benefits are typically expressed in daily amounts, with a lifetime maximum. Some policies pay half as much per day for at-home care as for nursing home care. Others pay the same amount, or have a "pool of benefits" that can be used as needed.

Under what conditions will the policy begin paying benefits?

The policy should state the various conditions that must be met.

- The inability to perform two or three specific "activities of daily living" without help. These include bathing, dressing, eating, toileting and "transferring" or being able to move from place to place or between a bed and a chair.
- Cognitive impairment. Most policies cover stroke and Alzheimer's and Parkinson's disease, but other forms of mental incapacity may be excluded.
- Medical necessity, or certification by a doctor that long-term care is necessary.

What events must occur before the policy begins paying benefits?

- Some older policies require a hospital stay of at least three days before benefits can be paid. This requirement is very restrictive; you should avoid it.
- Most policies have a "waiting period" or "elimination" period. This is a period that begins when you first need long-term care and lasts as long as the policy provides. During the waiting period, the policy will not pay benefits. If you recover before the waiting period ends, the policy doesn't pay for expenses you incur during the waiting period. The policy pays only for expenses that occur after the waiting period is over, if you continue to need care. In general, the longer the waiting period, the lower the premium for the long-term care policy.

How long will benefits last?

A benefit period may range from two years to lifetime. You can keep premiums down by electing coverage for three to four years—longer than the average nursing home stay—instead of lifetime.

Indemnity vs. Reimbursement

Most long-term care policies pay on a *reimbursement* (or *expense-incurred*) basis, up to the policy limits. In other words, if you have a \$150 per day benefit but spend only \$130 per day for a home long-term care provider, the policy will pay only \$130. The "extra" \$20 each day will, in some policies, go into a "pool" of unused funds that can be used to extend the

length of time for which the policy will pay benefits. Other policies pay on an *indemnity basis*. Using the same example as above, an *indemnity policy* would pay \$150 per day as long as the insured needs and receives long-term care services, regardless of the actual outlay.

Inflation protection

Inflation protection is an important feature, especially if you are under 65, when you buy benefits that you may not use for 20 years or more. A good inflation provision compounds benefits at 5 percent a year. Without inflation protection, even 3 percent annual inflation will, over 24 years, reduce the purchasing power of a \$150 daily benefit to the equivalent of \$75.

Six other important policy provisions

1. **1=7 Elimination period.** Under some policies, if the insured has qualifying long-term care expenses on one day during a seven-day period, he or she will be credited with having satisfied seven days toward the elimination period. This type of provision reflects the way home care is often delivered—some days by professionals and some days by family members.
2. **Guaranteed renewable** policies must be renewed by the insurance company, although premiums can go up if they are increased for an entire class of policyholders.
3. **Waiver of premium**, so that no further premiums are due once you start to receive benefits.
4. **Third-party notification**, so that a relative, friend or professional adviser will be notified if you forget to pay a premium.
5. **Nonforfeiture benefits** keep a lesser amount of insurance in force if you let the policy lapse. This provision is required by some states.
6. **Restoration of benefits**, which ensures that maximum benefits are put back in place if you receive benefits for a time, then recover and go for a specified period (typically six months) without receiving benefits.

For more information on long-term care insurance, you can access the Life and Health Foundation for Education (<http://www.life-line.org>) or America's Health Insurance Plans (<http://www.ahip.org>).

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