

Long-Term Care Insurance

What is long-term care insurance? Long-term care insurance is an agreement between the policyholder and the company to pay some or all of the costs of your long-term care. Premiums are generally [guaranteed renewable](#) which means that the company cannot cancel your policy unless you stop paying the premiums, even if your health has changed. For more information on long-term care insurance you can download a [Shopper's Guide to Long-Term Care Insurance](#).

What are long-term care insurance policies paying for today? 80% of those receiving care today are at home or in community based facilities. Today, 40% of the 12 million people receiving care today are less than 64 years old.

What types of services will a long-term care policy pay for? Most people would rather receive [home health care](#) which is usually provided by a home health care professional. However, some [incidental homemaker services](#) such as food preparation, laundry, light house-keeping, bill paying, and supervising self-administration of medication are covered as well. Community based care options like [adult day care](#) and [assisted-living facilities](#) are covered as well as [skilled nursing](#) or rehabilitation facilities.



How long do I have to pay premiums? Policies are set up to be paid for the [Life](#) of the policy holder or until they go on claim. Some companies have options for [10-Pay](#), [20-Pay](#), or [Paid-up at Age 65](#) to allow policyholders the opportunity to have their policies paid up in a shorter time period or by their planned retirement dates. Some people may want to pay a [single premium](#) for the policy in a one 'lump sum' payment.

How do long-term care policies work? You design your long-term care policy based on several factors:

Daily Benefit	You can choose a daily benefit from \$50 to \$500 per day.	Choosing a daily benefit depends on the cost of long-term care services in your area and your ability to use your personal assets to supplement your care.
Benefit Period	You can choose benefit periods from 1 year to lifetime.	The benefit period is the length of time that the company will pay benefits once you go on claim.
Elimination period	Elimination periods can be from 0 to 365 days.	This works like a deductible and represents the amount of time and the related expenses you incur before you qualify to go on claim.

Inflation Protection	Inflation of benefit dollars can be indexed by 5% simple or 5% compounding interest.	Inflation protection helps your benefits keep pace with the future costs of care. Current inflation is estimated at 5.6%. Our state governments set the policy inflation percentage maximums.
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What is the difference between an indemnity and a re-imburement policy? Once you put all of the factors together, you will either get a "pool of days" with the [indemnity](#) contract or a "pool of money" with a [re-imburement](#) contract:

Indemnity Contract	Reimbursement Contract
\$170 per day / 3 year policy	\$170 per day / 3 year policy
Pays \$170 a day for 1095 days.	Pays up to \$150 per day until your costs exceed \$186,150.

How are benefits paid? Once you are eligible for benefits, the company generally pay benefits using one of two methods: [re-imburement](#) or [indemnity](#). The reimbursement method says that the company must decide if you are eligible for benefits and if your claim is eligible. Benefits are paid to you or your provider up to the limits in your policy. When the indemnity method is used, the benefit is a set dollar amount and the company only needs proof that you are eligible for benefits.

What discounts are available if you and your spouse apply for coverage? Most companies offer a discounts of 20% to 40%, if both spouses apply for coverage and both are approved for coverage. Some companies will offer a lower spousal discount that is usually half of the normal spousal discount, even if one spouse doesn't apply. Most spousal discounts will remain in effect even after the spouse is deceased.

Another very popular type of spousal discount is the joint policy with a spousal discount of up to 50% when both are applying for coverage. However, the remaining spouse will lose the discount at the death of the spouse, when the rates go back to an individual rate for the original age of the remaining spouse.

When most people hear "50% spousal discount" they think that this is the way to go for long-term care insurance. These joint policies are great for some people that are close in age or looking to get the most coverage while they are younger. However, they may not be the best solution for those couples who fall in the following categories:

- have an income that will drops more than 40% at the death of the first spouse
- are married for the second time and have different economic situations
- couples in which there is an age difference

Spousal discounts can change the premium drastically for most companies. Don't let the discount influence what makes the most sense for you and your family. These are just some things that may make separate policies more advantageous even though it may be higher premiums than the joint policy. Be careful and make sure that you understand what happens to the premium and the policy when one spouse is left paying those premiums.

What discounts are available if you are in "preferred" health? Typically, a non-smoker with a good medical history should get the best rates or a preferred health discount. This is why you should look at buying when you are younger. Even if you pay the premiums for more years, the amount of premium you will pay over a lifetime will be less.

What is the difference between tax-qualified and non-qualified long-term care plans? In 1997, the Health Insurance Portability and Accountability Act provided us with the regulation regarding the standardization and tax-deductibility of long-term care insurance. This made two types of policies available in the marketplace:

[Tax-qualified](#) plans will allow the insured to deduct the premiums as a part of their medical expenses. However, these policies were made to have a standardized [Benefit Triggers](#) that one is not to go on claim unless they need help with 2 out of their 6 [Activities of Daily Living](#) or help due to a [Cognitive Impairment](#).

[Non-tax qualified](#) plans are not tax-deductible. However, the condition that triggers you to go on claim will only have to be deemed [Medically Necessary](#) by your physician.

More information on the tax-deductibility of long-term care [Click here](#).

What else should I know about long-term care insurance? You can find a checklist in the [Shopper's Guide to Long-Term Care Insurance](#). The company you choose to place your long-term care insurance with can be very important. You want to choose a company that is dedicated to the long-term care market and there are things you must know before [Choosing your LTC Carrier](#).

What other features are available to enhance my policy? Now that you understand the core benefits of a long-term care policy you may want to enhance the policy by adding specific riders that will meet your unique long-term care wishes and needs...[learn more](#)