

LTC Insurance Plan Design

In this section we explain the parts of a policy so you can make an informed decision today that will make sense in the future when you use your insurance. You can print these pages and use them during the meeting. At the meeting you will be able to compare premiums from the top companies.

There are five main factors that determine the premium:

1. **Age** when you apply for approval.
 2. **Daily or Monthly Benefit** (how much you will receive from the insurance company).
 3. **Benefit Period** (how long the Daily Benefits last, 2,3,4,5 years).
 4. **Inflation Protection** (increases the Benefit every year).
 5. **Elimination Period** (the deductible or how long you pay before benefits start).
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1. Age

The age when you start is what the rate will be based on. If you have a birthday coming up soon you might consider insuring by your birthday to get the younger age lower rate. This difference becomes more significant the older someone is when they start.

MY AGE _____

2. Daily or Monthly Benefit

First find out how much it cost in your area for: 1. home care, 2. assisted living, 3. nursing home care in your area. In the U.S. average care can cost \$100 for 4 hours of home care, \$4500 per month for assisted living, and \$250 per day (\$7,500/month) for nursing home care.

Some people will design a plan with a co-payment to get a lower premium. For example, in New York City it can cost \$300 per day for nursing home care and if someone can afford \$100 a day out of pocket they can get a plan with a \$200 a day benefit which would mean a lower premium than a \$300 a day benefit.

MY DAILY OR MONTHLY BENEFIT \$ _____

3. Benefit Period or Benefit Term

The \$64,000 question! How long will you need benefits for? The best we can do is guess.

You'll want to consider your current health, your health history, your genetics (longevity or not), statistics and averages.

In reality you are not buying a finite period but a pool (or pot) of money. For example if you buy a \$200/day 2-year plan the pool is $\$200 \times 365 \times 2 = \$146,000$ If you used all \$200 every day then the pool would last 2 years. If you used less than \$200 the pool would last longer than 2 years.

Nursing home statistics by the US Dept of Health and Human Services (Medicare, Medicaid) indicate an average of 2 years of care for men and 3 years for women. The average long term care insurance policy claim is 3 years. The benefit periods offered are 2, 3, 4, 5 year plans.

MY BENEFIT PERIOD IS _____ YEARS.

4. Inflation Protection

Options for Inflation Protection are:

- None
- GPO or FPO - Guaranteed Purchase Option, Future Purchase Option
- 3% Compound
- 5% Simple/Equal
- 5% Compound

What inflation protection does is increases the Benefit on the anniversary of the policy. If you buy a \$200/day policy with no inflation protection it stays at \$200. If you buy 3% Compound then the \$200 will double to \$400 in 23.5 years. If you buy 5% Compound the \$200 will double faster, in 14.5 years and the premium will be much higher.

GPO and FPO are offered if you want a lower premium today with the option of increasing benefits in the future. *Partnership asset protection policies have inflation protection requirements; check with us about your state.* Most people will buy 3% compound.

MY INFLATION PROTECTION _____

5. Elimination Period (EP)

The Elimination Period is the deductible in long term care insurance. It is a time deductible or how long you are responsible for your care before your benefits start. Other policy benefits such as care coordination, and waiver of premium start on the first day of your claim.

Most companies offer Elimination Periods (EP) of 30, 60 or 90 days, some will offer 180 and 365 days. The longer the EP the lower the premium. The Elimination Period should be considered as a future expense. Most people choose 90 days.

Most companies offer a rider called a Home Health Care EP Waiver. What this means is that your monetary benefits start on the first day for home care. The waiver increases the cost of the premium. Your Elimination Period is a once in a lifetime requirement.

MY ELIMINATION PERIOD _____ DAYS.

NOTE: Have your health history ready for the meeting which should include:

Any recommended, planned or scheduled surgery. Also, any hospitalization or physical therapy in the last 2 years. Any medications taking currently and in the last 12 months or any changes in medications. Past conditions involving cancer, heart disease, stroke, etc.