

# 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.

The five main factors that will determine your premium:

1. **Age** when you apply for approval
2. **Daily Benefit** (how much you will receive per day or month from the insurance company)
3. **Benefit Period** (how long the Daily Benefits last, 2,3,4,5,6 years, etc)
4. **Inflation Protection** (increases the Daily Benefit every year)
5. **Elimination Period** (the deductible or how long you pay before benefits start)

## 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 at least 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 Benefit

First find out how much it cost for: 1. home care, 2. assisted living, and 3. nursing home care in your area. In many areas of the U.S. average care can cost \$100 for 4 hours of home care, \$4500 per month for assisted living, and \$200 per day (\$6,000/month) for nursing home care.

Most people considering LTC insurance will have some income and 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. You can get daily benefits from \$100-\$400 a day.

MY DAILY BENEFIT \_\_\_\_\_

## 3. Benefit Period or 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.

Nursing home statistics by the US Dept of Health and Human Services (Medicare, Medicaid) indicate an average of 2.2 years of care for men and 3.5 years for women, and does not include home care or assisted living. The average long term care insurance policy claim is 3 years.

Insurance companies differ on the benefit periods offered. The most common are 2, 3, 4, 5 years (variations by state and company may offer 7, 10 years and lifetime/unlimited). An average man may want 2-4 years of coverage and an average woman 2-5 years.

MY BENEFIT PERIOD \_\_\_\_\_

#### 4. Inflation Protection

The most common options for Inflation Protection are:

- None
- GPO or FPO (Guaranteed Purchase Option, Future Purchase Option)
- CPI Compound (Consumer Price Index)
- 3% Compound
- 5% Simple/Equal
- 5% Compound

What inflation protection does is increases the Daily 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 5% Simple then the \$200 will double to \$400 in 20 years. If you buy more expensive 5% Compound the \$200 will double faster, in 14.5 years.

GPO and FPO are offered if you want the option of increasing benefits in the future. Partnership for long term care asset protection policies have inflation protection requirements; check with us about your state.

The rule of thumb is if you are 65 or older then consider a lower cost inflation protection such as Simple and if under 65 Compound inflation protection. For certain situations because of age or health it may be better to have a higher daily benefit and a low or no inflation protection.

MY INFLATION PROTECTION \_\_\_\_\_

#### 5. Elimination Period

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.

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 about 9%. The EP is a one-time requirement.

MY ELIMINATION PERIOD \_\_\_\_\_

#### 6. Discounts

Discounts for spouses, couples, siblings, and partners. Basically the requirement is that the two people are of the same generation and share living expenses. Some companies require a 3-year history of sharing expenses. The "couples" discount can range from 20%-30%.

Multi-life: this is often used by small businesses where there are 3 or more applicants and the discount is 5%. If two of the applicants were spouses then it would add 5% to the "couples" discount.

Preferred Health: Some applicants can qualify for the preferred health discount. This ranges from 9%-15% depending on the company. Qualification is determined by the underwriter not the agent.

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When you buy LTC insurance it's like you are joining a group where everyone in the group pays into a pool of money and if someone needs money for care they take from the pool. When you join the group you are spreading your risk throughout the group; everyone in the group is in a sense protecting everyone else in the group. Would you rather face your long term care financial risk alone or with a group?

With LTC insurance you are buying both insurance (money) and services (care coordination). The care coordination service will relieve your spouse, family and friends of the burden of arranging and managing care (home care, assisted living, nursing home, hospice).

Because rates will be higher the older you are it will never be any cheaper to start. It starts with an online meeting with an experienced agent who will explain the plans and the different options each company offers. Then you will be sent the quotes with the benefits you picked from the top companies.

If you decide to apply for approval we will send you an application and then we will go over it with you on the phone. When you return the application it is submitted to the insurance company. This starts the underwriting process, which can take 3-5 weeks. If approved you will be sent the policy at which time you have 30 days to decide to keep it, change it, or cancel it.

The premiums are the same no matter which agent/agency you use to apply for coverage. With our experience and knowledge we help you understand the advantages of each plan so you can decide which is best for you. As independent agents we work for you, not the insurance company.

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