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Insuring your Health and Wealth

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Long Term Care Insurance

Long Term Care Insurance Basics

There are many long-term care insurance carriers in the market today. The earliest long-term care contracts were designed to provide nursing home coverage only. Further, earlier contracts were very restrictive in their language, not covering Alzheimer's disease and requiring nursing home placement to occur following a hospital stay. In more recent years, contracts have become much more versatile and will often cover not only facility care, but home care and community care as well.

In our opinion, one of strongest considerations when evaluating a long-term care provider is the length of time they have been marketing the product. There are only a handful of players in the market today that have the experience with pricing the contract appropriately and paying claims. One of the worst possible scenarios would be to purchase an inexpensive long-term care contract today only to find out that you can't afford the large future increases that will likely occur due to an inexperienced carrier's under pricing the product at the onset. A worst scenario might be that they quickly get out of the business due to high losses at claims time.

Even the strongest carriers do not guarantee that they will not have to raise the premium at some future date. However, they have a good understanding of how to price the product up front, and future increases will only be tolerated if the carrier can prove that the claims incurred dictate an increase.

As independent agents, Jolles Insurance can represent the majority of carriers available to you in the market place. It is also important to note that the cost to allow us to represent your long-term care needs will be exactly the same as any other agent can provide or, for that matter, the same cost than if you went through the carrier directly. With that in mind, our clients appreciate the added value service in helping select an appropriate carrier and benefit design. We will help you in the underwriting process to secure the best possible offer. We pride ourselves in providing top-level service after the sale and especially at the time you need it the most -- when you need to go on claim.

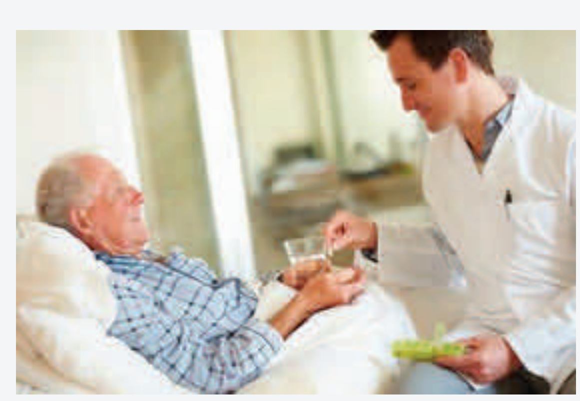
- Jolles Insurance reviews the leading competitive long-term care contracts available on the market. Although we regularly review the specimen contracts from each of the carriers we represent, we do not guarantee the accuracy of information provided.

This information is for general plan comparison purposes only and is presented to facilitate a better understanding of significant plan differences between the leading LTC carriers. Any references are based on the best available information and the actual contract should be consulted as the final authority. All information should be verified before making a decision on a specific policy or plan design. If you are considering replacing a current insurance plan, do not terminate your existing policy until you have received your new policy and verified the provisions and premium.

LTC Analysis

The first distinction in evaluating the contracts deals with the method that the carriers pay the daily benefit. There are two basic types of contracts: reimbursement contracts and indemnity contracts. A reimbursement contract means that you send the bills to the company and the company pays you back for the allowable expenses up to the policy limits. Each day that a reimbursement is less than the maximum daily benefit amount, the money is kept in a pooled account. This money would then be available to extend the benefit period until all monies in the pooled account are exhausted.

Usually under an indemnity contract once you've triggered benefits and met the waiting period, the insurer cuts you a check for the daily maximum benefit for each day you have at least one eligible service. This provides you with the flexibility to utilize the payment in any way you see fit, i.e., chores, cleaning, lawn care, shopping, etc. Generally speaking, indemnity plans are more expensive than reimbursement plans.



The next point of comparison is determining satisfaction of the elimination period. Some carriers begin counting days of service following approval of carrier to doctor's certification that an individual requires assistance for two or more ADL's or suffers cognitive impairment. Other carriers require that the individual or some form of insurance is paying for assistance in order for a day to qualify towards the elimination period. There are also various differences in how days are qualified. For example, if one day requires assistance within a week, some companies count it as a week satisfied. There are some contracts on the market that will waive the elimination period for home care if the carrier's approved case manager agrees the care is needed and appropriate. Almost all carriers state that once the elimination period is satisfied, it is satisfied for life. An even better definition shared by some companies goes one step further in stating that each elimination day satisfied is satisfied for life. An additional point that needs to be understood when comparing plans that require satisfaction of the elimination period is that most carriers require that the elimination period be satisfied within a defined period of time, such as one year or 18 months. If it is not satisfied in that period, a new elimination period would need to be satisfied. Avoid contracts that require a new waiting period when you move from home care to nursing-home care.

Long-Term Care Plan Design

The younger you purchase a long-term care policy the more realistic it will be for you to design a policy that will give you the peace of mind your coverage will do an effective job for you in the future, when you need it. Properly designing your long-term care contract can be the difference between throwing away years of premiums or having your policy be the effective insurance that you intended it to be: protecting your assets, your choices, and your dignity in the distant future.

You have to use vision when you design your policy. Think about how far we have come over the past 20 years in our advances in health care, medicine, and longevity. The pace of advancement does not slow down. What will seniors face 20 or 30 years from now in terms of long-term care needs? Those of us who market long-term care often say, "the longer you live, the more likely that you will need long-term care insurance." ? Would it be smart to look at today's statistics which state that the average length of time an individual requires long-term care is between 2-1/2 and 3 years? Long-term care is insurance we buy today for a need that will likely not present itself until we are 80, 90, or even older. Many of the provisions that you consider when designing your policy need to take this into account.

For example:
Benefit Period: Remember that the industry average of 2-1/2 years is just that, an average. 50% of the individuals spend less time requiring long-term care assistance and 50% of the individuals spend more time. If you consider what is pointed out above, it is very easy to visualize a future where the oldest members of our population are receiving higher levels of personal care, medical care, and nutritional care. It would be interesting to know the effect that today's assisted living facilities have had in increasing the longevity of individuals who require assistance.

Inflation Protection: Long-term care inflation has been rising at a much higher rate than general inflation. Most sources use 5% as a benchmark for long-term care inflation. For younger policyholders 65 and under it is highly recommended that a 5% compound inflation rider be included in the contract.
If inflation continues at 5% a year, a 60 year old with an initial daily benefit of $150 and reaching age 80 in 20 years would need a benefit of $397.99/day. How good will your policy be if it only provides $150/day?
Elimination Period: When you select your elimination period, you have to understand the impact that inflation will have on your policy as well. Let's assume that you feel you can handle a 90-day elimination period (that means that you will pay the daily benefit for the first 90 days that you need services). Based on a $150 daily benefit, you would expect to pay $13,500 before your benefits kick in. Imagine that long-term care inflation continues at 5% over the next 20 years. You might find out you will need to pay $35,819.10. This is based on the average daily cost of care increasing to $397.99/day.

There are a number of other features to weigh before selecting the most appropriate benefit design to meet your specific needs.

Underwriting

Jolles Insurance will take into consideration your health history and other underwriting considerations before making a final recommendation.

By understanding your specific health history, we will take the following steps:

1. We will check with the leading carriers for their specific underwriting rules.
2. As part of our initial process, we work closely with nurses who understand the underwriting issues for most of the major carriers. They assist us in focusing on the carriers that will likely provide the most favorable underwriting.
3. We will, whenever possible, talk directly with an underwriter to determine if there are specific requirements that we can obtain to facilitate a better underwriting outcome.
4. We will follow-up with all parties throughout the underwriting process to assure that you get the best possible offer.

There are many insurance companies who have recently entered into the long-term care marketplace. Some have set up relationships with other existing companies, while others have designed new products that are untested. Because of the ever changing long-term care industry, it is very difficult for inexperienced carriers to offer products without the historical advantage of underwriting new business and projecting the cost of future claims. It is for this reason that we strongly suggest that one of the most important considerations is selecting an experienced carrier with a long track record in the long-term care marketplace.

Even in underwriting there are substantial differences between the top carriers. Depending on the medical history, one carrier might offer a preferred underwriting status while another might issue a rated policy or even decline the applicant. With a very high degree of accuracy, we can determine the likely underwriting result before an application is even submitted.

It is important to deal with an agent who specializes in long-term care. Brian Jolles has spent years learning the marketplace and understanding how to properly evaluate the competing products. Brian works with many other professionals who specialize in the senior market. His overall understanding of insurance, estate, and financial planning and how the various pieces fit together to determine specific needs are essential to providing the best possible assistance.

Once it is determined that long-term care insurance is an appropriate option for a client's needs, our next step is to have the client complete a health screening questionnaire. This tool allows us to communicate with nurses and underwriters to begin narrowing down the realistic and most appropriate options. It is our strong recommendation that you never submit an application without having a reasonable expectation based on the work of the agent that you are likely to receive a favorable underwriting result.

Long Term Care Definitions

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