Long-Term Care Insurance Planner

This planner is designed to help you decide what kind of long-term care insurance is best for you and help you shop for the policy that meets your needs. Many insurers charge a lot more – or less – for very similar policies. So there's a great benefit to shopping around. No policy is exactly alike. However, if you follow these steps, it will be easier to compare policies side by side:

Step 1. Try to determine, ahead of time, what type of care you think you will need from others <u>beyond</u> the assistance your own family members may be able to provide:

	Yes	No
Custodial Care	[ ]	[ ]
Intermediate Care	[ ]	[ ]
Skilled Care	[ ]	[ ]

This isn't easy, because it's often hard to anticipate your future needs, but try your best to decide if you're going to want access to one of the following. <u>Custodial care</u> is provided by someone without medical training who helps you with daily activities. <u>Intermediate care</u> includes occasional nursing and rehabilitative care supervised by skilled medical personnel. <u>Skilled care</u> includes 24-hour care provided by a skilled nurse or therapist.

Step 2. Decide <u>where</u> you would most likely be receiving the care?

	Yes	No
In-Home Care*	[ ]	[ ]
Nursing Home*	[ ]	[ ]
Adult Day Care	[ ]	[ ]
Assisted Living Facility	[ ]	[ ]
Other _____________	[ ]	[ ]

*Typically available with all three levels of care – custodial, intermediate, and skilled.

Most people prefer in-home care. However, if you have no family members to help you at home, in-home care could be prohibitively expensive, especially if it requires skilled care. Nursing homes are designed for 24-hour care and are best utilized for short-term stays. Adult day care is an option, but will probably require someone, such as a family member, who can drop you off and pick you up daily. Assisted living facilities are increasingly popular, offering a good balance between independence and assistance. Other types of care could include hospice care (for the terminally ill) or respite care (temporary assistance to help relieve family members).

Step 3. Check out the facilities in the area in which you plan to live, make sure you're comfortable with them, and find out much how they cost:

	Estimated Costs
In-Home Care	______________
Nursing Home	______________
Assisted Living Facility	______________
Adult Day Care	______________
Other	______________

The insurance company is going to pay you a daily benefit that will be applied toward the cost of your care. Most of the costs above that daily benefit will have to come out of your own pocket. Therefore, find a facility that you'd be comfortable with, and then try to get a general idea of how much it would cost. Each facility may offer a different rate schedule for each level of care it provides, so make sure you understand the differences. For care within your home, contact a home care agency and ask them about the going rates for home nurses and therapists. Also consider costs associated with any modifications that may be needed for your home, such as wheelchair accessibility, handicap rails, etc.

Step 4. Try to estimate how much of the long-term care expenses you will be able to pay on your own: $___________ per month.

Your financial planner may be able to give you an estimate of your retirement income available for health care. However, even a good estimate can be off the mark, so make sure your policy covers enough to avoid being financially strapped by long-term care expenses.

Later, make sure your agent takes this information into consideration when he works out the terms of your policy. He should limit your out-of-pocket expenses to what you have indicated here.

Step 5. Try to arrive at a reasonable guess regarding when you might start using the benefits.

Again, it's hard to predict. But if you're in reasonably good health and you have a family history of longevity, that's something to consider. If you're already suffering from chronic health problems, you may need the benefits sooner rather than later. If it's more than 10 years from now, you can buy a long-term care policy with an optional inflation protection feature to help protect against the rising cost of health care. This can add significantly to the cost, but you get what you pay for. Typically, the insurance company will add an extra five percent to your daily benefit, compounded annually. Thus, if the policy provides a $100 daily benefit now, it would rise to $163 in 10 years.

Step 6. Determine whether you prefer a "tax-qualified" policy or a "non-tax qualified" policy:

	Yes	No
Tax-Qualified Policy	[ ]	[ ]
Non-Tax Qualified Policy	[ ]	[ ]

If you buy a tax-qualified policy, you will be able to claim the policy premiums as itemized medical expenses on your tax return. Furthermore, the benefits you receive will not be subject to federal income taxation, up to a dollar cap. If you purchase a non-tax qualified policy, you will not be able to itemize the premiums. As to the benefits, the IRS has yet to clarify whether or not they will be subject to federal income taxation. Do not assume that a tax-qualified policy will automatically be more beneficial. Reason: Typically, a tax-qualified policy will have stricter guidelines as to when you can access the policy benefits. You also may not be able to take advantage of the tax benefits. You may want to consult with a tax advisor on this subject.

Step 7. Find insurance agents in your area that specialize in long-term care policies:

Agent Name	Phone Number	Specialization in LTC?	Name of insurance company
______________	________________	(Y / N)	________________________
______________	________________	(Y / N)	________________________
______________	________________	(Y / N)	________________________
______________	________________	(Y / N)	________________________

Long-term care insurance is very complex. Therefore, make sure you work with an agent who specializes in long-term care policies, and don't limit your choices to someone you know or who is associated with your broker. The agent should be able to help educate you and clarify any questions you have – not only on policies he or she sells, but on others as well. Try to avoid agents that work strictly with one insurance company. Complete the remaining steps with the direct assistance of the agent you choose.

Step 8. Ask your agent for the names of at least three different policies, from different insurers, that you can compare.

	Policy A	Policy B	Policy C
Insurance Company Name	_______________	______________	_______________
Policy Name/Number	_______________	______________	_______________

Step 9. Have your agent check the financial strength rating for each company.

	Financial Strength Rating
Policy A:	____________________
Policy B:	____________________
Policy C:	____________________

It may be a long time before you begin to submit claims. Therefore, you will want to make sure your insurance company will still be viable at that time. If you use Weiss Ratings' Financial Strength Ratings, we recommend you favor companies with a rating of B+ (good) or higher, and we suggest you avoid companies with a rating of D+ (weak) or lower.

Step 10. Favor companies that have more experience with long-term care insurance.

	Years of experience with long-term care	Have they ever raised rates for existing policyholders?
Policy A:	______________________________	(Y / N)
Policy B:	______________________________	(Y / N)
Policy C:	______________________________	(Y / N)

This should not be a deal breaker. But you're better off with a company that has been offering long-term care policies for a while and has never raised rates for existing policyholders. In contrast, companies that are new in long-term care – or have a history of raising rates on existing policies – are more likely to raise your rates in the future.

Step 11. If you're considering buying a policy with your spouse, check how you qualify for a spousal discount.

Policy A: ____
Policy B: ____
Policy C: ____

In some cases, you may need to be married to qualify; in others you don't have to be formally married. Some insurers require that the policies be exactly the same, while others do not.

Step 12. Ask your agent for quotes on the monthly premiums. Make sure the quotes are based on the preferences and needs that you outlined in steps 1-6.

	Single Policy Premium	Combined Policy Premium	% Savings
Policy A:	____________________	_______________________	_________________
Policy B:	____________________	_______________________	_________________
Policy C:	____________________	_______________________	_________________

If you can buy your long-term care policy with a spouse or significant other, make sure you take advantage of spousal discounts, which can save you up to 20% on the combined premium.

Step 13. Find out exactly what each policy covers in addition to the basics that you require:

	Policy A	Policy B	Policy C
Custodial	(Y / N)	(Y / N)	(Y / N)
Intermediate	(Y / N)	(Y / N)	(Y / N)
Skilled	(Y / N)	(Y / N)	(Y / N)

The actual policies that your agent has suggested may differ somewhat from your wish list of benefits, including some that you did not ask for, or excluding others that you wanted. This may help explain some, but not all, of the price differences.

Step 14. Ask your agent to give you a list of the types of facilities that are included and how they are defined. Facilities may include nursing home care, in-home care, adult day care, hospice care, assisted living facilities, and other options.

Policy A ____
____
____

Policy B ____
____
____

Policy C ____
____
____

Step 15. Find out the basic terms of coverage and reimbursement, as follows:

Policy A: How the company calculates elimination period: ____________________

Facility of Care	Elimination Periods	Benefit Periods	Daily Benefit
In-home care:	________________	_____________	___________
Nursing home:	________________	_____________	___________
Assisted living:	________________	_____________	___________
Adult day care:	________________	_____________	___________

Policy B: How the company calculates elimination period: ____________________

Facility of Care	Elimination Periods	Benefit Periods	Daily Benefit
In-home care:	_______________	____________	__________
Nursing home:	_______________	____________	__________
Assisted living:	_______________	____________	__________
Adult day care:	_______________	____________	__________

Policy C: How the company calculates elimination period: ____________________

Facility of Care	Elimination Periods	Benefit Periods	Daily Benefit
In-home care:	_______________	____________	__________
Nursing home:	_______________	____________	__________
Assisted living:	_______________	____________	__________
Adult day care:	_______________	____________	__________

Elimination Period: This is similar to a deductible. It is the amount of time you pay for services out of your own pocket before the insurance policy takes over. Typically, you can select elimination periods of 0, 30, 60, 90, or 180 days, depending on the policy and insurance company. But you must find out exactly how the elimination period is satisfied. Let's say, for example, you need care on days 1, 4 and 10. With some policies, that would be counted as only THREE days toward your elimination period. With other policies, it would be counted as TEN days, which would mean you'd start collecting the benefits much sooner.

Benefit Period (or maximum): Some companies tell you the length of time the policy will be paid; others just tell you the maximum value of benefits to be paid. The benefit period can typically range from 2 to 5 years, and some may even have an unlimited lifetime period.

Daily Benefit: The amount the policy will pay for each day of covered services. Some plans offer a daily benefit reimbursable on a weekly or monthly basis giving you more flexibility. For example, if you selected a daily benefit of $100 reimbursable on a weekly basis you would be reimbursed for up to $700 dollars per week in expenses no matter how much you incurred on any one day.

Step 16. Determine if the policy is "a pool of money" contract.

	Pool of money?
Policy A:	(Y / N)
Policy B:	(Y / N)
Policy C:	(Y / N)

Most current policies will actually give you more time to collect the benefits than indicated by the benefit period. For example, in a four-year policy, if you need care on and off, you may not use up all your benefits in that four-year period. So you could continue to collect those unused benefits in subsequent years as well. These are called "pool of money" contracts. (To calculate your pool, just multiple the total number of days by the daily benefit.) Other policies will actually end at the end of the four years, no matter what.

Step 17. Check into the requirements needed to activate the policy.

Policy A: ____

Policy B: ____

Policy C: ____

You will need to meet what is referred to as "benefit triggers" before the policy can begin covering expenses, and these can vary from policy to policy. Under most policies, you will be qualified for benefits when you meet certain conditions, such as: 1) The inability to perform activities of daily living ("ADLs"), which typically include bathing, dressing, transferring, toileting, eating, continence, and taking medication on your own; and 2) cognitive impairment. Some plans require you to satisfy <u>either</u> condition (1) or (2); some require that you satisfy <u>both</u> conditions. Still others also allow for a third trigger, often referred to as "medical necessity." This means that a doctor determines if you need care due to an injury or sickness. Make sure you find out the precise requirements of each policy.

Step 18. Find out what other features are included (or can be added by a "rider") to the policy. Your agent should explain any additional features that may be included in the policies you are comparing including the following:

	Policy A	Policy B	Policy C
Waiver of Premium	(Y / N)	(Y / N)	(Y / N)
Nonforfeiture	(Y / N)	(Y / N)	(Y / N)
Restoration of Benefits	(Y / N)	(Y / N)	(Y / N)
Alternate Care Plan	(Y / N)	(Y / N)	(Y / N)
Bed Reservation	(Y / N)	(Y / N)	(Y / N)
Guaranteed Renewable	(Y / N)	(Y / N)	(Y / N)
Inflation Protection	(Y / N)	(Y / N)	(Y / N)

Your agent will explain the details. Just make sure that you actually need these additional benefits, because they can add substantially to your total costs.