Long-term care insurance

Wealth Management

If you are concerned about increasing health care costs, now may be the time to consider long-term care insurance.

What is long-term care insurance?

Long-term care insurance helps insure against the possibility of personal spending for nursing or custodial care. As the name implies, it provides benefits for the costs of "long-term care," whose services primarily consist of nursing home care, assisted living facilities and home health care. Simply put, long-term care insurance helps provide its holders with peace of mind. It reduces the need to worry about the rising costs of health care and whether or not you will be able to afford the services you may need in the future, and may provide you with a choice of where and how you receive your care.

Why is long-term care insurance an important consideration?

With an increasing number of people needing long-term care each year, policy owners can find assurance in the fact that they will be covered. Long-term care expenses can quickly add up considering an average nursing home stay is 2.3[1] years at an average cost of $105,850 for private care and $93,075 for semiprivate care.[2] This doesn't need to cause you to worry, however. Long-term care insurance provides relief for these expenses so as not to burden family members. Protecting against family dependence, long-term care insurance enables you to maintain your hard-earned assets and have the freedom to use them as you wish, not as you must.

Medicaid and Medicare

Medicare generally does not pay for long-term nursing home care, but covers short term care while one recovers from an illness or injury. With a detailed list of requirements that an applicant must fulfill before receiving limited coverage, Medicare is often not a viable option for long-term coverage.

As a welfare program, Medicaid isn't appropriate for many people either. It is designed to cover those who are unable to pay for their own medical care. In order to receive Medicaid benefits for nursing home care, patients are forced to "spend down" their assets to be considered impoverished.

Long-term care insurance

One of the options to assist with costs associated with long-term care needs is a long-term care insurance policy. Individual policies can be different from one company to the next.

Traditional or stand-alone long-term care policies

These policies generally pay benefits only when a claim occurs. When purchased, you may have an option to design your coverage be selecting:

- Monthly benefit—what would be paid in the event you qualify for a claim
- Benefit period—how long benefits would be payable to you
- Inflation protection—a coverage increase that may be triggered by increase in cost of living and typically requires additional premiums to add to the policy
- Waiting or elimination period—reflects the number of days you have to wait before benefits start

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Traditional or stand-alone long-term care policies are typically less expensive compared to other types of insurance policies that provide broader benefits, such as cash value accumulation and/or death benefits. However, similar to auto insurance, if you do not have a claim, your contract will not have value.

Hybrid/Combination life insurance policy or annuity contract that offers long-term care coverage

Hybrid or combination policies are typically funded with a single or abbreviated series of payments. They may combine long-term care benefits by utilizing a life policy or annuity contract. If long-term care benefits are not needed, clients may leave a death benefit or accumulated value as part of their financial legacy to a named beneficiary.

Life insurance policies with long-term care riders

Combining a long-term care rider on a life insurance policy allows one to receive a portion of the death benefit to cover long-term care expenses while they are alive. A long-term care rider can be triggered by a diagnosis of a critical or chronic illness that leaves one unable to take care of themselves.

As with all long-term care insurance policies, once the impairment has been certified and approved by the carrier, benefits may be received.

Difference between indemnity and reimbursement provisions

Indemnity long-term care policies will pay a selected daily benefit as soon as one qualifies for benefits. Reimbursement long-term care policies will pay the actual costs of care which are demonstrated by receipts being filed with the carrier, once one qualified for benefits.

Is long-term care insurance right for you?

The most important question to ask yourself when deciding whether long-term care insurance is right for you is whether you are worried about long-term care expenses and the possibility of "runaway" health care costs. If the answer is yes, a policy that is not a financial burden may be right for you. There are many different degrees of coverage from which to choose. You can tailor a plan that is comfortable for you by determining your benefit period, benefit amount, waiting period and several other options.

You've spent your life trying to build your assets. Now through long-term care insurance, we want to help you keep them.

1. National Care Planning Council 6/28/18

2. August 2020 Genworth Cost of Care Survey

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