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Comparing Long-Term Care Insurance Policies



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Long-term care insurance (LTCI) policies come in many shapes and sizes. The number of options available can make it difficult to compare policies. Print this list of features and benefits, and refer to it as you compare LTCI policies. To find the right policy for you, make sure that you compare similar policies that combine the benefits and features you want.

Features and benefits to compare	Explanation
Financial rating of insurance company	Is the insurance company financially stable? To determine this, review ratings published by A. M. Best, Standard & Poor's, Fitch, and others. If you have questions about the ratings, ask your insurance professional for assistance.
Tax-qualified or nonqualified policy	Is part of your premium payment tax deductible? Most policies are eligible for favorable tax treatment, which can lower your cost.
Availability of multiple facilities for care	Does the policy cover nursing homes, assisted-living facilities, and home health care? Many policies will cover care in all three settings.
Benefit period	How long will benefits be paid? Common options are 2, 3, 4, 5, 6, 8, 10 years, or lifetime benefits. The longer the benefit period, the more you will pay.
Benefit amount	How much will the policy pay per day if you need care? The most common maximum benefit amounts are \$50 to \$350 per day.
Benefit method	How are benefits paid? If the reimbursement method is used, only actual expenses are covered and the provider is reimbursed directly. If the indemnity method is used, the daily benefit amount specified in the contract is paid directly to the insured.
Pooled benefit	If the policy uses the reimbursement method of claims payment, does it include a pooled benefit feature? Under the reimbursement method, only your actual expenses are covered. If your actual expenses are less than your coverage amount, the pooled benefit feature allows you to save unused daily benefits for later. Without it, you forfeit any unused benefits.
Elimination (waiting) period	How long will you have to wait before benefits begin once you become medically eligible? Common options are 0, 30, 60, 90, 100, 180, or 365 days. The shorter the elimination period, the more you will pay.
Recurrent claims	What happens if you recover but then need care again? Some policies require only one waiting period during the life of the policy, while others require a new waiting period when no benefit has been received for a period of time, usually 180 days.
Waiver of premium	Will you need to keep paying your LTCI premiums once you're receiving care? A waiver of premium option provides that no premium payments will be due while you are receiving benefits.
Activities of daily living (ADLs) requirement	What will trigger your eligibility for benefits? Find out how many ADLs (e.g., eating, bathing, and dressing) you must be unable to perform without assistance before a claim can be made. The fewer required the better. Available options range from two or three ADLs out of five or six.
Gatekeepers	What conditions must be satisfied in order to qualify for benefits? For example, you may need to be hospitalized for three days, receive paid professional services during the elimination period, and use caregivers who have certain credentials.

Inflation options	Will your benefit keep pace with the cost of living? A variety of options are available. No inflation protection means that your benefit amount will not increase, regardless of the increases in the cost of care. If you do not purchase inflation protection, you may be offered the opportunity to purchase increased benefits for an additional premium based on the increase in the cost of living at periodic intervals, such as every year or every three years. Other typical options include 5% simple or 5% compounded annual increases in benefit amounts. These options may allow for unlimited increases or an increase capped at two or three times the original benefit.
Reduced paid-up option	Does the policy include a reduced paid-up option? If so, the policy will pay some benefits even if you decide to stop paying the premiums.
Return of premium at death option	Does the policy include a return of premium at death option? This refunds premiums if you die prematurely, but it generally applies only for deaths that occur before age 70.
Bed reservation benefit	Does the policy include a bed reservation benefit? This option will hold your place at the nursing home if you have a hospital stay.
Other benefits	Does the policy offer any nonstandard benefits? These include respite care and care advisory services.
Exclusions to the contract	What coverage exclusions apply? Examples include pre-existing conditions excluded for a period of time after your policy is issued, and mental or emotional disorders without an organic disease.
Premium per \$10/day of benefit	What premium will you pay? The biggest factor in determining premiums is age, but the options you choose count, too. Compare the cost of each option for each policy, and not just the total premium that includes all of the options you want.
Spousal discounts	Will you receive a discount if both you and your spouse buy a policy? Discounts of 10% to 20% are sometimes available to one or both spouses if both buy a policy.

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