



“On The Money Report”

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This week's report is written by our On The Money insurance expert, Randy Shine.
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WHAT TO LOOK FOR IN A LONG-TERM CARE INSURANCE POLICY

by

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What is long-term care insurance?

Long-term care insurance allows you to transfer the cost associated with caring for yourself or your family members when one becomes incapacitated due to physical or mental events.

A long-term care insurance policy will not cover **all** the costs associated with providing long-term care, but it will provide flexibility in selecting the type of services you will receive. It will also help you to choose where to stay, and the level of care you will receive. It may also reduce your dependence on your family and others.

There are six basic features that determine the policy cost and benefits of the typical LTC policy. You should choose the benefits that best meet your needs and concerns.

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1. **Pool or Per Diem:** A Pool benefit policy establishes a maximum amount you can receive from the insurance company. If you choose a \$100 daily benefit for three years, then you will have a maximum of \$109,500 to use to pay any qualified bill. ($\$100 \times 365 \times 3 = \$109,500$) The benefits will be paid for a minimum of 3 years. The policy may pay longer, depending on the cost of care you receive. If you have received qualified services that cost only \$50.00 on a given day, the insurance company will pay you \$50.00. If you received covered care for \$150 on a given day, the insurance company will pay you \$100 for that one day. Per Diem policies (also called indemnity policies) pay a fixed amount, regardless of the cost of covered services. If you had a \$200 per day indemnity policy and received a bill for \$50.00, the insurance company would send you a check for \$200. If you received a bill for covered care of \$250 for a day's care, the insurance company would send you a check for \$200.

2. **The Elimination Period:** This is the number of days which you must pay out of pocket before the insurance company starts paying benefits. You can choose from first day coverage up to a one year wait.

3. **The Benefit Period:** This is the length of time the insurance company will pay claims for which you qualified. Choose anywhere from 2 years (730 Days) to 10 years (3650 Days) or even lifetime. A lifetime policy has no limit on the total amount of insurance proceeds that could be paid to you for covered care. The amount paid is based on the per-day dollar amount you selected, the type of policy: pooled or per diem, and the services rendered. This is normally called the “daily, weekly, or monthly benefit.”

4. **The Nursing Home Benefit:** This is the maximum amount per day the insurer will pay for your care in a facility such as a nursing home or assisted



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living facility. The minimum and maximum you can choose per day or month varies between companies.

5. **The Home Care Benefit:** This is the maximum amount per day the insurer will pay for at-home care. Most companies ask you to select the amount you want in terms of a percentage of your nursing home benefit. Typical options include 150%, 100%, 75% and 50%.

6. **Inflation Protection:** Available for an additional premium, this feature will increase your daily maximum amount over time to help keep up with inflation. Choose either a “5% simple” or a “5% compound.” *Here’s a tip:* Applicants over 75 can reduce the cost of buying the inflation rider by buying a higher daily benefit than they would actually need today.

Other Important Features

- 1) Purchase from a well rated, experienced company.
- 2) Choose a company that has a reasonable history of raising premiums on existing policy owners.
- 3) Make sure the policy covers all types of care, including:
 - a. Home health care
 - b. Adult day care
 - c. Respite care
 - d. Non-professional care giver services
 - e. Assisted living and nursing home care



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- 4) Understand the requirements you have to meet before the insurer pays any benefits (called benefit triggers). The insurance company will check to see if you are unable to perform two out of six basic activities of daily living (ADL) without substantial assistance, or have a cognitive impairment.
- 5) Have the ability to choose the licensed health care practitioner who certifies your eligibility for benefits.
- 6) The elimination period:
 - Check that you will have to meet the elimination period only once.
 - Check the policy regarding “service days” or “calendar days.”
 - If your policy offers payment for “service days”, then only the actual days of service will count toward the elimination period. In other words, if you have an elimination period of 30 days and you received covered care three times per week, it would take ten weeks to meet the requirement.
 - With “calendar days” coverage, your elimination period starts on the first day you receive qualified service, after which, every succeeding day counts, whether or not you receive service.
- 7) Know the difference between policies that are tax-qualified or non tax-qualified. Tax-qualified means some or all of the premiums that you pay are tax deductible, and the resultant benefits will be 100% tax free.



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- 8) Insist on a policy that covers homemaker services and allows for home modifications and training for non-professional care givers.
- 9) If you purchase a policy with less than “life time benefits” insure the policy has restoration of benefits.
- 10) Benefits that are paid monthly are always better than benefits that are paid weekly or daily. For example, if you have a \$100 per day benefit that is paid daily and receive care that bills you \$150 per day, you will have to pay the \$50.00 difference out of pocket. If that same benefit is paid monthly, you would receive \$3,000 for the month (\$100 per day X 30 days). Assuming you received the same bill just mentioned, 100% would be paid, up to the monthly benefit (\$3,000).

For more information or assistance call:

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