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Evaluating a Long-term Care Insurance Policy

Long-term care insurance has become the default option for individuals looking for help paying the future expenses associated with long-term care (see "[Long-term Care Insurance – January 2005](#)"). People with few, if any, assets will likely be taken care of through Medicaid; those with millions in savings can probably afford to self-insure the risk they will need assistance. Individuals whose net worth falls somewhere in between, particularly those without family members to care for them or those with a chronic illness, long-term care insurance can make sense.

When, and if, you decide long-term care insurance is right for you, ask the following questions to evaluate a policy:

- 1. How long will the policy pay benefits?** A policy that pays benefits for five years should be sufficient, since 90% of individuals stay less than 5 years. The average age of a person entering a nursing home is 83 years; the average stay is 2.5 years.
- 2. Is the policy guaranteed?** Make sure the policy cannot be cancelled or terminated due to the policy holder's age or health condition.
- 3. Does the policy include inflation protection?** With costs expected to increase 5% per year, today's \$200 per day cost will rise to \$530 per day in 20 years.
- 4. What is the elimination period?** Think of this as an insurance deductible. It is the period during which you must pay out of pocket before benefits kick in. The longer the period (a.k.a. higher the deductible), the lower the premium.
- 5. Does the policy cover home care?** A good policy will fully cover in-home care (up to the daily benefit amount), care in assisted living facilities, adult day care and respite care.
- 6. What is the financial health of the insurer?** You may not need the benefits for 20 or 30 years, so the insurer must have the strength to be around when you need benefits.
- 7. Does the policy's daily benefit include the cost of drugs, supplies or other needed services in addition to the cost of a room?** These "other" costs can add 20% or more to the real cost of care.
- 8. Who determines if you qualify for benefits?** Does your primary care physician make that determination or is it made by the insurer's appointed doctor?
- 9. How many activities of daily living (ADL's) must you be unable to perform to qualify for benefits?** Look for a policy requiring a person be unable to perform no more than two. One should be bathing. 94% of nursing home residents need help with bathing.
- 10. What does nursing home care actually cost in your area?** While the national average is well-cited, costs can vary widely so it may be helpful to check with nearby care facilities to see what you can expect to pay.