
Long Term Care Insurance 101

Presenters:

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Objectives:

- ❖ Define the core components of most LTC policies
- ❖ Learn key components to look for in a LTC policy to determine how much and what care the policy will cover
- ❖ Learn how to initiate a claim and keep the claim open while the insured is living in your community

Core Components of Most LTC Policies:

- ❖ Benefit triggers
- ❖ Waiting & Elimination periods
- ❖ Lifetime benefit maximums
- ❖ Duration of benefits
- ❖ Level of care restrictions/variable daily benefit amounts
- ❖ Inflation riders
- ❖ Waiver of premium & Cash surrender value
- ❖ Nonforfeiture options & Unintentional lapse protection

Benefit Triggers:

Standard Policy Triggers (deficits in 2/6 ADLs):

1. Bathing
2. Dressing
3. Toileting
4. Transferring
5. Eating
6. Contenance

*Documented **cognitive impairment** is typically considered a stand alone trigger without the need for ADL deficits.



Waiting & Elimination Periods:

Waiting Period- amount of time the policy must be in force before the insured is eligible to initiate a claim

Elimination Period- a defined period of time where the insured is benefit eligible, but is responsible for the cost of care out of pocket until met

*Some policies may include conditions allowing a elimination period to be waived based on medical diagnoses or may reduce the way the elimination period is calculated depending on the level of care the individual is seeking- always ask!



Limits, Maximums, and Duration of Benefits:

Daily, weekly, or monthly benefit limits-some policies limit the amount of care that will be reimbursed in a given period of time based on the level of care

Lifetime benefit maximum (LBM)-most all policies will pay until a certain dollar amount has been reimbursed in benefit regardless of the timeframe

Duration of benefits-some policies have a certain timeframe that benefits must be used from the initial opening of the claim. Others are defined by the amount of care utilized or how quickly the lifetime benefit maximum (LBM) would be exhausted by dividing it by the maximum daily/weekly/monthly limit



Level of Care Restrictions:

-Skilled Nursing

-Assisted Living

-Intermediate (such as an adult day care)

-Custodial/Home Health* Some policies exclude this level of care completely while others will recognize this LOC with a reduced benefit-typically required to be provided only by professionally, licensed in-home care agencies-rather than privately employed sitters or rendered by friends/family.

Inflation Protection & Why is it Important?

Inflation protection-built into the policy at time of issue to allow for the policy's benefit amount to keep pace with the rising cost of care-recommended to be at least 5% by today's standards

Inflation protection is an **optional rider** and increases the amount you pay in premium, however, the presence of this rider is typically the difference in an insured being able to experience a true return on investment



Waiver of Premium & Cash Surrender:

The Insured no longer makes premium payments for the LTC policy after a claim is initiated and approved!

Many products are designed to have a fixed premium, however there are other long term care products especially some older tax qualified LTC products which are allowed to increase their premiums annually as the insured ages much like term insurance increases based on age after the term expires.

Often times the premiums exceed what the insured can manage living on a fixed income and they are often lured into **Cash Surrender** options where the insured rarely breaks even on the premiums paid into the policy over the years.



Nonforfeiture Options, & Unintentional Lapse Protection:

Nonforfeiture Options exist to give the insured alternative options to continue coverage but at a more affordable rate-sometimes this looks like dropping that really valuable inflation rider or reducing the amount of covered years or lifetime maximum benefit amount

Unintentional Lapse Protection-all life and LTC products are required to have a Grace period which is typically at minimum 30 days to get the premium payment caught up before the policy lapses but if the policy lapses and it can be proven the lapse was unintentional many LTC products can be reinstated within 6 months.



The Evolution of Long Term Care Coverage:

Hybrid Life/LTC- policies that include LTC riders coupled with permanent life coverage-no more “Use it or lose it!”

- Indemnity vs reimbursement only style policies for LTC needs
- Flexibility to turn care on/off in any level of care throughout your lifetime
- Return of Premium protection

Annuities that include LTC riders (2x or 3x the face value of the policy) can be purchased with tax qualified or nonqualified funds and not subject to the rigorous medical underwriting requirements as Life/LTC products

Couples Protection- Life/LTC products that cover multiple lives

Documentation Requirements to Initiate a Claim

- Documentation that supports that the insured needs assistance performing 2 out of the 6 common trigger ADLs or documented substantial cognitive impairment
- Documentation from Physician that care is required
- Evaluation by a third- party RN contracted by the Insurance Carrier
- Care Plan-notes must match the ADLs defined on the Care Plan

Supporting the Claim:

Once on claim, routine assessments will typically be required by a RN.

The LOC in which the claimant resides will dictate the care documentation. If receiving in home care, this will be daily care documentation. If in an ALF setting, this is typically provided through a **Plan of Care** and must be submitted every three months. **Monthly documentation** must support the claim of the Resident requiring assistance with at least 2 of the 6 ADLs that were defined to be deficit in their Plan of Care or support that the Resident requires supervision for safety related to a substantial cognitive impairment.



Marketing Tips:

Connect with **Power Partner Home Care Agencies** in your area to get the Elimination Period started while they are still at home.

Does your Home Care Provider of choice have an **RN** that signs their assessment paperwork?

Your **Competitive Analysis** should ask if they assist in opening claims for LTC Policy Holders



Cost of Care: ALF vs Home

ALF- Average in Upstate SC

\$4500/month (30 days)

\$150.00 per day

For All Inclusive Community

Home- Average Home Care in Upstate SC

\$30.00 an hour (4 hr min) \$120.00 per day

\$240.00 per day (8 hours)

\$720 per day (24 hours)

Still have pay home costs: Meals, Power, Taxes, Rent, etc.



Marketing Tips:

Assignment of Benefits-BEWARE!

Advertise! On your brochure, social media, Insurance offices that sell LTC policies, Financial Planners, etc.

Do you have current clients with LTC Policies?

Do you have Wait-List clients with Policies?



Next Steps:

How do you make this a value add for your community?

Who becomes the Point Person for LTC Policies?

Do you outsource this process?



Questions/Contact Information:

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