

Long-term Care Insurance

Contributed by the AIA Trust

Revised December 2006

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SUMMARY

Good long-term care insurance coverage includes the following 10 qualities.

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Long-term care insurance is a relatively new type of coverage that transfers the risk of needing expensive, long-term care services to an insurance company. Although there are many things to consider when purchasing a long-term care policy, the following are among the most important factors:

- 1. A large, well-rated, experienced insurance company.** Ideally, the insurer you select should be rated "excellent" by A.M. Best and "strong" by at least two other independent agencies such as Standard & Poor's or Moody's.
- 2. A policy that has reasonable "benefit triggers."** Benefit triggers are the requirements that you must meet before the insurer will pay you benefits. Generally, there are two: inability to perform basic activities of daily living and cognitive impairment (i.e., memory loss). Avoid plans that require two triggers or that do not include bathing among the basic activities of daily living. Also, look for a plan that covers both "hands-on" and "stand-by" assistance.
- 3. A policy that offers coverage for all types of care.** Today's plans should cover nursing home care, home health care, assisted-living care, alternate care, adult day care, respite care, and hospice care.
- 4. A plan that pays sufficient benefits for an adequate period.** Consider the cost of care, and purchase insurance to cover at least 90 percent of that cost. Since the average length of stay is 2.5 years, a policy with at least a three-year benefit period is recommended. The policy should pay 100 percent of actual expenses up to the daily maximum selected.
- 5. A policy that allows you to choose the doctor or nurse who certifies your eligibility for benefits.**

6. A policy that offers built-in inflation protection.

This allows your benefits to increase over time while your premiums remain level. Most plans offer either 5 percent of your original amount (called "simple") or 5 percent of the previous year's amount (called "compound").

7. A policy that waives or stops your premiums if you require care.

Many policies will allow you to stop paying premiums once you actually start receiving benefits. Insist on one that waives premiums for all types of care, not merely facility care.

8. A policy that offers discounts for being married and for being in above-average health.

Many insurers offer married couples a discount, usually 10 percent to 20 percent for each spouse. If you are in above-average health for your age, you could be eligible for a "preferred health discount," which can range anywhere from 10 percent to 15 percent.

9. A monthly maximum policy that covers the cost of homemaker services and home medical equipment and allows for home modifications.

The "monthly maximum" benefits are important because the cost of home care can fluctuate dramatically, and this provides more flexibility with your insurance dollars.

10. A policy that covers specific disabling illnesses.

The policy should specifically cover Alzheimer's disease, Parkinson's disease, and senility (if diagnosed after you secure the policy); should not require a prior hospital stay; should be fully underwritten at the time of application; and should guarantee renew ability.

RESOURCES

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