

Choosing a Long-Term Care Policy

The management of risk is a crucial part of financial planning. The potential need for long-term care (LTC) is a genuine risk. The prudent estate owner will examine long-term care insurance to see if it has a proper place in his or her overall financial plan. The decision to purchase LTC insurance generally must be made while one is still healthy; once a disabling condition appears it is too late to act.



Common Elements in Long-Term Care Insurance Policies

- **Amount of the benefit:** Most policies pay a fixed dollar amount for each day you are eligible for the benefit; e.g., \$160 per day. A survey of nursing homes in the local area can help determine the desired amount.
- **Inflation protection:** Since costs inevitably increase, a policy without a provision for inflation may be outdated in a few years. Of course, an additional charge is incurred for this protection.
- **Guaranteed renewability:** This important provision will prevent the insurance company from canceling your policy for as long as you continue to pay the premium when it is due. However, the insurer may be able to raise rates on a class basis. Currently, long-term care policies sold in most states are guaranteed renewable.
- **Waiver of premium:** Some policies will waive the future premiums after you have been in the nursing home for a specified number of days; e.g., 90 days.
- **Prior hospitalization:** This policy provision requires one to be hospitalized (for the same condition) prior to entering the nursing home, or no benefits will be paid under the policy. Although prior hospitalization clauses have been outlawed in all states, some older policies still in force may contain this provision. Policies currently sold do not contain prior hospitalization clauses.
- **Place of care:** Does the policy require that the nursing home be licensed or otherwise certified by the state to provide skilled or intermediate nursing care? Must the facility meet certain record keeping requirements?
- **Plan of care:** A plan of care is part of the health care claims process. It is the result of an assessment prepared by the insured's physician, and a multi-disciplinary team, including practical nurses, social workers, and other health care professionals. The plan outlines the appropriate level of care needed to assist the insured in performing the activities of daily living.