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What is long-term care (LTC)?

Long-term care is different than the care you receive from your doctor. It helps with the things you do on an everyday basis called the “activities of daily living”. These are things like eating, taking a shower, and getting dressed. When your doctor recognizes you will need assistance performing these types of activities for at least 90 days, you are in need of long-term care. Some common reasons you may need this type of care are due to an accident (such as a car accident or injury), illness (such as cancer), aging, or a cognitive impairment (such as Alzheimer’s, dementia, or effects of a stroke).

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What is LTC insurance?

LTC insurance is meant to protect you and your savings, assets, and family against the high cost of long-term care. Since 2 out of 5 people will need some type of long-term care in their lifetime and costs are averaging $7,300 per month, it’s important to be prepared. Depending on the type of plan you purchase, it will pay for all or some of your LTC expenses. Most people purchase this insurance to avoid having their family pay for or provide their LTC, to protect their savings so it isn’t depleted on LTC expenses, and to have more flexibility in choosing where they receive care.

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What other types of insurance cover LTC?

None. For example:

- **Medical Insurance** covers an illness or injury but not the type of services associated with long-term care.
- **Short or Long-Term Disability Insurance** replaces part of your income should you become unable to work. This will help you pay the bills you currently have but it will not leave you with enough to pay for the added expense of LTC.
- **Medicare** is health insurance for people over age 65 or individuals with disabilities. It covers short-term care, such as rehabilitation after an injury or illness, but does not cover LTC.
- **Medicaid** is a government program which covers LTC for individuals with low income and limited resources (often referred to as "medical welfare").

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How much does LTC cost?

The cost can vary quite a bit depending on where you live. A really helpful tool is our cost of care map, which lets you view the costs in your specific area and can be found here: www.ltc-solutions.com/map

The cost also varies by what setting you receive it in. We commonly think of LTC as being given in a nursing home, but it can also be given in an assisted living facility, or professional care at home. Nursing homes tend to be the most expensive of the three and average $7,300 per month nationally.

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Could I save enough on my own?

Many people think they can save enough money to pay for care. We would urge them to consider that costs are extremely high and are only rising. By protecting yourself with insurance, you are leveraging your money so that you have a larger amount available when you need car

Averaging around $90,000 per year, LTC costs can quickly wipe out your entire savings in just a matter of months. It's probably safe to assume that the money you've worked hard to earn and save for your future would be better spent on something other than long-term care.

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How much does LTC insurance cost?

LTC insurance costs can vary based on a few factors:

- **<u>Your age</u>**
  Rates are based on the age you are when you apply, so the younger you are when you purchase your policy, the lower your rates will be. Unlike other types of insurance, LTC rates will not change each year simply because you are a year older.

- **<u>The choices you select when designing your plan</u>**
  There are many different plans to choose from, making it easier to find a plan to fit within your budget. Some people choose to purchase a plan that will cover any and all LTC expenses, while others may choose a policy that may not cover everything but will significantly help offset the costs they will incur.

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When is the right time to buy a policy?

Many people think it is best to wait to purchase a policy. However, there are a few things to consider by delaying your purchase:

- Insurance companies will look at your health history before approving you for a policy. If your health changes by the time you decide to purchase, you may be uninsurable. We've seen many people get declined for common issues, like height/weight not being in proportion, antidepressants, or insulin use.
- Your rate is the lowest it will ever be today, since rates are based on the age you are when you apply. While you may pay for a shorter amount of time if you wait, your rates will be higher and you usually end up paying more in the long run than if you paid a lower rate for a longer period of time.
- Most of us know someone who has had an unexpected accident or illness at a young age. It's more common than you might think—the longer you go uninsured, the longer you are unprotected if a long-term care event were to occur.
- The rate structure goes up exponentially over time, so locking in a lower rate at a younger age will save you thousands long term, even though you'll pay for a longer amount of time.

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How do I know what to buy?

There are many different plans to choose from but there are three main choices to make:

- **<u>How much money would you like to receive when you need LTC?</u>**
  The cost of care in your area is a great indicator of what monthly benefit you may want to consider.
- **<u>How long do you want to receive that money?</u>**
  Your family health history is often a way to help predict what duration to purchase.

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- **<u>Do you want your money to grow over time?</u>**
  There are “inflation protection” options that make your benefit grow each year to help keep up with the rising costs of care.

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What is a Benefit Amount?

A Benefit Amount is the maximum amount of money you will be reimbursed for long-term care services you receive each day or month. This determines how much you will be paid from the insurance carrier each month after your claim is approved.

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What is a Duration?

A Duration is how long you want your benefit dollars to last. Say, for example, you chose a $100 per day daily benefit and a 3 year duration. You would then receive $100 per day in long term care services for 3 years.

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What is a Lifetime Maximum?

A Lifetime Maximum is the total amount of money you will be able to draw from for long-term care services. You can calculate this number by multiplying the daily benefit by 365 and then by the duration.

For example: $100 per day x 3 years = $109,500 Lifetime Maximum

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What is Inflation Protection?

Inflation protection is an additional feature that you can add to your plan that helps you keep up with the rising cost of LTC. You have the options to make you plan grow at 3% or 5% (etc.) To visualize how that would help keep up with the rising cost of LTC, below is how your Daily Benefit would grow with and without inflation.

	Year 1	*Year 5*	*Year 10*	*Year 15*	*Year 20*
No Inflation	$100	$100	$100	$100	$100
3% Step Rated	$100	$115	$134	$155	$180
5% Step Rated	$100	$127	$163	$207	$265

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What is an Elimination Period?

An Elimination Period is your deductible, or waiting period. Once you are in need of care, there will be a 90 day waiting period until benefits pay. Once your claim has been approved and you have satisfied the 90 days, you will start receiving your benefit payments from the insurance carrier.

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What happens after I apply?

The insurance carrier will review your application, and if there are no questions, your application will be approved. Depending on your answers on your application, they may request additional information such as medical records from your doctor or a brief phone call with you to ask a few questions.

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What is underwriting?

Underwriting is how the carrier determines if you are insurable. They review your medical history and determine whether to approve or decline you for a policy.

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Will my rates ever increase?

Your rates will not go up as you get older or your health declines. However, if the carrier determines that they need to raise rates to preserve the product's stability, they can go to your state's insurance commissioner and apply for a rate increase on the entire product. At that point, the state commissioner reviews the requests and determines whether to approve all of the increase, just a portion, or none. The insurance commissioner acts as the middle man to weigh the best interests of the insurance company and the insured.

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