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Voices Helping clients get the most from their long-term care insurance

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Let’s say some of your clients did the right thing and purchased a long-term care contract years ago while premiums were much less expensive. They also did so before many typical medical issues started popping up in their mid 60s. Yes, having a long-term care insurance contract is a wonderful thing. It will provide your clients with the dollars necessary to pay for some or all of their expenses associated with their care.

My 25 years of experience in providing clients with long-term care coverage and paying their claims has shown me that an individual with insurance coverage often gets better care than a patient that has to pay for that care out of their own pocket. Because the coverage contains a care coordinator, it will allow my clients to maintain their independence and peace of mind, knowing they’ll never be a burden to their kids or friends.

However, it’s always a good idea to be prepared and plan ahead so there are still a few things your clients should know and do now, well before they ever need to file a claim. The first thing is to locate the contract and familiarize themselves with its terms and conditions. Make sure they know what their benefits are and at what point they are eligible to be paid. For example:

- **The waiting period**. When the benefits are first eligible to be paid out, how many actual days of service are required to satisfy the contract’s waiting period? Some contracts only count an individual day of service as one day, while others count one day a week as a week of service. What will or won’t Medicare pay for?

- **Duration.** How long will the contracts benefits last? Many people may still have a lifetime benefit, and if they experience a premium increase, it may make sense to consider reducing the coverage to a more affordable five- or six-year plan, but avoid reducing a five- or six-year plan.
- **Inflation options.** Make certain your clients are aware of the specific costs of the various types of inflation options — simple, compound and cost of living. Most importantly, evaluate whether it still makes sense for your clients to maintain the extremely expensive inflation option they may have purchased 15 or 20-plus years ago when they were in their 60s.
- **Daily benefit.** If there’s a growing compound interest benefit, it may make sense to remove or reduce the inflation option if the benefit has grown beyond the average cost of care in the client’s geographic area.
- **Eligibility.** Examine the conditions that must first be met before benefits are paid. What are the stated activities of daily living that one must not be able to do? In most contracts, an individual must be unable to do two of the five activities of daily living before they can collect benefits. However, not all contacts have the same criteria. Be aware of the particulars in your client’s situation to make certain they avoid any unpleasant surprises later.
- **Type of care provider.** It may be a professional or informal care provider. Must the provider be a licensed individual from a licensed home care agency (professional) or can a non-licensed individual (informal) perform the care? Is it a “reimbursement contract” where the provider needs bills in order to be paid? Or is it an “indemnity contract” where the provider gets paid the full daily benefit amount without needing to present any bills?
- **Don’t forget the state tax credits.** It’s been my experience that many insured clients, as well as their accountants, have neglected to take advantage of the various state tax credits and corporate deductions that offer incentives to encourage consumers, be they business owners or executives, to purchase long-term care coverage. For example, New York State has a 20 percent tax credit, not a deduction, but a dollar-for-dollar tax credit against a policy holder’s state income taxes.
- **Things have changed.** The newer generation of some policies has changed definitions in order to become less restrictive and more competitive; however, many of the older contracts have not. For

example, earlier contracts from the 1980s didn’t include payment for assisted living facilities simply because they didn’t exist 30 years ago. They will only pay for care in a home or at a skilled nursing facility. However, current contracts will pay for care in a more comprehensive setting.

Although the insurance industry has paid out billions of dollars in claims to well over a million individuals over the last 25 years with a payment rate for claims of well over 98 percent, things have changed. Because the actuaries for the various insurers miscalculated what the premiums should have been, despite previous premium increases, this misjudgement has resulted in a difficult time for some early-entrant insurers in the long-term care marketplace. Some cost-cutting measures at insurance companies have resulted in reduced staffing in their claims department.

These conditions, combined with today’s historic low-interest environment, have further eroded the relationship between insured individuals attempting to get their claims paid and several financially afflicted insurance companies that are unable or sometimes unwilling to pay a claim as quickly as they should. The point is that it’s important to know what you and your clients are up against before you actually have to come up against it.

The insurance broker should be able to tell you whether there are any problems with a particular insurer, and if so, discuss how to best get a claim through an uncooperative or administratively hampered claims department. Either a persistent friend or an experienced professional can be an effective and invaluable partner at claims time to advocate for the insured in case the need arises. Clients shouldn’t wait until they actually have a claim to find out what they should know today. They should reintroduce themselves to their broker and be as prepared as they can be. If he or she is not available to service them properly, then develop a new relationship with someone who will. Make sure you have properly authorized the person selected to advocate for your client at claim time as you may not be in the best position to do so yourself. Remember, the squeakiest wheel gets the oil.

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