

6 Factors To Consider When Shopping For Long-Term Care Insurance

If you experience an injury or illness that impacts your ability to perform day-to-day activities such as eating, bathing, or dressing, you might need long-term care. Even if you're currently in great health, it's crucial to consider the potential long-term care costs you might incur later in life.

Sara Gregory, Branch Manager

Long-term care insurance helps cover the services and supports associated with long-term care that are not covered by regular health insurance or Medicare including assisted living and in-home care. Although you may not need long-term care insurance now, understanding some of the intricacies associated with purchasing a coverage plan will help ensure your policy affords you the care you might eventually need.

To help you shop for the policy that's right for you, here are six factors to consider when buying long-term care insurance:

Eligibility

Most long-term care insurance policies pay benefits when you have a cognitive impairment or can't perform more than two of six Activities of Daily Living (ADLs). The National Association of Insurance Commissioners (NAIC) defines the six ADLs as bathing, continence, dressing, eating, toileting, and transferring (moving to and from a chair or bed).

While there is no age requirement to apply for long-term care insurance, the American Association for Long-Term Care Insurance (AALTCI) recommends applying in your 50's to avoid being declined. If you wait to apply until you need coverage, it may be too late. This is because some conditions often seen in old age, such as Alzheimer's disease or Cystic Fibrosis, can make some applicants ineligible to qualify. In addition, applying when you're in good health can qualify you for preferred health discounts that can save you money, even if your health changes in the future.

Benefits Payout

The benefit payout schedule and amounts will vary based on the long-term care insurance policy you choose. Most policies will pay a pre-determined amount each day or until you reach the policy's lifetime maximum. Alternatively, some companies offer policies that only pay the pre-determined amount on days you're unable to perform more than two of the six ADLs. Your long-term care insurance provider can help determine which option is best for you.

Many policies also require an elimination period before the policyholder can receive benefits. During the elimination period – typically 30, 60, or 90 days – the policyholder must cover the cost for any long-term care services they receive. To help ensure you receive benefits when you need them, your long-term care insurance representative can help you select the most fitting elimination period.

Insurance Company Reputation

Because some long-term care insurance companies have left the market in the last several years, it's important to seek an insurance provider who is both financially sound and committed to offering individuals quality coverage. To help shoppers find suitable providers, the [ALTCI](#) lists several reputable insurance companies on their website.

Consumers can look up insurance providers' ratings to help evaluate their reputation and financial strength in the market. Three good rating companies to use include [A.M. Best](#), [Standard and Poor's](#), and [Moody's](#).

Coverage Parameters

Most long-term care insurance policies are comprehensive, meaning they allow policyholders to use their benefits for a variety of long-term care services. Coverage will typically cover costs associated with staying in an assisted living facility, nursing home, or in-home assistance.

If you think you might need in-home care, ask your insurance provider if your policy covers homemaker or "hands-off" services. These services can include help with meal preparation, running errands, housekeeping, or shoveling snow during colder seasons.

Inflation Protection

Because long-term care costs rise each year, inflation protection can be a beneficial feature to add to your long-term care insurance policy. Although inflation protection can raise your premium each year, it also increases your benefits to help ensure you're able to afford the care you need later in life. Without inflation protection, you might eventually find that your benefits didn't keep up with rising long-term care costs.

Most states require long-term care insurance providers to offer inflation protection. However, it's up to the policyholder to determine whether they want it. If you decide you don't need inflation protection, make sure you communicate with your provider to help ensure you only pay for what you need.

Tax Implications

When shopping for a long-term care insurance plan, you might be able to choose between a tax-qualified or non-tax-qualified policy. Tax-qualified policies can offer federal income tax advantages including tax-free benefits and tax-deductible premiums if you itemize your income tax deductions. If you select a tax-qualified plan, be sure to consult with your personal tax advisor to identify how much of your premium can be deducted.

Financial Impact of Long-Term Care

While nobody plans to fall ill or experience an injury or illness that reduces their ability to perform day-to-day functions, the [NAIC](#) expects

the majority of elderly Americans will need long-term care at some point in their lives. Having a plan in place before you need assistance can help minimize the financial impact from long-term care expenses and help you stay on track for a successful retirement.

Our experienced financial professionals are equipped with knowledge, tools, and expertise to help you plan for long-term care. For more information about [planning for retirement](#), visit your local branch or call a PlainsCapital Bank representative at 866.762.8392.