

How Do I know What Benefits To Offer?

There are many different companies today that offer some type of long term care policy. It can be confusing trying to decipher which plan design is best for your client. Here are a few tips

Daily Benefits: We have posted a listing of the average daily cost of a nursing home by state. This is always a great place to start. Find out whether or not your client wishes to self-insure a portion of the risk. For example, suppose the average daily cost in your state is \$200. If your client is willing to self-insure \$50 a day, you could write a daily benefit of \$150 a day. It is also a good idea to call a few facilities in your area to find out exactly what the average charge is in your area. Finally, talk to your client about retirement plans. Do they plan on retiring in Florida? The daily average cost there is only \$197 a day. How about Alaska? Their daily limit is over \$578.

Benefit Period: In a perfect world we would be able to write lifetime benefits for everyone. Sometimes, however that isn't feasible. Before cutting back the benefit period, look at other options to bring the premium down. For example, why not try a 90-day elimination period instead of 30 days? There are different statistics everywhere concerning the average long-term care claim. Try starting out with the best plan and cutting back only if necessary.

Elimination Period: There are several considerations here. Many agents recommend a 90-day elimination period on the belief that Medicare will pick up those 90 days. Unfortunately, that isn't necessarily the case. It is only the first 20 days that Medicare will pay 100% for **QUALIFIED** care. For days 21-100 the client is responsible for \$124 a day. The second consideration is how much the client wants to self-insure. If their care costs \$200 a day and they choose a 90-day elimination that means they will be responsible for \$18,000. Again, better to start out with a lower elimination period and increase it only if

necessary making sure that the client understands the implications of doing so.

Inflation Protection: This is a necessary part of every long-term care policy. Let's look at an example.

<u>\$200 a day</u>	<u>No inflation</u>	<u>Compound Inflation</u>	<u>Simple Inflation</u>
Year 5	\$200	\$243	\$240
Year 10	\$200	\$310	\$290
Year 20	\$200	\$505	\$390

With the cost of care rising in keeping with the numbers you see in the Compound Inflation above, it is always best to offer Compound Inflation. \$200 a day 20 or 30 years from now is not going to provide any kind of comprehensive coverage. If you have a client in their mid to late 70's and find the inflation rider cost prohibitive, try writing a higher daily benefit to compensate for the fact that inflation protection will not be keeping their daily benefit in line with rising costs.