



# TOP 5 QUESTIONS ABOUT LONG TERM CARE INSURANCE

## INTRODUCTION

LTC Consumer is an independent, free online service to help individuals understand long term care (LTC) planning and evaluate long term care insurance (LTCI).

Consumers are turning to the internet for education about most things, including long term care planning. Unfortunately, there wasn't any website that allowed individuals to compare costs of multiple carriers and provide them with independent, unbiased information without first giving their personal information to an insurance agent, until now.

LTC Consumer was created to be a resource to help individuals understand long term care planning and evaluate the cost and benefits of long term care insurance. We feel it is important for individuals to get educated on their own terms, research their options, and learn the prices of LTCI; all at their own pace. LTC Consumer is the first long term care educational site that gives anyone the ability to compare costs from multiple carriers, with multiple benefit options *without giving personal information* first. If at any time during the educational process questions arise, our team of Consumer Specialists are available to help.

As the Baby Boomer generation ages and experiences the costs emotionally, financially and physically of caring for their aging parents, they are starting to understand the importance of long term care planning. While insurance is not the best solution for every person, having a solid plan in place for the event of an extended healthcare event is. LTC Consumer will continue to focus on being the number one online resource for long term care planning by providing individuals free, unbiased information on the cost and benefits of insurance that is easy to understand with Specialists available if needed.

## ABOUT THIS GUIDE

Over the years our Consumer Specialists have helped hundreds of people plan for a long term care event. Throughout the planning process, there are numerous questions that have come up. We have polled our Consumer Specialists to find out what the top five questions are that they receive, and answer, on a regular basis. This guide was created to really dig in to these questions and provide clarity. You may have more questions as you read through, so please always feel free to contact us.

- 1) [HOW MUCH DOES IT COST?](#)
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- 3) [WILL MY PREMIUM INCREASE?](#)
- 4) [WHAT IF I NEVER USE MY PLAN?](#)
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## WHAT IS LONG TERM CARE (LTC)?

People mistakenly think long term care means “nursing home” care. A more fitting expression for “long term care” is “extended healthcare.” The most common form of LTC is provided in-home by a licensed home health agency or by a family member. If health needs are greater than what can be met in-home, an assisted living facility such as adult day care, hospice home, or memory care facility will be necessary.



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**“At LTC Consumer, we refer to ‘long term care’ as ‘extended healthcare’.”**

Nathan Sanow  
Executive Director, LTC Consumer

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## WHAT IS LONG TERM CARE INSURANCE (LTCI)?

Long term care insurance is the insurance that pays for the care services above. LTCI policies encompass a broad variety of treatment and care-giving options, such as home health care, homemaker services, respite care, adult care homes and other assisted living arrangements, in addition to nursing homes. Like other forms of insurance, LTCI allows the insured to pay a set premium that protects against a potentially expensive extended healthcare event.

People may think that traditional health insurance will pay for long term care needs. It does not. Health insurance pays for medical expenses, doctors’ services and hospital stays. In most cases, it won’t cover the costs of home health care or assisted therapy. Medicare and Medicaid might cover some things but have severe restrictions and limitations.

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**According to the US Department of Health and Human Services, 70% of people turning age 65 will need long term care at some point in their lives.**

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## 1) HOW MUCH DOES IT COST?

The cost of long term care insurance varies significantly from one person to the next. You can buy any amount of coverage that you feel is prudent.

Like all health insurance, several factors affect the price of premiums for LTCI. The most common ones include: Age | Current Health | Gender | Relationship Status

### AGE

For a 50-year old person, the cost for long term care insurance can range from \$750 per year for a high deductible, short duration plan of one to two years, to \$5,000 per year for a very robust, low deductible plan with a long duration of six or more years. The cost of waiting per year between 50 and 60 years old is roughly a 3-5% per year increase. Between the ages of 60 and 70 years old, it is about a 6-8% per year increase. It's not an equal increase each year; but a slow, incremental one each year.

The younger and healthier you are when you apply for LTCI, two things result: you are more likely to qualify for coverage, and your premiums are going to be lower. On the other hand, you're less likely to need the coverage as soon. Many people use the milestone of their 50th or 55th birthday as a guideline to purchase LTCI that is as good as any arbitrary numbers can be. Others choose to put their policies in place 10 to 15 years sooner, unwilling to risk not being covered should they need assistance with LTC earlier than they would have hoped, or may develop conditions restricting acceptance.

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***The younger you are the more likely you are to qualify for LTCI as well as the lower your premiums will be.***

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### CURRENT HEALTH

Not everyone who applies can qualify for long term care insurance. The majority of people who apply for LTCI receive a Standard Health Rating. If you are given a clean bill of health, you may qualify for Preferred Health rates and receive a premium discount. The insurance carrier will determine this during underwriting (the process of evaluating your specific situation for LTCI) and will apply the discount if applicable. Higher risk rate classes are available with some carriers based on the diagnosis or treatment of conditions. You could still be issued a plan, but the premiums will be higher.

#### TOP REASONS FOR AUTOMATIC DECLINATION

**Currently needing assistance with bathing, eating, dressing, transferring to a bed or chair, toileting or continence**

**Receiving home care, adult day care, nursing home or facility care services**

**Use of a walker, wheelchair, quad cane, motorized scooter, nebulizer, ventilator, hospital bed, oxygen or kidney dialysis**

**Current use of narcotic pain medication**

**Currently in physical therapy**

**Currently receiving disability benefits**

Unlike health insurance, pre-existing conditions can be cause for denial of LTCI coverage. People already diagnosed with a chronic disease such as Alzheimer's or Parkinson's, for instance, will not qualify for LTCI. Every day you put off getting long term care coverage, you remain at risk. Should an accident or unexpected health crisis occur, you will not have help paying for long term care. Which would be worse: paying for insurance "too soon" or suddenly finding yourself, your spouse, or your parents, uninsured when long term care is required?

## **GENDER**

In the past, long term care insurance companies used unisex pricing, meaning that males and females paid the same price for long term care insurance coverage. Due to recent and projected claims data, carriers have moved to gender-based pricing. Long term care insurance carriers are not the first to base pricing on gender; life, health, auto and disability insurance pricing has followed gender pricing for years. Today, single women pay 36-71% more for long term care insurance than men.

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***Since there are a greater number of women being cared for, women must evaluate their options stridently.***

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Studies have shown that women tend to live longer than men. Unfortunately, women must worry about not only caring for themselves, but also the possibility of caring for loved ones as they age. Since there are a greater number of women being cared for, women must evaluate their options stridently.

These are some of the reasons that the cost for LTCI for women is more than it is for men. There are also more factors such as:

- Women are more likely to live alone and not have a family member to serve as a caregiver. In fact, about 80% of women die single or widowed, while about 80% of men die married.
- Women are more likely to file LTCI claims than men – about 67% of all claims are currently for women
- Women comprise about 70% of nursing home residents, and 75% of those in assisted living facilities

## MONTHLY PREMIUMS FOR PRODUCTS WITH GENDER-BASED PRICING APPLIED<sup>1</sup>

### NO INFLATION – AGE 55 STANDARD HEALTH RATING

CARRIER	MALE	FEMALE	%DIFFERENCE
Carrier A	\$55/month	\$83/month	51%
Carrier B	\$66/month	\$101/month	53%
Carrier C	\$75/month	\$114/month	52%
Carrier D	\$83/month	\$100/month	21%

### 3% COMPOUND INFLATION – AGE 55 STANDARD HEALTH RATING

CARRIER	MALE	FEMALE	%DIFFERENCE
Carrier A	\$108/month	\$175/month	62%
Carrier B	\$109/month	\$167/month	53%
Carrier C	\$131/month	\$200/month	53%
Carrier D	\$116/month	\$179/month	54%

## RELATIONSHIP STATUS

The majority of those that buy LTCI do so as a couple. In fact, 75% of all buyers that purchased through LTC Consumer this year were couples. Couples buying LTCI together get significantly larger discounts up to 30%. In most states, this applies not only to married spouses, but also to any adult partners living together who qualify for coverage.

## 2) WHAT DOES IT COVER?

Long term care insurance policies encompass a broad variety of treatment and care-giving options, such as home health care, homemaker services, respite care, adult care homes and other assisted living arrangements, in addition to nursing homes. They also contain provisions to adapt as technology changes so that they cover the care capabilities that will be available 30-50 years from now.

This care that is covered, personal care, sometimes called custodial care, helps with activities of daily living (ADLs). These activities are defined as:

- Bathing
- Eating
- Dressing
- Toileting
- Continence
- Transferring

LTCI COVERS
Home Health Care
Homemaker Services
Respite Care
Adult Care Homes & Other Assisted Living Arrangements
Nursing Homes
Memory Facilities

LTCI is also used to help care for patients with cognitive impairment such as Dementia, Alzheimer's and memory loss.

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***These plans are comprehensive, meaning they give you control and choice. If informal care is important to you, then there are carriers that have that option. Providing choices of coverage is one of the nice privileges of being a specialist who works with all the top carriers.***

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Forming a long term care plan — whether it be through private long term care insurance, LTCI provided by an employer, or by setting aside assets to pay for future events — is paramount. By planning ahead, it allows you to remain independent, choose where you receive treatment, preserve your savings, and above all, protect your family from the emotional and financial burden of providing your care.

### 3) CAN MY PREMIUM INCREASE?

THINGS TO CONSIDER ABOUT RATE INCREASES
<b>Cannot be applied to any specific age demographic, gender or health condition</b>
<b>Are approved or modified by each state's Department of Insurance (DOI)</b>
<b>Insurance companies must prove the need for the increase in premiums</b>

Your rates are not likely to increase, but can only in certain circumstances.

Insurance companies go through a process of analyzing current claims data, future claims data, interest rates, future risks and many other factors before requesting rate increases. Rate increases cannot be applied to any specific age, gender, health condition, or demographic; they are approved based on policy (product) statistics only.

Insurance companies must get approval from each state's Department of Insurance (DOI) prior to any increase go into effect.

Carriers propose the percentage of increase they would like to implement and the state approves it 'as is' or requires modification.

Because of this involvement by state departments, the state where you reside determines the percent of increase that your policy could incur. Companies request rate increases for a variety of reasons. The most notable reasons are:

- the increasing cost of long term care services
- increasing claims (people using LTCI)
- a low interest rate environment
- people staying on claim for longer than expected

Rate increases are necessary to help stabilize the market. It may be tempting to cancel your policy or stop paying premiums if you receive a rate increase, but let us show you an example of why it is often worth hanging on to your policy.

Example: an 85% premium increase seems like a huge amount. But when you consider that some carriers have not increased premiums for years and years — perhaps due to claims studies, lack of approval from state DOI or other mitigating factors — it may seem more reasonable. A large rate increase may also seem more reasonable when you consider it against the cost of purchasing new coverage (at your current age.)

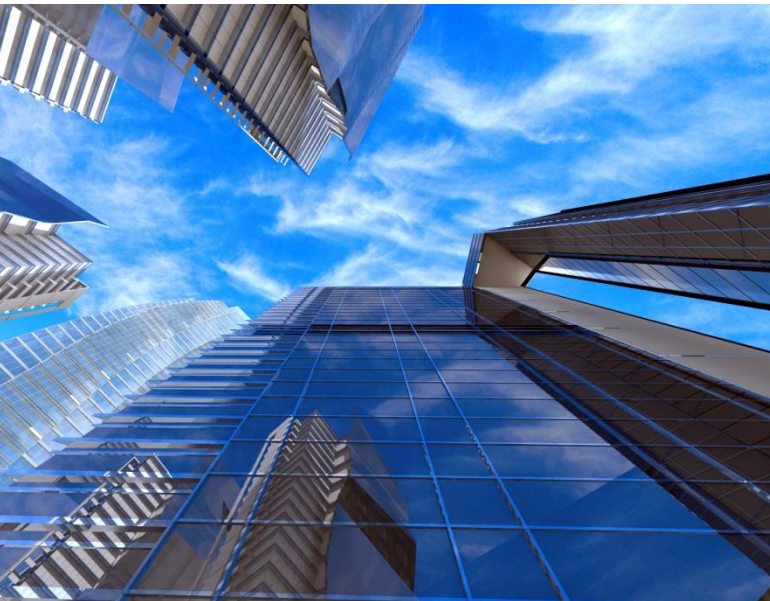


## INCREASED PREMIUMS PAID-OUT OVER LIFETIME vs 1 YEAR STAY IN A NURSING HOME

EXAMPLE: MULTIPLE RATE INCREASES	ANNUAL LTCI PREMIUMS <sup>2</sup>	CUMULATIVE LTCI PREMIUMS	CUMULATIVE BENEFIT POOL	ANNUAL COST OF CARE IN NURSING HOME TODAY <sup>3</sup>
55 yr. old	\$2,000	\$10,000	\$180,000	\$112,291
20% rate increase at age 60	\$2,400	\$24,000	\$208,669	↓
20% rate increase at age 70	\$2,880	\$28,800	\$280,434	↓
20% rate increase at age 80	\$3,456	\$34,560	\$376,880	↓
<b>TOTALS at age 90</b>		<b>\$97,360</b>	<b>\$506,495</b>	<b>\$315,971 for 1yr of care</b>

Most carriers implementing a rate increase will allow you to change your plan without going through underwriting again so that you may lower your increase or keep your premium the same. For example, you may be able to lower your inflation protection, daily benefit, or benefit duration to keep your plan affordably priced.

Selecting the right carrier can make a big difference regarding future rate increases. Be sure to consider carriers that have sold LTCI for many years. With this experience comes the knowledge for them to properly price their products not just for today, but what to expect for their business 30 years from now. If you're faced with a rate increase, speak with your LTCI specialist or financial advisor from whom you purchased the plan before deciding how to proceed.



***“Clients often are unaware about available options when notified about premium increases. It is important to consult with a specialist before making any decisions.”***

National Sales Director, LTC Consumer



#### 4) WHAT IF I NEVER USE MY PLAN?

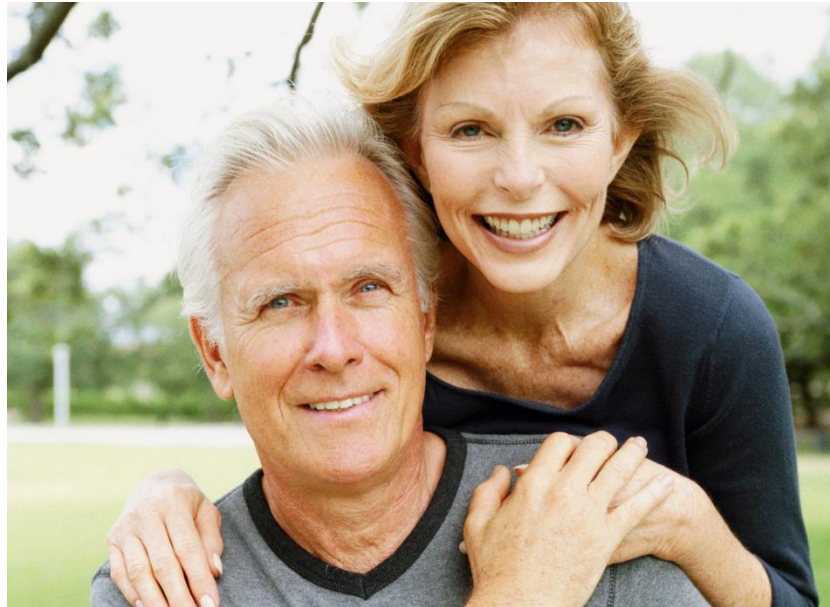
This is a very common question, as with the average purchase age of 55 and the average age at claim around 79, you will be paying for this coverage for upwards of 30 years. One way we look at it is, if you have home owners insurance, you are not hoping your house burns down so you can “get your money’s worth.” Instead most people hope they never have to file a claim but the insurance is there just in case. It is important to remember that when you purchase LTCL, you are not just purchasing a policy, but peace of mind that should something happen to you, your family will not have to worry about how care will be paid for, and neither will you! Statistics show that three out of four people will need some form of long term care in their lifetime.

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***“You buy this insurance to protect yourself from risk, not certainty. If you never use it, consider yourself lucky and know that you did the right thing by being prepared.”***

**LTC Consumer Specialist**

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If you want to make sure you get your money back should you pass away before using your long term care insurance policy, there are additional benefits that can be purchased with your policy that solve that problem. With ‘Return of Premium’, you can select a beneficiary to receive your premiums paid in to the policy, less any benefits paid out; it is like a money back guarantee. This benefit varies by carrier, so it is important to speak to a specialist about carrier specific guidelines.

#### 5) WHAT IF THE INSURANCE COMPANY LEAVES THE INDUSTRY OR GOES OUT OF BUSINESS?

The most important thing for you to consider is that a policy is a legal and binding contract that must be honored to the full extent, whether or not an insurance company continues to offer new policies in the future. Companies may decide to stop selling long term care insurance for any number of reasons, but in making that decision, they are still required to meet their contractual obligations to their existing policyholders. They legally cannot change the contract they sold as long as the policyholder pays their premium.

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***“All long term care insurance products are guaranteed renewable meaning that even if a carrier stops servicing a product they guarantee to pay the claims as long as the policy holder’s premiums are current.”***

**Nathan Sanow**  
Executive Director, LTC Consumer

Should a company go insolvent, there are two options. If another company buys the bankrupt company, they are required to assume the liability of the policy's sold previously. If no company buys out the insolvent carrier then each state has a Guaranty Insurance Pool. This is like Federal Deposit Insurance Corporation (FDIC) that all banks provide that will protect your account in the event the bank fails. In this case, the state will guarantee payment of your insurance policy up to set limits. The National Organization of Life & Health Insurance Guaranty Association provides a safety net to consumers. You can visit their site online at <https://www.nolhga.com> and find out what your state's benefit amount would be that applies to you.

## LTCI CARRIERS

Since long term care insurance is a policy you will have for a long time, it is very important to choose a company that is committed to their product and has strong financials.

## FINANCIAL STRENGTH

A strong financial rating is an important indicator to the current financial health of the company and can give insight into the future of your investment in long term care insurance coverage.

There are four rankings that we consider the best judge of a carrier's financial strength:

**A.M. Best:** One of the most well-known ratings for insurance companies. This measures a company's ability to pay claims.

**Moody's Investors Service:** The purpose of Moody's ratings is to provide investors with a simple system of gradation by which future relative creditworthiness of securities may be gauged.

**Standard & Poor's:** A classification of bonds according to risk. It rates the claims-paying ability of over 300 insurance organizations worldwide.

**Comdex:** The Comdex is not a rating itself, but a composite of all the various ratings that a company has received. The Comdex ranks the companies, on a scale of 1 to 100, with 1 being the weakest and 100 being the strongest in relation to other companies in their market. The Comdex is from Vital Signs, a publication of Ebix Life, Inc. The Comdex attempts to reduce the confusion over ratings, which is caused by each ratings service using a different scale. The Comdex is based on the ratings issued by the following rating services: AM Best, Standard & Poor's, Moody's Investors Service and Fitch. It does not include Weiss Ratings. The Comdex ranking has two key advantages: It combines the evaluations of several rating agencies and its percentile ranking makes it easier to understand how a company compares to its peers.

## UNDERWRITING EXPERIENCE

Buying from a company with a consistent, conservative underwriting approach is a great strategy for keeping your premium rates stable for future years. That is because the company is trying to offer their product to those people that are healthy and less likely to file a claim or to claim for a shorter amount of time, thus lowering the cost of insurance for everyone. Although there is no guarantee, a conservative underwriting process is a good indication that the insurance carrier will be in strong financial standings to pay claims in the future. They will also be less likely to substantially raise your rates along the way. Speak with a LTCI specialist who is well versed in the underwriting niches of a variety of carriers.

## CURRENT CLAIMS

In the end, you want a company that is easy to work with when it matters the most, claim time. A carrier's customer service experience is important. You have likely heard the phrase 'Practice makes perfect' and in the case of a claim experience, you want a carrier with enough of a track record that they have a smooth, well thought out process that will be easy for you during your difficult time.

### THINGS TO CONSIDER ABOUT CARRIERS

Financial Strength

Underwriting Experience

Current Claims

Experiencing a long term care event is a crisis, which causes uncertainty and fear. You want a company that is going to be helpful, accommodating and compassionate.

Your State's Department of Insurance should have a section on complaints for insurance carriers you can look up online.

## CARRIERS WE REPRESENT

Below is an alphabetical list of companies that we represent and have deemed as leading carriers based on the above guidelines. They are all skillful underwriters with a depth of claims experience and a large block of business.

### Aetna

- A.M. Best Company: A (Excellent)

### Lincoln Financial

- A.M. Best Company: A+ (Superior)

### Mutual of Omaha

- A.M. Best Company: A+ (Superior)

### National Guardian Life

- A.M. Best Company: A- (Excellent)

### Nationwide

- A.M. Best Company: A+ (Superior)

### State Life OneAmerica

- A.M. Best Company: A+ (Superior)

### Thrivent

- A.M. Best Company: A++ (Superior)

## CONCLUSION

Not everyone needs long term care insurance, but everyone needs a long term care plan. We hope this guide has been a valuable resource for your long term care preparation; deconstructing the issues surrounding long term care planning and educating on the options.

Most families will find a way to provide care for their loved ones. However, few people understand the physical, emotional, and financial tolls of providing that care. Very often, family-members find they're in over their head. At this juncture, before stress clouds your judgment, knowledge is imperative.

Breathe easy: we're here 24/7/365 to help you make sound decisions across the continuum of care.

Disclaimer: This document does not constitute legal or tax advice and should not be construed as tax or insurance advice. It was neither written nor intended for use by any taxpayer for the purpose of avoiding penalties, and it cannot be so used. Please speak with your tax advisor or long term care insurance specialist in regards to a particular situation.

1 LTCI policies with 3 year benefit duration, \$3000 monthly benefit, 90 day elimination period and 100% home health care using the state of Michigan's rates.

2 LTCI policy with 3 year benefit duration at an annual premium of \$2,000 per year. Cost of Nursing Home Care is from Mutual of Omaha 2021 Cost of Care Survey.

3 Projecting a 30 year 3% compound inflation escalation in care cost.