

# What You Need to Know About Long Term Care Insurance

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Financial advisors, brokers, and companies flogging new "long-term care" insurance seem to be everywhere these days - playing on the fears of seniors and baby-boomers. Holding out the promise of freedom from fear of financial hardship and loss of independence should you or a loved one suffer a crippling condition in later life, glossy pamphlets seem to offer a solution for our worries and woes.

Slick marketing and sales tactics imply these policies will protect you and your assets from the new costs associated with facility and home based long-term care due to the erosion of public coverage in many Canadian provinces over the past decade. (Documented in our 2002 report, *Eldercare on the Auction Block*.)

But will they?

Not likely, according to the respected *Consumer Reports* magazine in the U.S. where long-term care insurance has been marketed for 10 years before arriving in Canada in the mid 1990s.

A 2003 *Consumer Reports* investigation uncovered many problems with typical long-term care policies, including difficulties with claims, misleading marketing and poor value for money. **Their conclusion: "For most people, long-term care insurance is too risky and too expensive."**

Our Association's initial perusal of a number of policies marketed here in Alberta led to similar conclusions. On both sides of the border, many of the problems are the same - as are the insurers and insurance policies.

## The Premium Crunch

There are problems with policies that pay out a specified daily (often ranging from \$20 to \$300 per day) or weekly sum based on

identified limitations for self-care, and with policies which simply reimburse for specific authorized benefits.

Policies with more affordable premiums only pay out a pittance of the real costs required (even before inflation is factored in). For example, a daily benefit of \$20 would barely cover the price of one hour of personal care aide care at today's prices.

Nor do you have any guarantee premiums will remain affordable as time passes and more claims are paid out. You may be forced to let the policy go once you are on a fixed retirement income and can no longer afford the constantly escalating premiums.

Your policy can also be rescinded or simply not renewed by the company as you get older or develop health problems unless there is a clause that guarantees your renewal (albeit at higher rates). This will also cost extra.

## Loopholes Abound

Most policies restrict claims to certain circumstances, diseases, types of benefits and/or the location where benefits can be obtained. Ironically while some companies marketing here in Canada claim their policies will provide you with more choice and more coverage than existing government programs, the plain truth is that many private long-term care insurance policies are more meager and restrictive.

There are also many loopholes and escape clauses for private insurance companies to avoid paying claims. Interpretation of these policies rests with the companies.

For example, some policies might only cover care in licensed nursing homes with skilled 24-hour care by R.N.s - but the number of such facilities in Alberta is shrinking. These facilities are being replaced by unlicensed



retirement homes and new 'assisted living' type substitutes (inside and outside the public umbrella) which are neither licensed or have on-site 24 hour skilled nursing care. The Alberta government has said it has no intention of licensing such facilities.

Policies usually only pay benefits if you are unable to perform a specific number of what the industry (and Alberta Health) identify as "activities of daily living" (ADL) - bathing, dressing, eating, getting from a bed to a chair, remaining continent, using a toilet and walking. Your inability to perform a specific number of "instrumental activities of daily living" (IADL) may also make you eligible for benefits. These activities include taking medication, arranging for transportation (i.e. to medical appointments), and handling personal finances - often related to dementia or Alzheimer's disease. But each policy and policy interpretation is different.

### **Other Restrictions**

Don't assume that supplies and equipment (incontinent supplies, dressing supplies, commodes, bed-rails, cost of medication and packaging, etc.) will be covered in policies. Some only reimburse daily episodes of care to make up for the loss of IADL or ADL deficits. Regardless of your need, only the allowed benefit will be paid.

Policies usually do not pay for services covered by government programs. The flip side is the some government programs won't pay until you have used up all your private insurance.

It will be up to both your attending physician and the claims adjudicator or case coordinator of the insurance company to determine your eligibility for making a claim.

### **Elimination Periods and Length of Coverage**

Policies have elimination periods of 0 to 90 days before benefits kick in. Shorter elimination periods cost more. Unless there are other provisions, you will have to pay out of your own pocket for all the costs care - and keep paying your premiums - until benefits start. Most people purchase policies that cover the cost of care for 1-5 years. Premiums for lifetime benefits are prohibitive for all but the very well off.

### **Before you sign. . .**

So, given there aren't a lot of great choices and the fact that not everyone ends up requiring a lot of long term care, what policies might be the best of the lot? Where can you get the best value - for the least risk? Are there other types of insurance products or personal estate and investment strategies that might be more secure? Are there public financing options we should be advocating instead?

While we don't have the resources to do the same in-depth investigative work as the *US Consumer Reports Magazine*, we are doing research into the Canadian landscape of long term care insurance.

In the meantime, two good sources of information from the U.S. are referenced below. The same advice applies to shopping for policies in Canada. But keep in mind that public long-term supports in Canada are different than those with U.S. Medicare and Medicaid programs and differ by province.

### **Two helpful resources (both US based)**

*Do you need long-term care insurance,* *Consumer Reports Magazine* November 2003 or go on-line to [ConsumerReports.org](http://ConsumerReports.org)

*Avoiding Fraud When Buying Long-Term Care Insurance: A Guide for Consumers*, <http://www.alexanderinjury.com/library-fraud-1/>

Both can be accessed through your local public library - a valuable community resource.

### **FAST FACT**

In 2000, 81% of Alberta seniors reported incomes below \$35,000 with 57% reporting incomes below \$20,000. (Tax-filer data)

For an update on long term care insurance and the landscape of private health insurance in Canada, see *Reading the Fine Print* (Armstrong and Deber 2006)