



Vivian P. Gallo, CLU, CSA, AEP, CLTC
Long Term Care Planning Specialist
Hartsdale, NY 10530
Tel: 914- 472-2223
www.ChoicesForLTCL.com
email:Info@ChoicesForLTCL.com

LTC Update

When LTCL Benefits Run Out – What’s Next?

*By Vivian P. Gallo, CLU, CSA, AEP, CLTC**

These tough economic times have impacted almost everyone. With Baby Boomers approaching retirement in unprecedented numbers, for some it has meant postponing retirement a few years, and for others indefinitely.

Applicants still able to purchase long-term care insurance (LTCL) often have stringent budgets, making long-term care (LTC) planning quite challenging. As a result, they have limited choices when purchasing coverage that will at least offset some of the high costs of long-term care. By electing shorter benefit periods of two or three years and/or longer deductibles (i.e., elimination periods) of 90 or 100 days, applicants are seeking to maximize their benefits while keeping premiums affordable.

Policyholders with shortened benefit periods and limited pools of money, however, may one day face serious problems. How will they manage if they need care that exceeds their benefits and their available pool of money?

For them advanced planning is imperative! Careful and judicious planning is essential long before an illness or the need for care appears on the horizon. Financial and estate planning needs, of which long-term care is only one piece, change with the economy as well as with an individual’s personal circumstances, and therefore constant monitoring is necessary.

Take, for example, James and Fay King, who live in New York City. They purchased LTCL in 1996 at the ages of 68 and 61 respectively. They selected a \$150 daily benefit for both home and facility based care, a 3-year benefit period, a 90-service-day deductible, a 5% simple inflation adjustment, and shared care rider options.

In 2006, Fay passed away suddenly from a stroke. James continued to live in their resident coop-apartment of 40 years, but by August of 2009, he was feeling lonely and isolated. His arthritis had progressed to a point where he could no longer live alone. While the Kings had three children, only their daughter Kim lived in a nearby suburb, enabling her to readily assist and visit her father.

Fortunately, she and her husband had a home large enough to enable her father to move in with them. However, in addition to managing her own home and her family’s needs, Kim knew her father’s care was likely to be more than she could provide.

(Over)

Aware that her parents had purchased long-term care insurance years ago, Kim located the policy and contacted the claims department to find out what benefits were available and to determine whether her father was eligible for them. The company was most helpful in gathering information and providing support to initiate the claims process. Since her father's arthritis was progressive, he required assistance with bathing, dressing and mobility and clearly met the benefit eligibility criteria.

However, Kim felt overwhelmed by everything she still needed to do to coordinate her father's needs and those of her own family. She decided to seek the assistance of a long-term care claims advocate for guidance with her father's coverage and claim. By gaining a comprehensive understanding of the policy provisions with the advocate's guidance, she was able to use strategies to maximize his benefits, while maintaining a quality level of care. The decision to seek professional help enabled her to preserve his pool of money and at the same time lengthen the period during which he could receive benefits.

The advocate's careful policy analysis revealed that during the 13 years since the policy was issued, the 5% simple inflation rider, which had an initial daily benefit of \$150 in 1996, had grown to \$240 per day, and the original \$164,250 pool of money had grown to \$262,800.

The policy's 90 "service day" deductible required that care be provided by a licensed home health aide through an Agency. The consultant's analysis, however, revealed that the policy also had a provision stating that when one day of covered services was provided in a calendar week, the full 7 days would be counted towards satisfying the deductible. This discovery allowed Kim to engage a licensed home health aide for one four-hour shift weekly to comply with the policy provisions, and engage the services of trained "unlicensed aides" for the remaining days, at less than half the cost. This arrangement significantly reduced her father's out-of-pocket expenses.

In addition, since her mother had never used her LTCI benefits, under the terms of the Shared Care rider, Kim found that her father was entitled to the total pool of money her mother's policy had accumulated when she passed away, thereby significantly increasing her father's pool of money and offering Kim reassurance that there would be additional coverage should her father need extended care.

Fortunately for Kim and her family, she decided to seek immediate guidance in interpreting the changes that had taken place in her father's long term care policy since he had purchased it 13 years earlier. Without a clear understanding of these policy provisions, Kim might have placed both her father and her own family in financial jeopardy. Once his long-term care benefits had been exhausted, the full burden for his ongoing care would have fallen back on Kim and her family. Planning ahead for unanticipated changes can make a world of difference. Enlisting the services of an advocate who can explain the nuances of LTC coverage and offer possible ways to maximize benefits without exceeding the family budget or sacrificing quality of care can prove to be a very wise decision, particularly in these tough economic times.

* Vivian P. Gallo is a CLU (Chartered Life Underwriter), Certified Senior Advisor (CSA), and Accredited Estate Planner, (AEP) and has Certification in Long-Term Care (CLTC). She is a long term care planning specialist. She is not a tax consultant or attorney, however, and cannot provide tax or legal advice. Please consult your accountant, tax preparer or attorney on all tax planning and legal matters.