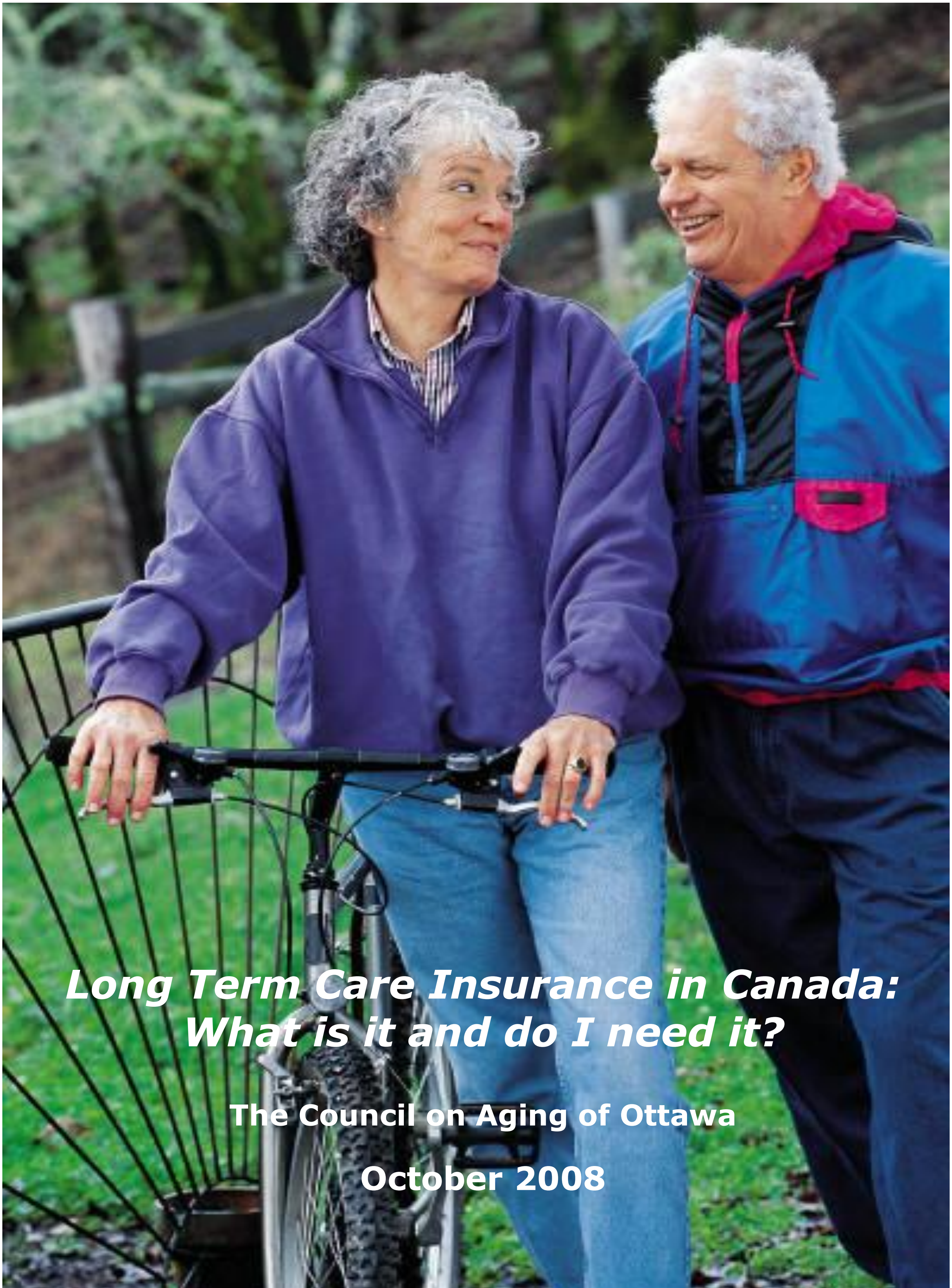

Long Term Care Insurance in Canada: What is it and do I need it?

The Council on Aging of Ottawa

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Foreword

The rapid aging of Canada's population has resulted in growing concerns about the availability and costs of future services for the senior population. Will publicly-funded programs be adequate to meet those increasing needs? Will there be sufficient workers to provide those services? With declining community and family supports, will a growing number of seniors be left to fend for themselves?

Following examples set in the United States, Canadian insurance companies have recently started to offer a form of insurance to those wishing to provide some safeguards against anticipated spiralling costs of home care and facility care.

The Council on Aging of Ottawa, a non-profit organization dedicated to enhancing the quality of life of the older population in the City of Ottawa, has recognized the importance of this recent development. This document is intended to provide some insights into this form of insurance, to assist seniors and near-seniors in deciding whether or not to take out such coverage and to help them determine what options they should choose in keeping with their anticipated needs. It may serve as a valuable tool in preparing for the future and be part of a comprehensive financial planning package. As far as we know, there is no comparable document available at present in Canada.

The Council wishes to acknowledge the contribution of Brian Morin, member of the Board of Directors of the Council from 2001-2007, and President of Canadian Long Term Care Insurance Inc., for the generous donation of his time and expertise in drafting this document. The Council would like to thank the members of the Long Term Care Insurance Working Group, Brian Morin, Al Loney, and Carol Burrows.
This booklet has deliberately been kept short. Each person's situation is unique from a number of perspectives. Therefore, not all individuals may identify totally with the information provided. The Council is willing to assist anyone by trying to answer questions that are not adequately covered in this document.

We suggest that, in reading this document, you consult the Glossary for the correct meaning of the terms used which may be new or unfamiliar in this context. For your convenience, we have highlighted many key words.

The information in this document is as at August 2008 and every effort has been made to ensure its accuracy. ***The Council on Aging of Ottawa***, however, assumes no responsibility for any unsatisfactory results experienced by individuals purchasing long term care insurance based on the information here provided.

Introduction

The Council on Aging of Ottawa has produced this guide to help individuals and families understand the issues concerning long term care and the insurance options currently being made available to pay for such support. The Council acknowledges that Long Term Care Insurance is a legitimate option in providing peace of mind to those concerned about their future needs. It also recognizes that it is a very complex insurance product and needs to be studied carefully. ***The Council on Aging of Ottawa*** is knowledgeable about seniors in Ontario, and while attempts have been made to generalize definitions and service descriptions, users should check specific provincial and local guidelines that apply to them. Concerns about future availability of adequate long term care are based on, not only the aging of the population, but also reductions in both publicly funded services and family supports. The population aged 65 and older is expected to triple in Canada in the next 30 years, due to two factors: the aging of the Post World War II Baby Boom Generation and dramatic increases in longevity. The first members of the Baby Boomers will be entering the ranks of the senior population (65 and over) in 2011 and, with dramatic improvements in detection and treatment of disease, seniors will live longer than ever before, but not necessarily maintain the same quality of life. In fact, the fastest growing population group in Canada, in percentage terms, is the 85 and older group.[1] However, with growing longevity comes increased incidence of dementia, requiring intensive health care and personal assistance.[2]

Whereas the Baby Boomer's parents had relatively large families, resulting in a number of children sharing responsibility of looking after aging parents, the Boomers themselves have few children and, because of high labour force mobility rates, these children are much less likely to be located near their parents than used to be the case.

Because of spiralling health care costs, publicly funded long term care services have been frozen or even reduced in recent years. Provincial Health Insurance Plans cover physician, hospital and various diagnostic and treatment services, but exclude long term care. This service is provided separately and its delivery varies widely from province to province and community to community. For example, in Ontario, a limited amount of home care services in the community is provided by 14 ***Community Care Access Centres (CCACs).*** Additional services in most areas of the province are either provided through local community support services agencies (some gratuitously, others for a fee), or can be purchased from various for-profit home health care service agencies. For information on how long term

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[1] Statistics Canada, A portrait of Seniors in Canada, Third Edition. October 1999.

[2] The incidence of dementia is already on the rise. For example, the number of dementia cases in Ontario is expected to increase to 300,000 by 2027, from the 140,000 recorded in 2002 (Hopkins et al) *Dementia Projections for the Counties, Regional Municipalities and Districts of Ontario*. PCCC Mental Health Services, January 2002).

care services are delivered in your particular area, contact your local health department.

Ontario ***CCACs*** are provincially funded, non-profit organizations providing home care and support services and placements in long term care facilities. In 2001 the ***CCACs***' budgets were frozen resulting in reductions in service hours and dramatic growth in waiting lists. As is the case with Provincial Health Insurance Plans, private supplementary health insurance essentially does not cover long term care. It is to fill this gap that ***Long Term Care Insurance (LTCI)*** programs have been established. ***LTCI*** plans allow the insured to reduce the risk of financial hardship, afford peace of mind, and protect assets from the high costs of long term care.

Before deciding whether to shop for a long term care insurance policy, start by getting information about the long term care services and facilities you might use and how much they will cost. Then consider what is being offered through the publicly funded programs in your particular area. Finally, consider the following:

- *What is my current health and does family history indicate possible future concerns?*
- *What supports (spouse, children etc.) do I have at present and, more importantly, what can I expect to have in the future?*
- *What are the trade-offs when considering the limits placed on my disposable income by hefty premiums? What risks am I prepared to take?*
- *Which is the plan best suited for me and where can I get the most for my money?*
- *Will the promised benefits be adequate as I see it?*
- *What happens if I involuntarily default on my premiums because of other financial needs?*
- *Does the policy pay benefits regardless of whether the provincial or other supplementary health plans pay?*

We have tried to answer these and many other questions in the following chapters.

Chapter 1 – Long Term Care

What is Long Term Care?

Long term care is assistance and support for people who cannot look after their personal needs by themselves; for example people with a prolonged physical or chronic illness, disability or cognitive disorder. It includes help with the everyday ***Activities of Daily Living, (ADLs).*** It includes help for people with cognitive impairment, such as Alzheimer's disease or other forms of dementia.

Long term care differs from traditional medical care as it is designed to assist a person to maintain his or her level of functioning, as opposed to care or services that are designed to rehabilitate or correct certain medical problems. In other words, the focus of long term care is on caring, rather than curing.

There are three basic types of long term care:

- **Skilled care (a.k.a. Professional Care)** *is generally needed for medical conditions that require care by skilled medical personnel, such as registered nurses or professional therapists. Professional care can be provided in a nursing home, but may also be provided in other settings such as the patient's home with help from visiting nurses or therapists.*
- **Personal care** *helps a person perform ADLs, which include assistance with bathing, eating, dressing, toileting, continence and transferring (e.g. moving from bed to chair).*
- **Supervisory care** *is required for those who are cognitively impaired, e.g. Alzheimer's, etc., and who generally need supervision, protection or verbal reminders to accomplish everyday activities.*

Where is Long Term Care Provided?

Long term care can be provided in two types of settings:

- *a home or an adult day care location*
- *a facility such as a nursing home (in Ontario known as long term care centres), a chronic care facility, personal care home, or assisted living facility.*

Care in the home can consist of a variety of medical and personal services and facility care may include different levels of accommodation (private, semi-private or ward) and supplementary nursing and personal care.

What Are My Odds of Needing Long Term Care?

There is no definitive answer, but the following might help you. For those over age 65, 43% will, at some point in their remaining years, require long term care and spend time in a nursing home or long term care facility for an average length of stay of three to four years. One in five “will stay more than five years.[3]” For a couple over age 65, there is a two out of three chance that at least one spouse will enter a facility at some point.

Each individual’s or couple’s situation is unique and the likelihood of needing home and/or facility care varies widely. Past conditions of health, family history and the presence or absence of a support system through family and friends may play a role and the requirements tend to differ for men and women. Men tend to have greater need for assistance with household chores, while women far outnumber men in long term care facilities, and tend to stay there longer. Evidence shows that Canadian women in general live longer than men and most wives are younger than their husbands. Therefore, there is a greater likelihood of wives caring for ailing husbands than vice versa.

How Much Will Long Term Care Cost Me?

Long term care can be expensive. The cost depends on the amount and type of care needed and where it is obtained. Costs for home care such as nursing care and household and personal assistance can vary widely. Costs in long term care facilities can also be considerably different, depending on location, extent of government subsidy and type of accommodation. As of **July 2008**, the out-of-pocket accommodation fees payable by residents for Ontario government-subsidized long term care facilities, (nursing homes) are as follows:

Type of Accommodation	**Daily**	**Monthly**	**Annually**
Ward[4]	$51.88	$1,578.02	$18,936.24
Semi-Private	$59.88	$1,821.35	$21,856.20
Private	$69.88	$2,125.52	$25,506.24

Furthermore, non-subsidized ***Assisted Living Facilities (ALFs)*** can easily cost more than $40,000 per year, when personal care is required.

NOTE: Rates for care in the home vary by community. Therefore, you should check with your local health care service providers.

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[3] The source for the 43% and the one in five is Financial Gerontology. *Journal of the American Society of CLU & CHFC*A. May 1997 and the three to four years is based on information obtained from a survey of a selected number of long term care facilities in Ottawa.

[4] Low-income patients can receive ward accommodation at a reduced rate based on their net disposable income with a “comfort allowance” of $116.00 per month. For further information see www.health.gov.on.ca/.

Who Pays For Long Term Care?

It must be noted that provincial health plans and private supplementary health insurance plans usually will not pay for long term care at home or in a facility, other than perhaps a limited amount of skilled or professional care at home. It should be noted that skilled or professional care represents only 12% of long term care; the other 88% is personal and supervisory care. You should check with your personal insurer to determine what services are, or are not, covered.

Long term care is paid or arranged for in a variety of ways:

- *First, some costs are borne by provincial programs, such as the services provided by the* **CCACs** *in Ontario. These agencies, after determining eligibility, arrange for some basic care in the home and, if necessary, authorize placement in a provincially subsidized facility. As mentioned previously, the Ontario* **CCAC** *home care services have been severely restricted in recent years. In this regard, it is important to determine whether your insurance company will pay, regardless of whether or not the government pays for a portion. The situation in Ontario is likely not much different from those in other provinces.*
- *Some seniors may wish to rely on family supports instead of outside help. However, such situations may place great burdens on family members, particularly if the main caregiver in the home is a frail elderly spouse.*
- *Individuals and their families may wish to hire and pay for services using their savings and investments. However, this may rapidly deplete whatever resources they may have, even if they do receive some assistance from the publicly funded programs.*
- *Finally, some individuals and couples are enrolling in long term care insurance plans with the anticipation that their future needs, not provided by the government programs, will be met through benefits paid by their insurers.*

Chapter 2 – Long Term Care Insurance

What is Long Term Care Insurance?

Long term care insurance is a form of insurance intended to pay for expenses incurred as a result of some form of disability. The care involved can be either at home to maintain a level of independence and security or in a facility to provide a certain standard of accommodation and care. This type of insurance will pay for some or all of your long term care needs, depending on the coverage selected. Introduced in the 1980s in the United States and only recently in Canada, it is a relatively new type of insurance.

Should Everyone Have Long Term Care Insurance?

You most likely should NOT buy long term care insurance if:

- *You can't afford the premiums.*
- *You have limited assets.*
- *Your only source of income is Old Age Security and Guaranteed Income Supplement benefits.*
- *You often have trouble paying for utilities, food, medicine or other important needs.*

You should, however CONSIDER buying Long Term Care Insurance if:

- *You have significant assets and income.*
- *You want to protect some of your assets and income.*
- *You want to personally pay for any care you may need.*
- *You want to stay independent of the support of others.*
- *You want to gain peace of mind.*

Other issues that should be considered:

- *What is my current health and does family history indicate possible future concerns?*
- *What supports (spouse, children etc.) do I have at present and, more importantly, can I expect to have in the future?*
- *What are the trade-offs when considering the limits placed on my disposable income by hefty premiums? Am I willing to sacrifice other expenditures?*

How Can I Buy Insurance to Pay for Long Term Care?

In Canada only a few insurance companies sell long term care insurance policies. At present, you can buy an individual policy directly from an agent, or a group-sponsored policy from an employer, affinity, or association groups who endorse a plan. Group-sponsored plans are typically restricted to employees, or members and their spouse, and their eligible relatives – typically parents, in-laws, children and their spouse.

Can Long Term Care Insurance be Cost Effective?

The following is an example of a cost effectiveness calculation that can be used as a framework to evaluate any plan you are considering:

Assume you are 65 years of age and choose to participate in the plan sponsored by the previously mentioned association. You select a monthly benefit of up to $1,200 for home care and facility care, with unlimited lifetime coverage, inflation protection and waiver of premium when disabled. You would pay $1,836 per year ($153 per month) under that plan. In constant dollars, you could pay for more than 13 years, and still not have paid out the current cost for a private room (approximately $25,000) for one year in a government-subsidised nursing home in Ontario. In the Atlantic Provinces, fees typically exceed $100 per day. You could pay into the plan for more than 20 years at that rate and still not have paid out the cost of one year in a nursing home in that region of the country.

Moreover, assume you became disabled at age 75, after paying the above premium for ten years, and you were to spend the remainder of your life in a long term care facility. Considering that the average length of stay is between three and four years[5], the total benefit received, assuming that the full $1,200 per month is claimed, will be between $46,000 and $58,000. To pay for such amounts you would have to save and invest 2.5 to three times the premiums during those ten years. In other words, you would have to save 2.5 to three times the premiums in order to be able to afford that $1,200 per month benefit.

How Do Long Term Care Insurance Policies Work?

Currently, long term care insurance policies are not standardized. Companies sell policies that combine benefits and coverage in different ways, as follows:

a) You can buy policies that provide coverage for 1, 2, 3, 4 or 5 years; or
b) You can buy coverage that provides a pool of money, ranging typically from $50,000 to $300,000, from which you can draw over your lifetime; or
c) You can buy coverage that has an unlimited lifetime benefit. This, of course, is the most expensive option.

[5] See footnote number 3.

Chapter 3 - Types of Policies

What Types of Policies Are There?

There are three types of long term care insurance policies:

- **<u>Reimbursement policies</u>** *are the least expensive and most effective and efficient. They simply reimburse some or all of your out-of-pocket long term care expenses, up to your designated daily, weekly or monthly limit.*
    - *Pros: least expensive*
    - *Cons: least flexible*

- **<u>Indemnity policies</u>** *will remunerate the eligible benefit recipient for the designated daily, weekly or monthly amount, provided qualified expenses have been incurred. Plans typically pay indemnity amount for actual days care is received*
    - *Pros: usually well priced and more flexible than reimbursement plans; because proof of care is required, there is less chance of elder abuse and fraud.*
    - *Cons: marginally less flexible than income policies*

- **<u>Income policies</u> (a.k.a. cash or disability plans)** *are the most expensive and will remunerate the designated daily, weekly, or monthly limit to qualifying claimants, regardless of whether services are received.*
    - *Pros: most flexible, i.e. once eligibility is established, benefits are paid out.*
    - *Cons: most expensive; most prone to rate increases (because there is no incentive to get off claim); most susceptible to fraud; most prone to elder abuse, (i.e. monthly cash payments are made with no requirement to prove care has been provided).*

The Council on Aging of Ottawa recognises the advantages and disadvantages of each of the three aforementioned types of plans. While the Income Plans are no doubt the simplest to administer, there is a real concern that no proof of care is required, and unlike the Reimbursement, or the Indemnity plans, the consequent potential for elder abuse exists if, for example, a trustee neglects the patient i.e. provides for little or no care, because there is no requirement to prove care is provided for benefits to be regularly paid.

What is Not Covered? (Exclusions and Limitations)

Most long term care insurance policies do not pay benefits for the following:

- *a mental or nervous disorder or disease, other than Alzheimer's disease or other dementia;*
- *alcohol or drug addiction;*
- *illness or injury caused by an act of war;*
- *treatment the government has provided in a government facility or already paid for;*
- *attempted suicide or intentionally self-inflicted injuries.*

NOTE: Be certain that the policy you choose covers Alzheimer's disease and other forms of dementia. At the time of writing, all policies being sold in Canada do cover these cognitive impairments.

How Do You Know How Much Coverage You Have and Is There a Maximum?

The policy or certificate may state the amount of coverage in one of several ways. A policy may pay different amounts for different types of long term care services. Be sure you understand how much coverage you will have and how it will cover long term care services you receive.

Most policies limit the total benefit they will pay over the term of the policy, but a few don't. Some policies state the maximum benefit limit in years (one, two, three, or more or even lifetime). Others write the policy maximum benefit limit as a total dollar amount. Policies often use words like "total lifetime benefit," "maximum lifetime benefit," or "total plan benefit" to describe their maximum benefit limit. When you look at a policy or certificate be sure to check and understand the total amount of coverage. Read your long term care insurance policy carefully to learn what the benefit period is.

Policies normally pay benefits by the day, week, or month. For example, a reimbursement policy might pay a daily nursing home benefit of up to $100 per day, and a weekly home care benefit of up to $350 per week. Some policies will pay one time for single events, such as installing a home medical alert system.

When you buy a policy, insurance companies let you choose a benefit amount for care in a long term care facility, e.g. a nursing home. Some policies offer an equal benefit amount for care in the home, and some policies offer a lesser amount, e.g. 50%. It is important that you understand exactly what services are covered, where they are covered, and what percentage is covered. It is important to know how much nursing homes, assisted living facilities, and home health care agencies charge for their services BEFORE you choose the benefit amounts in a long term care insurance policy. Check the facilities in the area where you think you may be receiving care, whether they are local, near a grown child, or in a new place where you may retire. In Ontario, the province sets the accommodation rates for the government subsidized nursing homes. However, privately run ***Assisted Living Facilities (ALFs),*** e.g. retirement homes can charge whatever they wish and, when personal care is required, they can cost considerably more.

When Are You Eligible for Benefits? (Benefit Triggers)

Benefit triggers is the term a company usually uses to describe how, when and why to pay benefits. This is an important part of a long term care insurance policy. Look at it carefully as you shop. The policy and the outline of coverage usually describe the benefit triggers. Look for a section called "Eligibility for the Payment of Benefits" or simply "Eligibility for Benefits." Different policies may have very different benefit triggers. Some policies use more than one way to decide when to pay benefits.

> **NOTE:** Companies may use different benefit triggers for home care coverage than for nursing home care.

Some benefit triggers:

- **Activities of Daily Living (ADLs):** *Inability to perform* **ADLs** *is the most common way insurance companies decide when you are eligible for benefits. The* **ADLs** *most companies use are bathing, continence, dressing, eating, toileting, and transferring. Typically, a policy pays benefits when you can't do a certain number of the* **ADLs***, such as two of six, three of six or two of five. It will be harder for you to be eligible for benefits when a policy requires you to be unable to do more* **ADLs***. If the policy you're thinking of buying pays benefits when you can't do certain* **ADLs***, be sure you understand what that means. Some policies spell out very clearly what it means to be unable to feed or bathe oneself. Some policies say that you must have someone actually help you to do the activities. That situation is known as hands-on assistance. Specifying hands-on assistance will make it harder to qualify for benefits than if only stand-by assistance is required. The more clearly a policy describes its requirements, the less confusion you or your family will have when you need to file a claim.*

> **NOTE:** The six ***Activities of Daily Living (ADLs)*** have been developed and standardized through years of research. This research also has shown that bathing is usually the first ***ADL*** that a person can't do. Qualifying for benefits from a policy that uses five ***ADLs*** may be hard if bathing isn't one of the five. Some policies omit continence as a qualifying trigger.

The best value policies trigger benefits when two out of six ***ADLs*** cannot be performed. If you decide to purchase a policy requiring two of five or three of six ***ADLs***, it will be much more difficult to qualify for benefits.

- **Cognitive Impairment:** *All long term care insurance policies should pay benefits for "cognitive impairment" or mental incapacity. The policy usually pays benefits if you can't pass certain tests of mental function. Coverage of cognitive impairment is especially important if you have been told you have Alzheimer's disease or other dementia.*

Is Prior Hospitalization Required Before You Can Receive Benefits?

This constraint could impede your ability to qualify for benefits and therefore is undesirable. To date, no policies in Canada have had this prerequisite.

When Do Benefits Start? (Elimination or Waiting Period)

The number of days you have to wait for benefits to start will depend on the elimination period you choose when you buy your policy. The shorter the waiting period, the more expensive the policy, and vice versa. Sometimes eligibility is expressed in terms of "service days". Service days refers to the number of days the patient requires service. For example, someone with a policy specifying 90 service days and requiring three days per week of service, as determined by the case manager, will have to wait as much as seven months before benefits start. Policies with the elimination period expressed in calendar days could therefore result in earlier benefits.

Also, you will want to determine what criteria are used by the insurance company to determine eligibility for benefits.

What Happens When Long Term Care Costs Rise (Inflation Protection)

Inflation protection can be one of the most important considerations you can make in deciding a long term care insurance policy. Inflation protection increases the premium. However, unless your daily benefit increases over time, years from now you may find that it hasn't kept up with the rising cost of care. Obviously, the younger you are when you buy a policy, the more important it is for you to add inflation protection.

You can usually buy inflation protection through one of three ways: incremental automatic inflation protection, by special offer called a Future Purchase Option, or by a Cost of Living Adjustment (COLA).

Incremental Inflation Protection
This first way automatically increases your benefits at different intervals, usually each year. Policies that increase benefits for inflation automatically may use simple or compound rates. Either way, the daily or monthly benefit increases at each interval by a fixed percentage, for the life of the policy or for a certain period, e.g. for 15 or 20 years.

The dollar amount of the increase depends on whether the inflation adjustment is simple or compound. If the inflation increase is simple, the benefit increases by the same dollar amount each year. If the increase is compounded, the dollar amount of the benefit increase goes up each year, as a percentage of the most recent year's benefit. Automatic inflation increases are a good idea but not all policies offer them. Don't automatically presume that compound inflation is better than simple inflation. For example, a policy offering 3% simple is worth more than a policy offering 2% compounded annually. Do the math and be aware of the value and scope of your policy in ten or 20 years**.**

As well, be aware of how often inflation factors are calculated. A policy in which inflation is calculated annually is usually worth more than a policy that has inflation calculated every three or five years. Again, do some calculations and establish exactly what your benefit will be worth ten or 20 years from now.

The chart at the end of this chapter will illustrate the significant differences and the true value of your plan – not today, but when you need it. Again, don't compare policies solely on the premium cost; the true value of your plan is reflected by how much the benefits are, when you are on claim and receiving benefits.

Future Purchase Option
The second way to buy inflation protection allows you to increase your benefits periodically, e.g. every three years. With such a periodic increase, you don't have to show proof of good health, if you regularly use the option. If, however, you are receiving benefits when your option comes up, you more than likely will not be able to exercise this option. Your premium will increase if you increase your benefits. How much it will increase will depend on your age at the time.

If you turn down the option to increase your benefits one year, you may not get the chance again.

If you do get the chance later, you may have to prove good health and there may be additional costs. Always check your policy to see how turning down an option will affect future offers. Again, do some calculations and be sure to ask how much the purchase of the option at the attained age will increase your premiums.

The automatic inflation option is easier to predict, both from a cost and from a benefit perspective.

Cost of Living Adjustment (COLA)

This third method of inflation protection can be beneficial, but it depends on when and how it is calculated. A ***COLA*** which is adjusted, and cumulates every year from when you buy the policy, will be worth more than a policy which only begins to adjust the ***COLA*** after you go on claim. For example, if you go on claim 20 years after you purchased the policy providing a specific rate, (e.g. $100 per day benefit), and that rate only begins to adjust to the cost of living after you go on claim, you have missed out on 20 years of adjustments. Such a policy is worth considerably less than one which adjusts the ***COLA*** every year from day one.

THE TRUE VALUE OF YOUR PLAN OVER TIME

PLAN	Rate / Occurrence / Duration	Daily Benefit	After 5 years	After 10 years	After 15 years	After 20 years	After 25 years	After 30 years	After 35 years
A	no inflation protection	$100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
B	5% compound / every 5yrs / lifetime	$100.00	105.00	110.25	115.76	121.55	127.63	134.01	140.71
C	1% compound / annually / lifetime	$100.00	105.10	110.46	116.10	122.02	128.24	134.78	141.66
D	1% simple / annually / lifetime	$100.00	105.00	110.00	115.00	120.00	125.00	130.00	135.00
E	2% simple / annually / lifetime	$100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00
F	2% simple / annually / 15 years	$100.00	110.00	120.00	130.00	130.00	130.00	130.00	130.00
G	2% simple / annually / 20 years	$100.00	110.00	120.00	130.00	140.00	140.00	140.00	140.00
H	2% compound / annually / 15 years	$100.00	110.41	121.90	134.59	134.59	134.59	134.59	134.59
I	2% compound / annually / 20 years	$100.00	110.41	121.90	134.59	148.59	148.59	148.59	148.59
J	2% compound / annually / lifetime	$100.00	110.41	121.90	134.59	148.59	164.06	181.14	199.99
K	Cost of Living Adjustment (COLA)	Value of plan will vary significantly, depending on when and how COLA is calculated.							

Chapter 4 - Additional Features To Look For

Third Party Notification

This benefit allows you to name someone whom the insurance company would contact if your coverage is about to end because you forgot to pay the premium. People with cognitive impairment may forget to pay the premium and lose their coverage when they need it the most. You can choose a relative, friend or a professional (lawyer or accountant, for example) as your third party.

After the company contacts the person you choose, he or she would have some time to arrange for payment of the overdue premium. You can usually name a contact without paying extra.

A caveat to this note is that the most reliable way to pay premiums is to use automatic bank withdrawals. It ensures that your premium gets paid regardless of whether you become ill, disabled, etc. Thereby your policy will not lapse.

What Are some of the More Common Long Term Care Insurance Policy Options You Might Consider?

You can likely choose other policy features. However, each may add to the cost. Ask your insurer what features increase your policy's cost. One common option is the "***Waiver of Premiums***". It lets you stop paying the premium once the insurance company has started to pay benefits. Some companies waive the premium as soon as they make the first benefit payment. Others wait until the elimination period has been met. This is a relatively inexpensive feature and, regardless of whether it is an option or is already built in to the plan, it should be given strong consideration when choosing a policy.

NOTE: *Most new policies include this feature as part of their base plan.*

One feature that has recently become very popular and effective is the Joint, or Shared Policy whereby a couple can share one policy and a joint Pool of Money, and in effect, rather than purchasing two separate policies, the couple can spread the risk between themselves.

Will Your Health Affect Your Ability to Buy a Policy?

Absolutely. If you already require long term care or have certain illnesses, you are probably not going to be accepted. It is therefore critical to make your decision to purchase long term care insurance while you are still healthy.

What Happens If You Have Pre-Existing Conditions?

Most policies are on an accept or reject basis. However, there are some policies that will accept pre-conditions for a premium surcharge.

Can You Renew Your Long Term Care Insurance Policy?

Long term care insurance policies sold today are guaranteed renewable. This means that the insurance company will automatically renew the policy, but not necessarily at the same premium. Your premium may go up over time as the insurance company pays more and larger claims.

Insurance companies can raise the premiums on their policies but only if they increase the premiums on all policies that are the same in that class. No individual can be singled out for a rate increase, no matter how many claims have been filed.

What Do Long Term Care Insurance Policies Cost?

Policy premiums are based on your age at the time of application; the premium will be lower if you're younger, higher if you're older. Although a younger person will pay longer, the premiums will be considerably less expensive in the long run than for a person who buys a policy at a later age. Moreover, if your health fails, you may not be able to get coverage at all. If you buy a policy with a large daily benefit, a longer maximum benefit period or a benefit that covers both home care and facility care, the cost will be greater. Inflation protection will also add to the cost.

Judge the value of the policy benefits and do not use cheaper premiums as the sole criteria. Twenty years from now, a few extra premium dollars may prove to be money well spent.

Do Premiums Remain the Same? (Level Premium)

While plans are designed to have level premiums for the duration of the policy, no insurance company can guarantee premiums will never increase. If claims become higher than planned for, an insurance company can raise premiums for the entire class of policyholders. However it cannot raise individual policyholder’s premiums because of health status or age.

Any Other Advice?

Make sure you know exactly what the policy covers and what it doesn't. Some policies only cover home care; others only cover facility care. Comprehensive policies cover all venues, including home care, facility care, assisted living. If you have any questions, call the insurance company before you buy. Consider having the premium automatically taken out of your bank account. Automatic withdrawal may mean that you don't lose your coverage if an illness makes you forget to pay your premium. If you decide not to renew your policy, be sure to tell the bank to stop the automatic withdrawals.

Some individuals who see the merits of insuring themselves mistakenly believe that by putting off purchasing long term care insurance for a few years, their costs will be less expensive. The fact is that the younger you are, the less expensive it will be, even if you pay longer. Moreover, by delaying, your health could change and you could become uninsurable.

Once issued, most policies have a “free look” period – usually between 10-30 days; be sure to read it very carefully. Again, it anything is unclear, call the insurance company for an explanation or interpretation.

Chapter 5 – Long Term Care Policy Checklist

The following checklist will help you compare policies you may be considering:

1. What services are covered?
   - *Nursing home care*
   - *Home care*
   - *Home health care*
   - *Assisted living facility*
   - *Adult daycare*
   - *Alternate care*
   - *Respite care*
   - *Other*

2. How much does the policy pay per day for nursing home care? For home health care? For an assisted living facility? For adult daycare? For alternate care? For respite care? For other services?

3. How long will benefits last in a nursing home? At home? In an assisted living facility? Elsewhere?

4. Does the policy have a maximum lifetime benefit? If so, what is it for nursing home care? For home health care? For an assisted living facility? For other?

5. Does the policy have a maximum length of coverage for each period of confinement? If so, what is it for nursing home care? For home health care? For an assisted living facility?

6. How long must I wait before pre-existing conditions are covered?

7. How many days must I wait before benefits begin for nursing home care? For home health care? For an assisted living facility? For other?

8. Are Alzheimer's disease and other organic mental and nervous disorders covered?

9. Does this policy require the following: An assessment of activities of daily living? An assessment of cognitive impairment? Physician certification of need? A prior hospital stay for nursing home care? Home health care? A prior nursing home stay for home health care coverage? Other?

10. Is the policy guaranteed renewable?

11. What is the age range for enrolment?

12. Is there a waiver of premium provision for nursing home care? For home health care?

13. How long must I be confined before premiums are waived?

14. Does the policy have a non-forfeiture benefit?

15. Does the policy offer an inflation adjustment feature? If so, what is the rate of increase? How often is it applied? For how long? What is the additional cost?

16. What does the policy cost?
    - *Per year?*
      - With inflation feature
      - Without inflation feature
    - *Per month?*
      - With inflation feature
      - Without inflation feature

17. Is there a 30-day free look?

There may be other considerations, but these are the ones considered the most significant. Again, each individual's (and couple's) situation is unique. It may be advantageous to enlist the services of someone with experience in long term care expenditures. We hope that this booklet, its information and suggestions will help you in your shopping. Good luck.

Glossary of Terms

The following are definitions of some of the terms in this report. They are not general definitions, but specific to this document.

Activities of Daily Living (ADLs) - Everyday functions and activities that individuals usually do without help. ADL functions include bathing, continence, dressing, eating, toileting, and transferring (for example, from bed to chair). Many policies use the inability to do a certain number of ADLs (such as 2 of 6) in determining when to pay benefits.

Adult Day Care - Care during the day for adults, usually at senior or community centres.

Alzheimer's disease - A progressive, degenerative form of dementia that causes severe intellectual deterioration. Alzheimer's disease accounts for 75 to 85% of dementia in the elderly.[6]

Assisted Living Facility - A residential living arrangement including a retirement home that provides individualized personal care and health services for people who require assistance with activities of daily living.

Benefit Triggers - Term used by insurance companies to describe when to pay benefits.

Care Coordinator or Care Advisor - A professional, typically a nurse or social worker, functioning as your advocate, who may arrange, monitor, or coordinate long term care services.

Care In the Home - see Home Care.

Chronic Illness - An illness with one or more of the following characteristics: permanency; residual disability; need for rehabilitation training; or need for a long period of supervision, observation or care.

Cognitive Impairment - A deficiency in a person's short or long term memory; orientation as to person, place and time; deductive or abstract reasoning; or judgment as it relates to safety awareness.

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[6] Hopkins et al. Dementia Projections for the Counties, Regional Municipalities and Districts of Ontario. PCCC Mental Health Services. January 2002.

Community-Based Support Services - Services designed to help older people stay independent and in their own homes; for example, homemaking, meals on wheels or adult day care.

Daily, Weekly or Monthly Benefit - The amount of insurance a person buys for long term care expenses.

Dementia - Deterioration of intellectual faculties due to a disorder of the brain.

Elimination (Waiting) Period - A type of deductible; the length of time the individual must pay for covered services before the insurance company will begin to make payments. The longer the elimination period in a policy, the lower the premium.

Guaranteed Renewable - Condition under which a policy cannot be cancelled and must be renewed when it expires unless benefits have been exhausted. The company cannot change the coverage or refuse to renew the coverage for other than non-payment of premiums (including health conditions and/or marital or employment status).

Home Care - "An array of services which enables clients incapacitated in whole or in part, to live at home, often with the effect of preventing, delaying or substituting for long term care or acute care alternatives."[7] Also referred to as **care in the home**, it may include such services as home health and personal care, home maintenance, adult day care, respite care and outpatient home-based hospice/palliative care. It may also include caregiver training, care coordination, emergency response system allowances and provision of durable medical equipment. All of these are intended to keep the person at home as long as possible.

Home Health Care - Services for occupational, physical, respiratory, speech therapy, or nursing care. Also included are services provided by medical or social workers, home health aides, and homemakers.

Homemaker Services incidental to Personal Care (a.k.a. Instrumental Activities of Daily Living) - Household services done by someone other than yourself because you are no longer able to do them. These services may include laundry services; reasonable food shopping and errands; meal preparation and cleanup; domestic or cleaning services; transportation assistance to and from medical appointments; or heavy cleaning which involves thorough cleaning of Your Home to remove hazardous debris or dirt. Some policies may cover lawn cutting.

Inflation Protection - A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of long term care services.

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[7] Health Canada. *Provincial and Territorial Home Care Programs: A Synthesis for Canada*. May 1999.

Lapse - Cancellation of a policy when a renewal premium is not paid.

Long Term Care - Assistance and support for people who can't look after their personal needs by themselves. Long term care can be provided in a person's home, adult day care location or in a facility such as a nursing home, chronic care or assisted living facility.

Non-forfeiture Benefits - A policy feature that returns at least part of the premiums if you cancel your policy or let it lapse.

Personal Care - Care to help individuals meet personal needs such as bathing, dressing, and eating. Care may be provided by someone without professional training.

Pre-existing Condition - Illnesses or disability for which you were treated or advised within a time period before applying for a life or health insurance policy.

Respite Care – Provision of help from a few hours to several days to relieve family caregivers. This can be provided in the home or in a residential setting.

Rider - Addition to an insurance policy that changes the provisions of the policy.

Spend Down - A requirement that an individual must use up most of his or her income and assets to meet eligibility requirements.

Substantial Assistance - Hands-on or stand-by help needed to do Activities of Daily Living (ADLs).

Substantial Supervision - The presence of a person guiding and watching over another who has a cognitive impairment.

Third Party Notice - A benefit allowing you name someone the insurance company would notify if your coverage is about to end because of lack of premium payment. This can be a relative, friend, or professional such as a lawyer or accountant.

Underwriting - The process of examining, accepting, or rejecting insurance risks.

Waiver of Premium - A provision in an insurance policy that relieves the insured of paying premiums while receiving benefits.

Useful Links to Canadian Provinces & Territories

Most of the content of this guide will be useful to all Canadians, however some examples include user fees, etc., based on rates set by the province of Ontario. Each province has different subsidy schemes for both home care and facility care.
For the reference of all Canadians, here are a number of useful internet links to all provinces' and territories' ministries of health.

ALBERTA: http://www.health.alberta.ca/
BRITISH COLUMBIA: http://www.gov.bc.ca/health/
MANITOBA: http://www.gov.mb.ca/health/
NEW BRUNSWICK: http://www.gnb.ca/0051/index-e.asp
NEWFOUNDLAND & LABRADOR: http://www.health.gov.nl.ca/mcp/
NORTHWEST TERRITORIES: http://www.hlthss.gov.nt.ca/
NOVA SCOTIA: http://www.gov.ns.ca/health/
NUNAVUT: http://www.gov.nu.ca/health/
ONTARIO: http://www.health.gov.on.ca/
PRINCE EDWARD ISLAND: http://www.gov.pe.ca/health/
QUEBEC: http://www.ramq.gouv.qc.ca/index_en.shtml
SASKATCHEWAN: http://www.health.gov.sk.ca/
YUKON: http://www.hss.gov.yk.ca/

Association, Affinity and Employer groups wanting more detailed information on group-sponsored long term care insurance programs, should contact The Council on Aging of Ottawa, by e-mail at coa@coaottawa.ca

Anyone with comments or suggestions for further reprints of this document can also e-mail us at coa@coaottawa.ca

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