

# Today's Objectives

- To discuss long-term care

## Module 2 – Old Age

→ Long-Term Care (Long-Term Care Insurance readings)

Recall that:

- According to a 2008 report by the Council on Aging in Ottawa, 43% of those over age 65 will require long term care and spend time in a nursing home or long-term care
- **Long Term Care (LTC) is costly** and can easily lead to economic insecurity in old age
- While **provincial health insurance plans** cover doctor, hospital and various diagnostic and treatment services, they **exclude long term care (LTC)**
- Local **Community Care Access Centers (CCAC)** responsible for **deciding who receives subsidized care** (nursing home or in home care)
- There is **no government subsidization** for those living in **Retirement Homes**

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### 3. What is Long-Term Care (LTC)?

- **Essential elements of Long Term Care (LTC) are:**
  - The need for medical, personal, or social services
  - The need can be the result of an accident, illness, or frailty
  - LTC services are provided by other persons, either paid or unpaid, at home or in a nursing home
- **LTC includes: nursing home care, home care & community care**

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### 3. What is Long-Term Care (LTC)?

- **LTC services** are services that **assist an individual in performing the essential activities of daily living or “ADL’s”**:
  - Eating
  - Bathing
  - Dressing
  - Going to the Bathroom
  - Transferring (e.g. moving from a chair or out of a bed)
  - Maintaining continence

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### 3. What is Long-Term Care (LTC)?

**There are 3 basic types of long-term care (LTC):**

#### i. Skilled (Professional) Care

- Needed for medical conditions that requires care from skilled medical personnel (e.g. registered nurse, therapists, etc.)
- This care can be provided in a nursing home or a patient's home

#### ii. Personal Care

- Assistance with a person's ADLs (eg. eating, dressing, transferring,...)
- See ADL list above

#### iii. Supervisory Care

- Care for those with a cognitive impairment (such as Alzheimer's or dementia) and who generally need verbal reminders for daily activities, supervision, and sometimes protection

Note: 12% of LTC comprises of skilled care, other 88% is (ii) or (iii)

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### 4. Long-Term Care Insurance

- Several elderly will rely on family support or pay for long-term care out of their savings/retirement income savings
- One solution to the challenges of Long-Term Care is **Long-Term Care Insurance**
- Long-Term Care Insurance was introduced in the 1980s in the U.S. and in the early 2000s in Canada
- While more popular in the United States, **Long-Term Care Insurance sales in Canada have not yet gained much traction**
  - It is a costly and complicated product (exclusions/conditions)
  - Only few insurers offer this product (risky, hard to price)
  - Misunderstanding of what is covered by provincial medical plans
  - Preference to plan for long-term care needs with savings for retirement income (one strategy: deplete RRSPs, other savings first, then look to value of home to cover LTC in your 90's if needed)

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### 4. Long-Term Care Insurance

#### **3 Types of Long-Term Care Insurance Policies**

##### i. Reimbursement Policies

- Some or all out-of-pocket long-term care expenses are reimbursed (receipts required) up to a designated daily, weekly or monthly limit
- Pros: least expensive and most efficient policy type
- Cons: least flexible

##### ii. Indemnity Policies

- Remunerate eligible recipient for designated daily, weekly or monthly amount, provided qualified expenses have been incurred
- Indemnity amount is typically a daily amount (if you spend less, you keep it, if you spend more you have to pay the difference)
- Pros: priced well, more flexible than (i) because proof of care is required, there's less chance of elder abuse and fraud
- Cons: not as flexible as (iii), more prone to premium increases

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### 4. Long-Term Care Insurance

#### **3 Types of Long-Term Care Insurance Policies**

##### iii. Income policies (cash or disability plans)

- Remunerate designated daily, weekly, or monthly limit to qualifying claimants, regardless of whether services received
- Pros: most flexible (once eligibility established, benefits paid out)
- Cons: most expensive and most prone to rate increases (no incentive to get off claim), most susceptible to fraud



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### 4. Long-Term Care Insurance

#### **LTC insurance Policy exclusions and limitations**

- Mental or nervous disorder or diseases (other than Alzheimer's or dementia)
- Alcohol or drug addictions
- Illness or injury caused by an act of war
- Treatment that government provides or covers
- Intentional self-inflictions (incl. attempted suicide)
- Pre-existing conditions - these are sickness or injuries that started or occurred prior to issuance of the policy

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### 4. Long-Term Care Insurance

#### **LTC Insurance Policy Coverage details are critical to understand**

- Most policies will have limits on what they pay (could be maximum amounts per year or for ‘life of the policy’)
- Benefits usually paid by the day, week, or month, e.g. daily nursing home benefit of up to \$100 per day, or weekly home care benefit of up to \$350 per week

#### **“Benefit Triggers” important part of the LTC insurance policy**

- Benefit triggers describe how and when benefits are paid
- There are usually different triggers for home care coverage than nursing home care
- Activities of Daily Living (ADLs) are the most common trigger, e.g. policy pays benefits when unable to perform 2 of 6 ADLs
- Cognitive impairment - policy usually pays benefits if certain memory tests cannot be passed

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### 4. Long-Term Care Insurance

#### **Why LTC Insurance has not grown in Canada as initially envisioned:**

- Lack of understanding about what provincial plans cover in terms of LTC needs
- Product Costs and complexities
- Restrictive Provisions (examples)
- No premium guarantees (often premium is only guaranteed for 5 years, after which it can change)
- Underwriting is seen as painful and complex
- Only 2 Canadian Insurance Companies currently sell this product (risks hard to price)
- Insurance agents/brokers attitudes on the need for this product (strategies with savings and Retirement Income and planning for LTC needs with this in different ways)
- Competition with other products such as life insurance and retirement income products (to provide for LTC needs)