



Long-Term Care Insurance

Rino Racanelli

According to the latest mortality rates from Statistics Canada, we are living longer than ever before. Most of us can expect to celebrate our 80th birthday and beyond. That's the good news.

The bad news is that living longer doesn't necessarily mean living free from disability and a loss of independence. The older we get, the more likely we will need ongoing support from the medical community or require some form of assistance for household and daily services.

Insurance research by the firm Conning & Company shows that 60% of Americans who reach the age of 65 will require long-term care at some time in their lives. In Canada, a 65-year-old man can expect to live an additional 16 years, 3.5 of those years will be spent on paying others to take care of him. A 65-year-old woman can expect to live an additional 20 years, 6.5 of those years will be spent with a loss of independence. Presently, 1 in 5 Canadians is providing care for an elderly parent or close relative. Within 15 years, the senior's population is estimated to reach 8.5 million strong. That's about 20% of the Canadian population. (Desjardin Long-Term Care Marketing Guide 2008 and Public Health Agency of Canada 2009, www.publichealth.gc.ca)

These numbers will have an enormous impact on our government healthcare programs, which do not offer all the options you may need to get the best care suited to your particular circumstances. While your provincial government covers some costs, there are limits for the amount paid for care at home and, of course, they don't pay for private facility care. On top of that, be prepared to be placed on a lengthy waiting list if you require a provincially funded long-term care facility.

Important Questions to Consider

- How will our government react and deal with this growing elderly population?
- How realistic is the option of relying on the provincial government to assist you in your old age? (If history has taught us anything, then we can expect our government to

reduce services for seniors along with tax increases to take care of this growing health concern.)

- Will your family and friends be forced to become your personal care givers?
- Is there a good chance you'll need to dip into your retirement savings plan to cover the costs of long-term care?

The Costs of Long-Term Care and Home Care

Depending on the province you reside, Canadians can spend anywhere from \$1,200 to \$4,650 a month for facility care over and above what's subsidized by government programs, with an average waiting period of 2 to 9 months. In some cases, you may have to wait up to 3 years before obtaining a private room. (www.healthservices.gov.on.ca, www.gov.pe.ca, www.health.gov.nl.ca, www.legal-info-legale.nb.ca)

The cost and the quality of accommodations in a private long-term care facility vary from one facility to the next. Average cost for room and board ranges anywhere from \$1,500 to \$7,000 per month. This is the cost for basic services only. If you are looking for quality in private care be ready to pay the extras such as your own phone and a television set with cable. You might want to include hair-dressing services, cosmetic products, dental care, dry cleaning and ironing. If your health condition is of a more serious nature, then you may want to consider hiring a companion to assist you in dressing and bathing as well as taking you out for walks. All of these extra services could be essential to your well-being, therefore, be prepared to shell out an extra \$700-\$800 per month on top of the basic services provided.

The cost for home care also varies greatly depending on the person's condition as well as the number of chores that are performed by the natural caregivers. Private home care costs vary from province to province and can range from \$14 to \$25 per hour for homemaking and personal care, and between \$35 and \$65 per hour for nursing care.

Here are some provincial average costs for private nursing and other services in Ontario: registered nurse or auxil-

Plan Details	RBC Insurance Long-Term Care Insurance	Desjardin Financial Services Independent Living	Sun Life Financial Long-Term Care Insurance
At what age can you buy a policy?	Facility care at age 30-80 Home care at age 30-75	Age 18-80	Age 21-80
Will the cost of the insurance increase?	Premiums will not be increased in the first 5 years. After that time premiums can change on renewal. Lifetime increases cannot exceed 50% of the original premium, excluding policy fee.	Premiums will not be increased in the first 5 years. After that premiums can change on renewal.	Premiums are guaranteed not to change for 5 years from the policy issue. After that premiums may increase but will not increase again for another 5 years.
Is there a policy fee?	Yes, \$60 annually, guaranteed	Yes, \$150 per insured person	Yes, \$150 per year
Are premiums payable for life?	No, the longer of 20 years or to the insured's attained age of 65	Yes, or choose the 20-year payment plan	Yes, or choose a limited payment option to the longer of 20 years or to age 55
What are the benefit plans you can choose from?	Daily benefit - facility care, home care optional Minimum: \$10/day Maximum: \$300/day Available to purchase in units of \$10/day Benefit periods for both facility and home care include 1 year, 2 years, 5 years and lifetime	Monthly Benefit - total long-term care Minimum: \$1,000 per month Maximum: \$8,500 per month Available to purchase in increments of \$100 Benefit periods payable for a maximum period of 2 years, 5 years, and lifetime	Weekly Benefit - comprehensive and/or facility care plan Minimum weekly benefit is \$150. Maximum weekly benefit is \$2,000. You can choose from 100 weeks, 150 weeks, 250 weeks or an unlimited benefit period.
What are the waiting periods to receive benefits?	Facility care: 0 days and 90 days Home care: 60 days and 90 days	Benefits payable after a waiting period of 30 days, 90 days, or 180 days	30 days and 90 days A zero-day waiting period is available for facility care coverage if you also choose comprehensive coverage.
Are premiums waived if you are receiving benefits?	Yes	Yes	Yes
Can spouses/partners receive reduced rates?	Yes, if 2 or more people are living under the same roof and both purchase coverage at the same time, they will receive a 10% reduction on the premium payable (including the policy fee) for the long-term care insurance.	Yes, total premium reduced by 10% when both spouses purchase an individual long-term care policy at the same time and both are approved. This discount is not available for relationships other than spousal.	Not available
Is there any protection against inflation?	Yes, an optional benefit. After the insured has been receiving long-term care benefits for 12 consecutive months, the daily benefit will be increased according to the consumer price index to a maximum of 4% per year.	Yes, an optional benefit to increase the benefit amount every 3 years until you reach age 80. This increase is subject to the minimum between the increase in consumer price index for the previous 3 years or 15%.	Yes, an optional benefit with 2 options. Weekly benefit increases by 3% each year as long as you receive income from the plan or weekly increases by 2% each year if you are not receiving income from the plan.
Can premiums be returned if you die without making a claim?	Yes, an optional benefit, if the policy has been in force for more than 5 years and facility care benefit has not been paid, and the policy is still in force at the time of death. Note, only facility care premiums will be reimbursed.	Yes, an optional benefit. At the time of death all long-term care premiums collected, less any benefits already received, is paid to the insured's beneficiary.	Yes, an optional benefit of return of premium on death. Involves calculation. Death benefit can only be passed to estate, a beneficiary cannot be named.

Plan Details	RBC Insurance Long-Term Care Insurance	Desjardin Financial Services Independent Living	Sun Life Financial Long-Term Care Insurance
How does the insurer pay the benefit claim?	Indemnity is for the facility care benefit. If optional rider of home care purchased, then reimbursements. Receipts for services rendered to the insured for home care must be submitted.	Indemnity - Desjardin pays the benefits as income. Benefit eligibility is not dependent on admission into any care facility, nor do you have to obtain receipts for the care received to collect the designated payments.	Indemnity - Sun Life pays the benefits as income regardless of plan type. You can use the money plan type. You can use the money however you choose.
What happens if you can't continue paying your premiums?	Non-forfeiture benefit - If premiums are fully paid beyond the end of the 5th policy year (for a contract with a 0-day waiting period) or the 10th policy year (for a contract with a 90-day waiting period), the policy will not terminate but instead become a fully paid-up policy providing for a reduced facility care benefit. This benefit does not apply to home care benefits.	Non-forfeiture benefit - After the 10th policy anniversary, you may remain entitled to a benefit equal to the premiums collected for a reduced period. However, this benefit will terminate when the payments reach the total amount of the premiums paid.	Not available. However, there is an extended term provision that allows the policy to continue for a limited period. This depends on the following factors: base benefit type, age of purchase, gender, premium payment period, and the number of years the policy has been in force.
What does it cost a female non-smoker age 65 who is in good health for facility and/or home care with a 90-day waiting period?	For \$100/day coverage the facility care is \$210.18 per month. Optional home care would cost an additional \$95.03 per month. Premiums paid for 20 years only.	For \$2000/month coverage, the premium would be \$221.83. Premiums paid for life.	For \$500/week coverage, the premium would be \$245.65 for the comprehensive benefit and \$160.25 for the facility care benefit. Premiums paid for life.

itary nurse @ \$65 per hour, occupational therapy @ \$98 per hour, personal support worker @ \$20 per hour (provides companionship, does your shopping, runs errands, prepares your meals, supervision, housekeeping and provides transportation services). With nursing care, the total cost of home care can easily add up to \$3,000 per month, depending on the amount of daily hours required by the patient.

What is Long-Term Care Insurance?

Long-term care insurance (LTCI) is specifically designed to help you meet these financial demands. Long-term care benefits are payable when a physician confirms that you are unable to perform two or more activities of daily living and you require professional assistance at home or in a long-term care facility. Activities of daily living include: bathing, dressing, eating, maintaining continence, toileting and transferring (getting in and out of bed or a chair). LTCI is offered by several Canadian insurance companies, including but not limited to RBC Insurance, Sun Life Financial, and Desjardin Financial (see accompanying chart). Each company offers the basic terms that compromise a LTCI policy, although costs and benefits may vary. Look at the chart for some of the common policy features that are available regardless of which company you choose.

Policy Features

Renewable Premiums - Most companies offer guaranteed renewable premiums throughout the life of the contract. The premium in most cases is also guaranteed not to increase during the first 5 years of the policy. After 5 years, the company reserves the right to change the renewal premium under certain circumstances.

Facility Care Benefit - This is the daily, weekly, or monthly amount you expect the insurance company to pay should you require personal care on a long-term basis in a long-term care facility. This could be as a result of your inability to perform at least 2 or more of the daily activities mentioned earlier. The higher the benefit, the more you pay.

Home Care Benefit - Reimburses you for the costs of medical home care services that are recommended by a physician and provided by a registered nurse, nursing assistant, health care agency or private care giver. Depending on the company you choose, this benefit could be part of the main contract or purchased as an optional benefit to facility care.

Benefit Period - This simply means how long you expect the insurance company to pay for these services if you qualify for them. Some of the options include: 1 year, 2

years, 5 years, or a lifetime for facility care and home care. The longer the benefit period you choose, the more you pay. Each company sets their own limits on the maximum amount of benefit that can be purchased.

Elimination Period - Also called the waiting period, it is the number of calendar days which must expire, while receiving care, before the benefits are payable. Some of the choices available include: 0 days, 60 days and 90 days. The longer the waiting period, the more you save on premium dollars.

Other features to look for include: family discount (save up to 10%), family care benefits outside of Canada, waiver of premium, reduced paid-up benefit, return of premium on death, cost of living adjustment benefit, future purchase option benefit and limited premium payment periods, e.g. 20 years.

Summary

Long-term care insurance is about having choices in the care you receive while disabled. It is a good solution for anyone concerned about exhausting their savings, investments, and assets to pay for the type of care they want. Creating a long-term care plan is just as important as an investment or retirement plan. The best time to make plans for managing your future health care needs is when you are healthy. Talk to your family today about your plans. They'll feel good knowing that you'll get the care you want and that the burden of long-term care won't rest with them.

*Rino Racanelli, B.Sc., Independent Insurance Advisor,
MRH Financial Services, Oakville, ON (416) 880-8552,
racanelli@sympatico.ca*