

LONG-TERM CARE BENEFITS: REIMBURSEMENT VS. INDEMNITY



Among the many nuances of long-term care (LTC) coverage, perhaps the greatest distinction is in how the benefits are paid by the insurance company, namely reimbursement versus indemnity.

UNDERSTANDING YOUR OPTIONS

CASH INDEMNITY:



BENEFITS

- Receive the full monthly benefit amount without providing proof of care
- Once on claim, there is no restriction for how benefits may be used
- Informal Care is allowed*
- May provide useful benefit in business planning scenarios



CONSIDERATIONS

- Must satisfy an elimination period
- Mismanagement Risk: Funds may be misused for expenses other than LTC costs
- Subject to IRS per diem limits (\$11,400 per month in 2020); benefits in excess of per diem limit could be taxable

*Informal Care is care given by an untrained individual, usually a friend or family member

REIMBURSEMENT:



BENEFITS

- Funds may only be used for qualified LTC expenses—eliminating mismanagement risk
- Direct billing option simplifies financial management and cash flow for your client—makes the process of providing proof of care expenses easier for the family
- Not subject to IRS per diem limits



CONSIDERATIONS

- Limited to qualified long-term care expenses incurred as defined in the contract—the policy owner may be charged for care that does not qualify for reimbursement
- If a direct billing option is not selected, must collect and submit receipts to the carrier to show proof of care received
- Limited or no coverage for unlicensed informal caregivers
- Elimination Period may apply

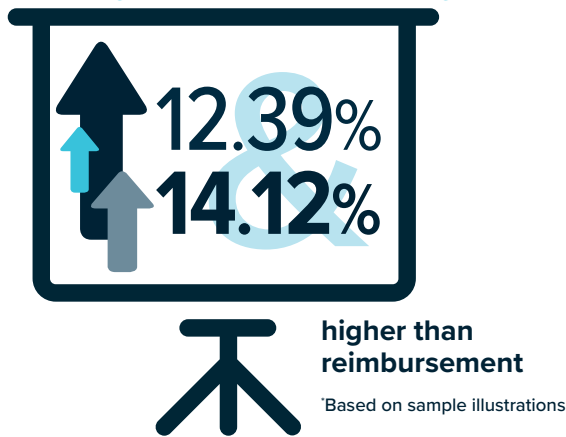
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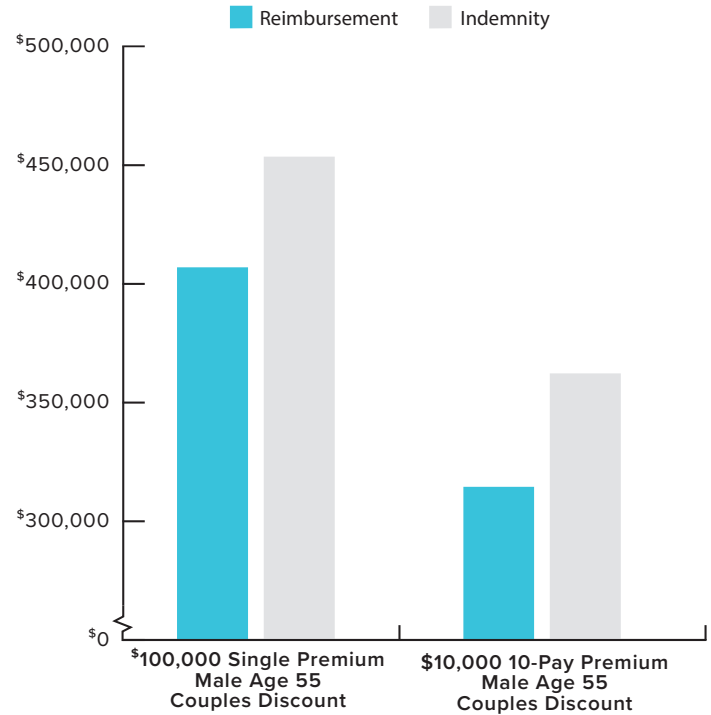
A COMPARISON OF BENEFITS

- Historically, reimbursement policies allowed for a larger benefit pool, especially in multi-pay designs
- The gap between reimbursement and indemnity policy benefits has narrowed in recent years
- In 2019 as carriers updated products to comply with the new mortality table and PBR requirements (Principal-Based Reserving), some indemnity policy benefits actually surpass their reimbursement counterparts

Indemnity Benefits are Currently



INITIAL BENEFIT POOL



CLAIMS COMPARISON

	REIMBURSEMENT	CASH INDEMNITY
Eligibility	The insured is diagnosed as chronically ill by a licensed health care practitioner	
Claims Payment	Provides reimbursement of qualifying expenses. The benefit amount paid is the lesser of the policy monthly benefit amount OR the actual amount of the qualifying LTC expenses incurred	The designated monthly LTC amount is paid in full once the qualifying event is established
Proof of Care	Monthly bills and receipts are sent to the carrier	None required
Informal Care	Restrictions on who is eligible to provide care	No restrictions
Carriers	Lincoln MoneyGuard OneAmerica AssetCare Pacific Life PremierCare Choice*	Securian SecureCare Nationwide CareMatters

*Primarily a reimbursement product. Indemnity option available for a reduced benefit

In the illustrations, Lincoln MoneyGuard III was used for both reimbursement data points, Securian SecureCare was used for the indemnity single pay data point, and Nationwide CareMatters II was used for the indemnity 10 pay data point

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For more details about reimbursement and indemnity benefits, please consult with a qualified professional as well as any available resources including product materials, contracts, and/or prospectuses, if applicable.