Long Term Care University

Long Term Care University – Question of the Month

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Q: What is an elimination period? Are there different types of elimination periods?

The Problem – Determining What Elimination Period to Select
Most long term care insurance policies offer you the option to add an elimination period to your policy when applying. An elimination period is the waiting period from the time your care begins until the time the policy begins paying for your care. Fortunately, many consumers purchase an adequate amount of care per day (daily benefit) and an adequate amount of care over the life of their policy (total pool of money). Unfortunately, many consumers who do not select the appropriate elimination period are not prepared for their out-of-pocket costs during the elimination period they select – which can easily cost tens of thousands of dollars.

The Solution – Selecting the Appropriate Elimination Period
Specifically, an elimination period is the number of days you are responsible for paying for your long term care costs out of your own pocket. Most insurance companies count each day of **service** towards the elimination period. If you were well enough to skip a day of **service,** the number of days needed to meet your elimination period would be extended. Most insurance companies require you to meet the elimination period only **once over the lifetime of the policy**; even if you need benefits for two years, then need another three years of benefits 10 years later. When selecting an elimination period for your long term care insurance policy, understand how your policy defines 'elimination period'. Let's look at a number of definitions below.

Days of Service Elimination Period. This is the number of days that you must receive care before reimbursement begins. For each day you receive covered services (the type of care the policy would cover after the elimination period) the insurance company will credit one day towards satisfaction of the elimination period.

Days of Service Elimination Period with Enhanced Elimination Period Rider. This rider advances you through the elimination period quicker. If you receive care at least once during any seven calendar day period, seven days will be counted toward satisfying the elimination period.

Calendar Day Elimination Period. This is the number of days you must wait before the policy will begin paying for your care. Once you certify you need care, each day counts towards satisfying the elimination period, whether or not you receive care.

Based on a 90-day elimination period, you should clearly understand what your out-of-pocket costs may be. Let's look at what your out-of-pocket costs may be based on receiving four days per week of care at a cost of $200 per day (increasing at 5% per year); with the elimination periods described above.

	Days of Service	Days of Service Enhanced Elimination	Calendar Days
Policy Year	**90 Day Elimination**	**90 Day Elimination**	**90 Day Elimination**
0	$ 18,000	$ 10,400	$ 10,400
15	$ 36,000	$ 20,800	$ 20,800
30	$ 72,000	$ 41,600	$ 41,600

Action Step – Choose the Right Type of Elimination Period
Choose an elimination period based on what your can afford to pay on an out-of-pocket basis during the elimination period. Clearly understand what type of elimination period is written in your policy to avoid a costly surprise in the future.

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