Long Term Care University

Long Term Care University – Question of the Month

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Q: How do I qualify for benefits from my long term care insurance policy?

The Problem – Tall Tales of Insurance Companies Denying Benefits to Long Term Care Insurance Policyholders
Tall tales about long term care insurance companies denying their policyholders benefits seem to live on forever. Tales about policyholders who paid for 20 or 30 years without ever submitting a claim, but who are denied benefits when they finally submit their first claim float around the internet – oftentimes written by third parties who are not privy to all the facts.

The Solution – Facts about Qualifying for Long Term Care Insurance Benefits
Most long term care policies clearly state that you qualify for benefits if you need substantial assistance with two or more of the six activities of daily living (ADLs): 1) Bathing, 2) Continence, 3) Dressing, 4) Eating, 5) Toileting, 6) Transferring **OR**

You have a severe cognitive impairment, such as: dementia, Alzheimer's disease, short or long term memory loss, poor orientation of people, places or time, poor deductive or abstract reasoning, or poor judgment of safe or unsafe situations **AND**

Your care is expected to last at least 90 days **AND**

Your physician, a nurse, licensed social worker or care coordinator certifies from time to time that you need regular assistance for the care described above. Most long term care insurance companies will require a plan of care to be developed consistent with your needs.

Before purchasing a long term care insurance policy verify the triggers (ADLs or severe cognitive impairment) are clearly defined. Some policies require three or more triggers, which is great…for the insurance company, not policyholders. Some polices require the insurance company's physician to determine if you are eligible for benefits; which is again great for the insurance company, not policyholders.

Elimination Period Could Delay Your Payments
Some long term care insurance policies include an elimination period. An elimination period operates like a deductible on your homeowners insurance policy – where you absorb some of the costs to keep the premiums down. The longer your elimination period, the longer you pay for your care on your own. With most insurers, if you submit a claim and your policy has a 90 day elimination period, the insurer will require you to submit proof that you received 90 days of care before paying your claim.

Long Term Care Insurance Companies Approve the Vast Majority of Claims They Receive
The two largest long term care insurance companies, Genworth and John Hancock, each have approximately 95% claims approval rates. In the case of John Hancock, the main reason for denials is that the policyholder is not yet eligible for benefits (e.g.: unable to perform one activity of daily living instead of the two required by the policy).

Action Step – Understand How You Qualify for Long Term Care Insurance Benefits
Understand your policy's requirements to qualify for benefits before making a purchase. Avoid an elimination period or select one that you are comfortable with, as the longer you wait the more expenses you will pay from your own resources. Learn about your insurer's claims approval rate before purchasing a policy.

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