
Long Term Care Insurance

7/06 Cost/Benefit Matrix Update



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Since 1999 we have provided several editions of a Long Term Care Cost/Benefit Matrix developed for various Pennsylvania Bar Institute presentations. The purpose of the Matrix was and is to give you a perspective on how premiums can substantially vary depending on a person's age at the time they purchase coverage, on the duration of the benefit period they select, and on whether or not they are in really good health (receive the best rate offered by an insurer) or are in good health (receive the standard rate for the coverage they request.)

For the 9th Annual Elder Law Institute, our focus was on tactical long term care planning in view of the Deficit Reduction Act of 2005. We developed a special *Shared Care* LTC Cost/Benefit Matrix for that occasion. The *Shared Care* Matrix is included in the article, *Tactical Use of Long Term Care Insurance*, posted on this website.

We have been asked, however, by a number of elder law attorneys to revisit the basic Matrix, particularly in the light of the introduction of new products with higher costs by many LTC insurers and the withdrawal from active sales in the LTC market by a number of previously dominant insurers.

Here, then, is a basic Matrix in the same format as earlier editions but with some language changes which should help convey the intent of the data and updated *average* costs for the same policy structure used in prior matrices. The rates are for preferred issue and standard issue *individual* policies for six major LTC insurers currently active in Pennsylvania. The premiums include a *spousal* or *couple's discount*. The average cost for a single applicant without a spousal or couple's discount

would typically be 15 to 25% higher than a cost shown in the Matrix.

This edition of the Matrix should be regarded as replacing the earlier, 1/05, matrix which appears at the end of both *Long Term Care: Fact & Fiction* and *Long Term Care: Insure or Self-Insure*, also posted on this website.

The Matrix assumes, for each issue age, an initial HIPAA qualified benefit of \$150 a day (\$4,500 a month). The cost for a 5% *compound* annual automatic benefit increase (5% CP) is included for issue ages 50 through 65. The issue age 70 premiums include a 5% *simple* annual automatic benefit increase (5% S).

The policy is assumed to be *comprehensive*—100% of the benefit is available for covered care wherever it is delivered, whether at home, in adult day care, in an assisted living facility, or in a skilled care nursing facility.

The "Aggregate Premium Paid to Claim" is the total of premiums paid (assuming no rate increases) for a given Benefit Period (e.g., 3 Years) from the first policy year ("Age At Issue", e.g., 60) until the "Age at Claim", e.g., 80. "Days on Claim to Even", e.g., 94, is the result of dividing the Aggregate Premium Paid to Claim, e.g., \$35,580, by the "Benefit At Claim", e.g., \$379. That represents the number of days that it would take at \$379 a day to recover in benefit dollars all of the premium paid for the policy over 20 years. The Benefit At Claim is the initial benefit, \$150, increased annually at a 5% compound rate over 20 years (Age 60 to Age 80).

We emphasize that, at this point in the development of LTC policies, the premiums are *not* guaranteed against increase. The above “Days on Claim to Even” is, therefore, not a realistic number. However, we asked what would be the results if a person chose not to purchase LTC insurance but invested the “premium” each year and earned 6% net after taxes each year (“Aggregate Premium @ 6% net”: \$65,442). How long would it take, at what would have been his or her LTCI benefit, e.g., \$379 a day, before the investment fund would be exhausted in the event of a long term care need (“Days Out of Pocket to Even”: 173 days).

An annual increase of 6% in long term care premiums is likely also unrealistic on the high side. We think, however, that the exercise provides an interesting perspective on the value of insuring against long term health care needs in view of the statistical probabilities of experiencing such a need. Those probabilities are noted in the *Fact and Fiction* and the *Insure or Self-Insure* articles posted on this website.

Assumed: Benefit at Issue \$150/day
 Elimination Period – 20/30/50 Days
 Comprehensive (100% Home Health Care)
 Preferred Issue with Spousal Discount

**Preferred
 AVERAGE RATES
 HIPAA QUALIFIED**

Age At Issue ⇒	50	55	60	65	70	75	80
Annual Benefit Increase ⇒	5% CP	5% CP	5% CP	5% CP	5% S	None	None
Age At Claim ⇒	80	80	80	80	80	80	85
Benefit At Claim ⇒	617.00	484.00	379.00	297.00	218.00	150.00	150.00
(A) Benefit Period							
	2 Years	2 Years	2 Years	2 Years	2 Years	2 Years	2 Years
Premium at Issue	1,053	1,168	1,366	1,805	2,371	2,839	4,423
Aggregate Premium Paid to Claim	31,590	29,200	27,320	27,075	23,710	14,195	22,115
Days on Claim to Even	51	60	72	91	109	95	147
Aggregate Premium @ 6% net	83,248	64,082	50,249	42,013	31,252	16,004	24,933
Days Out of Pocket to Even	135	132	133	142	143	107	166
(B) Benefit Period							
	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years
Premium at Issue	1,327	1,462	1,779	2,270	2,940	3,464	5,504
Aggregate Premium Paid to Claim	39,810	36,550	35,580	34,050	29,400	17,320	27,520
Days on Claim to Even	65	76	94	115	135	115	183
Aggregate Premium @ 6% net	104,910	80,212	65,442	52,836	38,752	19,527	31,027
Days Out of Pocket to Even	170	166	173	178	178	130	207
(C) Benefit Period							
	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years
Premium at Issue	1,529	1,682	2,034	2,621	3,910	3,910	6,572
Aggregate Premium Paid to Claim	45,870	42,050	40,680	39,315	39,100	19,550	32,860
Days on Claim to Even	74	87	107	132	179	130	219
Aggregate Premium @ 6% net	120,880	92,282	74,822	61,006	51,537	22,041	37,047
Days Out of Pocket to Even	196	191	197	205	236	147	247

NOTES: 5%CP=5% annual automatic compound benefit increase. 5%S=5% annual automatic simple benefit increase.

Assumed: Benefit at Issue \$150/day
 Elimination Period – 20/30/50 Days
 Comprehensive (100% Home Health Care)
 Standard Issue with Spousal Discount

Standard
 AVERAGE RATES
 HIPAA QUALIFIED

Age At Issue ⇒	50	55	60	65	70	75	80
Annual Benefit Increase ⇒	5% CP	5% CP	5% CP	5% CP	5% S	None	None
Age At Claim ⇒	80	80	80	80	80	80	85
Benefit At Claim ⇒	617.00	484.00	379.00	297.00	218.00	150.00	150.00
(A) Benefit Period	2 Years	2 Years	2 Years	2 Years	2 Years	2 Years	2 Years
Premium at Issue	1,245	1,380	1,615	2,134	2,802	3,354	4,910
Aggregate Premium Paid to Claim	37,350	34,500	32,296	32,004	28,020	16,767	24,551
Days on Claim to Even	61	71	85	108	129	112	164
Aggregate Premium @ 6% net	98,427	75,713	59,409	49,671	36,933	18,907	27,678
Days Out of Pocket to Even	159	156	157	167	169	126	185
(B) Benefit Period	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years
Premium at Issue	1,585	1,746	2,126	2,712	3,514	4,132	5,299
Aggregate Premium Paid to Claim	47,550	43,650	42,520	40,678	35,138	20,660	26,496
Days on Claim to Even	77	90	112	137	161	138	177
Aggregate Premium @ 6% net	125,307	95,793	78,206	63,124	46,317	23,292	29,871
Days Out of Pocket to Even	203	198	206	213	212	155	199
(C) Benefit Period	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years
Premium at Issue	1,828	2,010	2,433	3,134	4,038	4,708	7,903
Aggregate Premium Paid to Claim	54,825	50,262	48,660	47,005	40,380	23,540	39,515
Days on Claim to Even	89	104	128	158	185	157	263
Aggregate Premium @ 6% net	144,518	110,278	89,499	72,947	53,224	26,539	44,550
Days Out of Pocket to Even	234	228	236	246	244	177	297

NOTES: 5%CP=5% annual automatic compound benefit increase. 5%S=5% annual automatic simple benefit increase.

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Annual Benefit Increase ⇒	5% CP	5% CP	5% CP	5% CP	5% S	None	None
Age At Claim ⇒	80	80	80	80	80	80	85
Benefit At Claim ⇒	617.00	484.00	379.00	297.00	218.00	150.00	150.00
(D) Benefit Period							
	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
Premium at Issue	1,684	1,849	2,271	2,904	3,736	4,349	6,894
Aggregate Premium Paid to Claim	50,510	46,229	45,420	43,560	56,040	21,743	34,468
Days on Claim to Even	82	96	120	147	257	145	230
Aggregate Premium @ 6% net	133,134	101,444	83,540	67,593	49,243	24,516	38,862
Days Out of Pocket to Even	216	210	220	228	226	163	259
(E) Benefit Period							
	6 Years	6 Years	6 Years	6 Years	6 Years	6 Years	6 Years
Premium at Issue	1,870	2,067	2,526	3,181	4,082	4,790	7,928
Aggregate Premium Paid to Claim	56,100	51,675	50,520	47,715	40,820	23,951	39,642
Days on Claim to Even	91	107	133	161	187	160	264
Aggregate Premium @ 6% net	147,839	113,405	92,920	74,041	53,804	27,002	44,961
Days Out of Pocket to Even	240	234	245	249	247	180	298
(F) Benefit Period							
	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Premium at Issue	2,361	2,616	3,211	4,100	5,112	5,909	9,683
Aggregate Premium Paid to Claim	70,825	65,400	64,220	61,500	51,123	29,545	48,415
Days on Claim to Even	115	135	169	207	234	197	323
Aggregate Premium @ 6% net	186,656	143,526	118,119	95,432	67,380	33,310	54,584
Days Out of Pocket to Even	303	297	312	321	309	222	364

NOTES: 5%CP=5% annual automatic compound benefit increase. 5%S=5% annual automatic simple benefit increase.

FUTURECARE

Associates, Inc.

LTC COST/BENEFIT MATRIX

(Rates as of 7/06)

Assumed: Benefit at Issue \$150/day
 Elimination Period – 20/30/50 Days
 Comprehensive (100% Home Health Care)
 Standard Issue with Spousal Discount

Standard
AVERAGE RATES
HIPAA QUALIFIED

Age At Issue ⇒	50	55	60	65	70	75	80
Annual Benefit Increase ⇒	5% CP	5% CP	5% CP	5% CP	5% S	None	None
Age At Claim ⇒	80	80	80	80	80	80	85
Benefit At Claim ⇒	617.00	484.00	379.00	297.00	218.00	150.00	150.00
(D) Benefit Period	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
Premium at Issue	2,012	2,210	2,715	3,472	4,462	5,191	8,168
Aggregate Premium Paid to Claim	60,355	55,254	54,307	52,075	44,620	25,954	40,842
Days on Claim to Even	98	114	143	175	205	173	272
Aggregate Premium @ 6% net	159,065	121,251	99,873	80,814	58,813	29,262	46,044
Days Out of Pocket to Even	258	251	264	272	270	195	307
(E) Benefit Period	6 Years	6 Years	6 Years	6 Years	6 Years	6 Years	6 Years
Premium at Issue	2,245	2,480	3,285	3,820	5,146	5,742	9,596
Aggregate Premium Paid to Claim	67,335	62,006	65,695	57,296	51,460	28,711	47,980
Days on Claim to Even	109	128	173	193	236	191	320
Aggregate Premium @ 6% net	177,486	136,064	120,841	88,914	67,828	32,368	54,094
Days Out of Pocket to Even	288	281	319	299	311	216	361
(F) Benefit Period	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Premium at Issue	2,981	3,119	3,829	4,889	6,096	7,044	11,677
Aggregate Premium Paid to Claim	89,435	77,971	76,583	73,330	60,962	35,220	58,385
Days on Claim to Even	145	161	202	247	280	235	389
Aggregate Premium @ 6% net	235,672	171,122	140,852	113,796	80,350	39,708	65,824
Days Out of Pocket to Even	382	354	372	383	369	265	439

NOTES: 5%CP=5% annual automatic compound benefit increase. 5%S=5% annual automatic simple benefit increase.