



Long Term Care University

Long Term Care University – Question of the Month

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01/15/10

Q: Some of the long term care insurance policies I am researching allow for a monthly home care maximum benefit instead of a daily home care maximum benefit. Can you explain what that means and what advantages it may provide?

The Problem – Daily Home Care Maximum Benefit

Most long term care insurance policies are designed with a daily home care maximum benefit. Unfortunately, you may need more care than a daily home care maximum benefit will reimburse on any given day. Fluctuating expenses are quite common with home based long term care.

For example, after an outpatient procedure, your physician recommends you have your home health aide stays in your home 24 hours a day for two consecutive days. Your physician also recommends that the home health aide stay in your home from the time you go to bed at night until the time you wake in the morning for three consecutive days.

While the normal hourly rate for your home health aide is \$25, shifts requiring more than six consecutive hours or overnight stays have additional fees. Although your long term care insurance policy's daily home care maximum benefit of \$200 per day is sufficient for most days, the costs of long shifts and overnight stays drives your costs well above the \$200 daily limit – leaving you with significant out of pocket costs.

The Solution – Monthly Home Care Maximum Benefit

Some long term care insurance policies are designed with or provide the option to add a monthly home care maximum benefit. **With this benefit you can convert to a monthly home care maximum benefit equal to 31 times the daily maximum benefit.** This applies to the combined total of all expenses incurred during any one calendar month. Instead of a \$200 daily benefit you would have a \$6,200 monthly benefit. This gives you greater flexibility in managing your home health care expenses. Let's use the example above to see the outcomes of a daily home care maximum benefit versus a monthly home care maximum benefit.

Day	Expenses Incurred	Daily Home Care Maximum Benefit	Out of Pocket Expense	Monthly Home Care Maximum Benefit	Out of Pocket Expense
Monday	\$500	\$200	\$300	\$6,200	\$0
Tuesday	\$500	\$200	\$300	\$6,200	\$0
Wednesday	\$300	\$200	\$100	\$6,200	\$0
Thursday	\$300	\$200	\$100	\$6,200	\$0
Friday	\$300	\$200	\$100	\$6,200	\$0
Total			\$900		\$0

In this example you would have \$900 in out of pocket expenses with a daily home care maximum benefit versus zero out of pocket expenses with a monthly home care maximum benefit. **While adding a monthly feature to a daily benefit policy may add 5% to the cost of the overall policy, it could more than make up for the additional cost if you have just one week of high expenses over the life of the policy.**

Action Step – Protect Yourself with a Monthly Home Care Maximum Benefit

When you purchase a long term care insurance policy with a monthly home care maximum benefit you protect yourself from large out of pocket home health care costs in any one particular day or week.

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