IN BRIEF
Comparing Long-Term Care Insurance Policies: Bewildering Choices for Consumers

Introduction and Purpose

This In Brief summarizes the findings of the AARP Public Policy Institute (PPI) issue paper Comparing Long-Term Care Insurance Policies: Bewildering Choices for Consumers. Comparing one long-term care insurance (LTCI) policy with another is a challenge, even for professionals. Consumers will find very little independent help or guidance to assist them during the decision-making process, and nothing that will help them easily compare one policy with another.

The purpose of this paper was to identify critical issues that consumers face when they consider purchasing LTCI. The paper analyzed the potential impact that these issues have on consumers and offered public policy recommendations that would make policies more comprehensible.

Key Findings

In considering LTCI consumers face decisions on:

- The daily benefit amount the policy will pay for care in each place covered by the policy;
- The length and definition of a waiting period or deductible, if any, before benefit payments will begin;
- The duration of benefit payments over the life of the policy; and
- Inflation protection and, if selected, what type to choose.

Few of the elements of an LTCI policy are standardized, such as a waiting period and how it is calculated. The definitional issues that cause difficulties for consumers in measuring and comparing LTCI policies include:

- How many activities of daily living (ADLs) trigger benefits;
- Which family members will not qualify as care providers for benefit payment; and
- What type of assisted living facility qualifies for benefits.

Other policy variables include:

- How a daily benefit amount is calculated;
- When premium payments might be waived;
- What constitutes a home-modification benefit;
- What alternate plans of care cover;
- How medical underwriting is handled; and
- The risks inherent in limited-term policies.
As a result of these myriad variables, consumers face a bewildering array of LTCI policy choices. These products contain an assortment of benefits and features, and come in policy designs that vary from one company to another, leading to significant product differences within a single state. Adding to consumers’ confusion, variations in regulatory requirements might be applied to the sale of LTCI policies in a given state, in addition to any state-specific requirements.

Conclusions and Recommendations

The need for long-term care is an unpredictable event—which is why it is a good candidate for insurance. The issue, in this case, is whether the consumer can determine if the premium is fairly priced, based on sound actuarial experience. The recommendations that follow will not solve all the difficulties that consumers face. However, they could begin to make it easier for consumers to make sound decisions.

- **Standardize policy benefits, features, and provisions.**

- **Require all insurers to offer the same benefit packages that are offered through the Federal Long-Term Care Insurance Program.**

- **Require LTCI policies that pay benefits for multiple types of care to make the total value of all purchased benefits available to the policyholder in any covered setting (nursing homes, assisted living, care at home, and so forth).**

- **Require companies to offer an option for paying family caregivers, with appropriate monitoring.**

- **Revise and regularly update regulatory standards so that there will be a more consistent and current regulatory framework.**