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Long-term health insurance options for seniors

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Mark Halpern has bought a gift for his mother-in-law. He's paying $4,000 a year in premiums for her long-term care policy.

"If she had a disability, we'd be on the hook," he says.

His mother-in-law is 63 and healthy. But there may come a day when she can't live on her own without assistance.

It can cost $2,000 to $5,000 a month to support an infirm elderly relative at home or in a long-term care facility. So, why not plan ahead for those future expenses?

Long-term care insurance protects your assets so there's something left for your family, says Halpern, a certified financial planner and insurance specialist (illness protection.com).

Seniors over 65 are the fastest-growing population group in the country and they're living longer, say Michael Decter and Francesca Grosso in *Navigating Canada's Health Care: A User Guide to Getting the Care you Need* (Penguin, $26).

"These two things mean that affordable government-funded home care may be limited in scope. It also means that wait times are often very long to get into good government-funded nursing home facilities."

If a loved one had to wait a year to get into a nursing home – a typical wait time – could you cover the cost of nursing care from your own resources?

Long-term care plans can be purchased after the age of 30. The best time to buy it is when you're still in good health.

You qualify for benefits when you can no longer perform at least two of six daily living activities – eating, bathing, dressing, transferring, going to the toilet and continence.

All policies sold in Canada also cover cognitive impairment from dementia and Alzheimer's disease.

You can apply for a benefit ranging from $300 to $9,000 a month, depending on how much you want to pay in premiums.

There's also a waiting period before you receive your benefits. The shorter the waiting period, the more expensive the policy.

You should check how your insurance company defines the waiting period, say Decter and Grosso.

"Sometimes it will be calculated in calendar days from the time you are diagnosed. Other times, they will include only the number of days in which you actually get into a long-term care facility or have received the services of home care."

Just a handful of insurance companies offer long-term policies. The product is still new to Canada and very few people have made claims yet.

Insurers don't guarantee prices for more than five years. They reserve the right to increase the cost if they find it isn't feasible to continue offering policies at the previous rates.

RBC Insurance guarantees the price for five years and promises not to raise it afterward by more than 50 per cent.

That's important to Halpern. "I like my clients to sleep well at night," he says.

Sun Life Financial has sold long-term care insurance since 1999. In that time, it has never introduced a price increase at renewal, says spokesperson Susan Jantzi.

It, too, has a five-year guarantee. While prices may increase after that period, they won't increase again for at least another five years.

Premium increases are based on your age at the time the policy is issued, the company says – not on your health or ability to function independently at the time of the premium change.

"This is a competitive marketplace, and a developing market," says Jantzi. "And as such, it's in our best interest to keep our rates stable and competitive."

Next Sunday, we'll continue the insurance series that began in mid-April but we'll change the focus to car and home insurance policies.

Ellen Roseman's column appears Wednesday, Saturday and Sunday. Write to Business c/o Toronto Star, 1 Yonge St., Toronto, M5E 1E6; phone 416-945-8687; fax 416-865-3630; or email eroseman@thestar.ca

WORTH THINKING ABOUT

Here are some factors to consider when buying long-term care insurance:

- **What type of policy is it?** A reimbursement policy, which is less expensive, simply covers some or all of your out-of-pocket expenses up to a designated limit. An income policy, which is more costly, pays benefits whether services are received or not. How you spend the income is up to you.

- **What is the benefit amount for home care?** Some policies offer less for home care than for care in a long-term facility.

- **How much?** Find out what nursing homes, assisted living facilities and home health care agencies in your area actually charge for their services before choosing a benefit amount.

- **When do you qualify for benefits?** How many activities of daily living must be outside your range? Does the policy spell out clearly what it means to be unable to feed yourself or dress yourself?

- **When do benefits start?** The number of days you wait depends on the period you choose when you buy your policy. Sometimes, eligibility is expressed as the number of days you require service. If you have a 90-day waiting period and you need service only three days a week, you may have to wait as much as seven months before benefits start, says a report by the Council on Aging of Ottawa. Policies with the elimination period expressed in calendar days could result in earlier benefits.

- **Does the policy have inflation protection?** This usually increases the premium, but unless the benefit rises over time, you may find it doesn't keep up with the rising cost of care. The younger you are when you buy a policy, the more important it is to add inflation protection.

–Ellen Roseman