



Most Long-Term Care (LTC) insurance products in the market today offer either a reimbursement or cash indemnity method for paying benefits when an insured goes on claim.

- Cash indemnity options are often more flexible
- Reimbursement plans often have the potential of longer lasting benefits.

Both options protect a client’s assets and family from the high cost of Long-Term Care but it’s important to discuss the difference between these two types of plans to determine which option is most appropriate for each client.

CASE STUDY

Reimbursement vs. Cash Indemnity

- Female client
- Purchases policy on herself at age 60 with \$5,000 monthly LTC benefit on day 1
- 6-year benefit period, 5% compound inflation protection option
- Initiates claim at age 80

SCENARIO 1: TRANSITION FROM INFORMAL CARE TO ASSISTED LIVING

Over 50% of claims begin in the home¹, so let’s look at a scenario that starts with your client receiving care from an informal caregiver (spouse, child, etc.) at home before moving to an assisted living facility.

	Reimbursement	Cash Indemnity
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266
Ages 80-81: Informal care • Projected cost: \$0²		
Covered	No ³	Yes
Total benefits paid	0	\$326,356
Ages 82-83: Home health care • Projected cost (for 20 hours/week): \$110,355²		
Covered	Yes	Yes
Total benefits paid	\$110,355	\$359,807
Ages 84-85: Assisted Living • Projected cost: \$210,142⁴		
Covered	Yes	Yes
Total benefits paid	\$210,142	\$396,687
Total benefits paid for all types of care	\$320,497	\$1,082,850

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SCENARIO 2: TRANSITIONING FROM ASSISTED LIVING TO A NURSING HOME

This scenario shows a more advanced case where your client goes directly into an assisted living facility and then transitions to skilled nursing care.

	Reimbursement	Cash Indemnity
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266
Ages 80-81: Assisted living • Projected cost: \$186,708⁵		
Covered	Yes	Yes
Total benefits paid	\$186,708	\$326,356
Ages 82-83: Nursing home – semi-private room • Projected cost: \$368,494⁵		
Covered	Yes	Yes
Total benefits paid	\$359,807	\$359,807
Ages 84-85: Nursing home – private room • Projected cost: \$429,430⁷		
Covered	Yes	Yes
Total benefits paid	\$396,687	\$396,687
Total benefits paid for all types of care	\$943,202	\$1,082,850

These are hypothetical examples using Securian Financial SecureCare product for illustrative purposes only and cannot be shared with the general public. A customer's experience may be different depending on their specific situation. When providing personalized illustrations to customers, it must always be accompanied by a complete basic illustration.

COSTS OF CARE (2021 ANNUAL MEDIANS)⁴

Home health aide	\$27.82 per hour
Assisted living facility	\$50,924 per year
Nursing home, semi-private room	\$94,736
Nursing home, private room	\$106,488

¹Long-Term Care Insurance Facts – Data – Statistics – 2019 Report. American Association for Long-Term Care Insurance. January 2019. <https://www.aaltci.org/long-term-care-insurance/learning-center/lcfacts-2019.php>. Calculate the cost of long-term care. LTCnews.com. 2020. <https://www.ltcnews.com/resources/states/> ²Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation ³Some reimbursement plans offer limited coverage for informal care ⁴Calculate the cost of long-term care. LTCnews.com/resources/states/. <https://www.ltcnews.com/resources/states/> ⁵Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation

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