



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 home<sup>1</sup>, 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
<b>Ages 80-81: Informal care • Projected cost: \$0<sup>2</sup></b>		
Covered	No <sup>3</sup>	Yes
Total benefits paid	0	\$326,356
<b>Ages 82-83: Home health care • Projected cost (for 20 hours/week): \$110,355<sup>2</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$110,355	\$359,807
<b>Ages 84-85: Assisted Living • Projected cost: \$210,142<sup>4</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$210,142	\$396,687
<b>Total benefits paid for all types of care</b>	<b>\$320,497</b>	<b>\$1,082,850</b>

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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
<b>Ages 80-81: Assisted living • Projected cost: \$186,708<sup>5</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$186,708	\$326,356
<b>Ages 82-83: Nursing home – semi-private room • Projected cost: \$368,494<sup>5</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$359,807	\$359,807
<b>Ages 84-85: Nursing home – private room • Projected cost: \$429,430<sup>7</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$396,687	\$396,687
<b>Total benefits paid for all types of care</b>	<b>\$943,202</b>	<b>\$1,082,850</b>

*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)<sup>4</sup>

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

<sup>1</sup>Long-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/> <sup>2</sup>Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation <sup>3</sup>Some reimbursement plans offer limited coverage for informal care <sup>4</sup>Calculate the cost of long-term care. LTCnews.com/resources/states/.

<https://www.ltcnews.com/resources/states/> <sup>5</sup>Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation

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