What to look for in a long-term care insurance policy

Insurance of any kind tends to be a tough sell in a recession, but it's especially hard to consider when it involves thinking of your future self as old and infirm. Private long-term care insurance that kicks in to help pay for home-based, assisted living or nursing home care remains a small slice of the overall long-term care pie, with only 10% of seniors covered. Consumers tend to shun it because of its expense and complexity. But if you're considering LTCI, here are some things you should know.

"It provides some protection for people, but it's also a very risky investment, which is probably why the take-up has been low," said Diane Rowland, executive vice president of the nonprofit, nonpartisan Kaiser Family Foundation. "There are lots of concerns about making a prudent purchase."

The default alternative to LTCI is private pay, where family members absorb the cost of whatever care is needed. But those costs add up quickly, considering that home health services run $29 an hour, assisted living facilities cost $36,000 a year and nursing homes run about $70,000 a year on average, according to the Kaiser Family Foundation. Several states offer a partnership program with Medicaid that allows people with long-term care insurance to exempt a certain amount of their assets before qualifying for the program. (Medicaid typically requires spending everything before becoming eligible for government-sponsored nursing home care.)

This week, Sen. Ted Kennedy outlined a proposal for a voluntary, public long-term care insurance program as part of his health-reform bill. See my Vital Signs column for more on the prospects for long-term care reform.

LTCI is structured differently than health insurance. Among its most common features are:

Elimination period — The amount of time you have before a long-term care policy starts paying benefits. These are typically 60 or 90 days, often to coordinate with Medicare's endpoint after an acute medical event. The elimination period is the LTC equivalent of a deductible.

Duration — The number of years the policy is in force. Three- to six years should cover the majority of people, said Bruce Chernof, president of the SCAN Foundation, a group advancing a continuum of quality care for seniors, based in Long Beach, Calif.

Inflation protection — To keep up with the rising cost of goods and services. This is essential for the product to offer a meaningful benefit when you'll need it, said Howard Gleckman, author of "Caring for our Parents."

Provisions for advances in care — Establishes flexibility to account for services that may dominate in the future.

Scope of benefits — Scrutinize the contract to make sure a host of desired benefits are covered, such as home care, adult day care, assisted living and possibly respite care so family caregivers can get a much-needed break. “You’ve got to purchase a product with flexibility,” Chernof said. “You don’t want to just be stuck with a nursing home benefit if you want to stay at home.”

Unlike health insurance, there’s no concern about using in-network services to avoid being charged extra for tapping out-of-network ones, said Beth Ludden a senior vice president for Genworth, one of the largest sellers of LTCI, based in Richmond, Va.