



LIVING BENEFITS LONG TERM CARE INSURANCE

CONTINUING EDUCATION ON THE WEB
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LONG TERM CARE INSURANCE

BACKGROUND

Canadians are living longer, but at the same time we are an aging population. It is estimated by the year 2036, 25% of the population of Canada will be age 65 or over.

The quality of life that our elder citizens enjoy might be another matter. With age comes the inability to perform various functions that were taken for granted when younger such as:

- Shovelling the driveway.
- Driving a car.
- Playing sports such as golf.

Go to any shopping mall these days and you will notice older people in wheelchairs and using walkers to get around.

In time, many seniors will be unable to look after themselves and will require care at home or in a facility, public or private.

The purpose of a Long Term Care Insurance policy is to provide daily or weekly benefits to assure that the person insured receives the quality of care that they deserve. Most experts are of the opinion that Long Term Care Insurance should have an excellent future in the Canadian marketplace, but as recent figures from LIMRA International demonstrate, LTC insurance has made relatively modest market impact.

INDIVIDUAL LTC SALES AND BUSINESS IN CANADA

ISSUE	LIVES	PREMIUMS (\$000)
2005	9,585	\$12,896
2006	8,699	\$10,895
IN FORCE	LIVES	PREMIUMS (\$000)
2005	49,268	\$56,470
2006	55,570	\$64,967

Two years later, at the end of 2008, only 69,000 Canadians owned an individual long term care policy, with in force premiums totalling \$80 Million.

If we take into account group insurance plans which now provide LTC Coverage, just over 105,000 Canadians owned long term care insurance, not many, considering that LTC has been sold in Canada for close to 10 years.

The question that must be asked is whether Long Term Care Insurance will be a viable product in the future.

SOME STATISTICS

A recent report prepared by the Government of Canada on “Canada’s Aging Population” makes the following points:

- It is estimated that 60% of seniors will need long term care of some form.
- There is a 2 in 3 chance that one spouse will enter a long-term care facility (when spouses are over age 65).
- More than 4 out of 5 seniors suffer from a chronic health condition.
- 1 in 4 Canadian seniors have a long-term disability or handicap.

Depending on your Province of residence, long-term care in a facility can cost anywhere from approximately \$800 to over \$5000 per month.

Put another way, estate assets could be depleted very quickly if for example you had to pay \$3000 per month.

1 Year - \$36,000

3 Years - \$108,000

5 Years - \$180,000

10 Years - \$360,000

From these figures, the need for long term care insurance to preserve estate values and provide quality care to elder Canadians is self-evident.

WHAT IS LONG TERM CARE?

Long Term Care can be defined as the extended use of medical and support services for people who lack the ability to care for themselves on a daily basis or lose the ability to think, perceive, reason or remember (suffering from a cognitive impairment).

The inability to care for ourselves or being afflicted with a Cognitive Impairment can happen at any age, but more frequently than not, occurs as we grow older.

We are an aging population. Currently, 12% of the population in Canada is age 65 and over, and Statistics Canada estimates that by the year 2036, the percentage will increase to approximately 25%.

While the incidence and duration of disabilities are increasing, Canadians are living longer than ever. For example, the life expectancy for a female age 65 is to age 85 and for a male the same age, to age 81.

The concern and question many Canadians are asking today is, "Will Provincial Health Care Plans provide the level and quality of care we have become accustomed to?" Many Canadians think not.

Home Care for example, is not included in the Canada Health Act. Consequently, Home Care is not insured in the same way as hospital and physician services. Although professional services such as nursing services, physiotherapy, and dietetics for example are typically provided free of charge, user fees may apply to support services such as:

- Home-making
- Personal care
- House cleaning
- Meals
- Transportation

Another important thing to consider is that government assistance will vary depending on the province, your individual situation, and the availability of home care services. For example, some provinces will pay for up to 40 to 60 hours a month for home care, but if an individual needs more than that, the cost is borne by the patient. Further, while the Provincial Government might indicate a particular level of service, securing the care is quite another matter.

Often, a family member will act as a home care provider. Unfortunately, the home care provider may suffer a financial loss and/or mental and physical disorders arising from the strain of caring for an aged loved one.

Because of these concerns many Canadians are taking control of their future by purchasing Long Term Care Protection to provide them with the level of services they would require either at home or in a Long Term Care Facility such as a nursing home.

What is Long Term Care Insurance?

An accident and sickness insurance policy designed to provide the person insured a daily benefit when unable to perform two or more Activities of Daily Living due to a sickness, injury, or old age, or the person insured suffers from a Cognitive Impairment.

Activities of Daily Living are generally defined as follows:

- **Bathing** means the ability to wash oneself completely in a tub, a shower or by sponge bath, with or without the aid of equipment including the task of getting into or out of the tub or shower.
- **Eating** means the ability to consume food that has already been prepared and made available; with or without the use of adaptive utensils, including a feeding tube or intravenously. “Eating” does not mean an ability or inability to prepare food.
- **Dressing** means putting on taking off all necessary items of clothing and any necessary braces, fasteners or artificial limbs.
- **Toileting** means the ability to do all of the following, with or without the aid of equipment: (a) get to and from the toilet; (b) get on and off the toilet; (c) maintain a reasonable level of personal hygiene for the body.
- **Transferring** means the ability to move in and out of a chair (including a wheelchair) or bed. If a person can move with the help of equipment such as a cane, walker, crutches, grab bars or other support devices, then he or she will be considered able to transfer positions.
- **Continence** means the ability to maintain control of bowel and bladder functions or, when unable to maintain control of bowel or bladder functions, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag).

Cognitive Impairment means the inability to:

- Think
 - Perceive
 - Reason
 - Remember
- A prime example of this would be an individual suffering from Alzheimer’s disease.
- As stated above, if a person were unable to perform two or more Activities of Daily Living (ADL’s), or suffer Cognitive Impairment, generally they would qualify for benefits.

Long Term Care can be provided in the home or depending on the severity, administered in a Long Term Care facility such as a nursing home.

Long Term Care (LTC) insurance simply put is an insurance policy that provides the person insured with a daily income benefit when the individual is no longer able to look after and care for him/herself. There is a myth that our Provincial Health Care Plan will look after us and pay most of the costs for home care or care in a facility. This is not true as many older Canadians in particular are now finding out.

In essence, LTC insurance provides income to pay for appropriate care over and above any services provided by the provincial health care plans. It provides income so the insured (or his or her loved one).

- Can provide the calibre of care required by the insured to live in as a dignified manner as possible.
- Receive professional care either at home or in a long term care facility.
- Preserve their hard earned savings and investments.

THE NEED FOR LONG TERM CARE INSURANCE

Medical advances in the last forty years have been truly staggering. People are living longer than ever as a result but to date a cure for the effects of aging have not been found. While people are living longer and longer, the quality of life for many certainly is not what they hoped for.

In 1920, the average Canadian could expect to live to age 59. Today, a 65 year old man can expect to live beyond age 81 and a female to over age 85.

Our health care system today in tatters and horror stories abound with long waits for much needed operations, people living in severe pain while waiting. While most provincial governments spend over a third of their budget on health care, it is not unusual to hear stories of people waiting up to one year and beyond for a bed in a long term care facility, while at the same time being unable to get the necessary care at home.

Sadly, it appears that it will only get worse. In 1920, 5% of the population was over age 65; by the year 2036, it is estimated that close to 25% of the population will be over 65.

SOME STATISTICS ON LONG TERM CARE

The chance of having a dilapidating accident or illness, as you get older is profound.

Here are some statistics:

- 30% of people between the ages of 75 to 84 suffer from a long-term disability.

There are many circumstances that could result in the need for Long Term Care services such as:

- An accident or injury that can occur at any age
- Alzheimer's Disease
- Arthritis
- Bone fracture
- Broken hip/Hip replacement
- Emphysema
- General weakness due to aging
- Heart attack
- Joint replacement
- Parkinson's Disease
- Spinal cord injury
- Stroke
- Other chronic conditions
- The aging process to name just a few

SOME FACTS ABOUT ALZHEIMER'S AND RELATED DEMENTIAS¹

- Alzheimer's Disease is a progressive degenerative disease that destroys vital brain cells and affects a person's ability to understand, think, remember and communicate.
- Alzheimer's account for 64% of all dementias and while prevalent in older people over 65, it can occur at any age.
- It is estimated that over 420,000 Canadians over 65 have Alzheimer's or a related dementia.
- By the year 2031, it is estimated that over 750,000 Canadians will have Alzheimer's or a related dementia.
- The above figure does not take into account the countless family members and friends who must cope with the effects of the disease.
- Finally, people with Alzheimer's may have difficulty feeding, dressing, bathing or toileting and eventually require 24-hour care. Also, it is not unusual for an Alzheimer's patient to live for years, such as Ronald Reagan, former President of the United State.

¹ Material from Alzheimer Society

ARTHRITIS² – SOME FACTS

- Affects one in seven Canadians and is the leading cause of long-term disability.
- Most common form of arthritis is osteoarthritis and it affects one in ten Canadians, usually the hands, spine, hip or knees.
- Arthritis costs Canadians over \$17.5 billion per year.

OSTEOPOROSIS³

- A disease where the bones become thin, brittle and break easily.
- Affects one in four women and one in eight men over age 50.
- About 25,000 hip fractures occur in Canada each year and 70% are osteoporosis related.

MULTIPLE SCLEROSIS⁴

- Nearly three people a day in Canada are diagnosed with MS.
- Over 50,000 Canadian have MS.
- Average age of diagnosis is 30, but MS can occur when an individual is in there 50's.

PARKINSON'S DISEASE⁵

- Over 100,000 Canadians suffer from Parkinson's.
- Occurs mostly in people 55 or older with most cases diagnosed before age 65.
- Parkinson's is a chronic progressive disorder of the central nervous system, which causes increasing physical disability over time.

From the foregoing it is clear to see that the conditions outlined can have a profound affect on an individual's quality of life.

² Arthritis Society of Canada

³ Osteoporosis Society of Canada

⁴ Multiple Sclerosis Society of Canada

⁵ Parkinson Foundation of Canada

The reality is that more and more Canadians are suffering from conditions, which result in them being unable to look after themselves.

Is it going to get better in the future as the Baby-Boomers get older More important, if Provincial Governments cannot deliver quality home facility care today, what will happened in the future?

While Long Term Care Insurance has started off slowly in Canada, it is the belief of the writer of this module that LTC Insurance will be the product of the 21st Century.

One Canadian company now employs over 100 Long Term Care Advisors who do nothing but market the product.

WHAT LONG TERM CARE PLAN IS THE RIGHT ONE?

Essentially, there are three different types of plans available to Canadians.

1. **A Reimbursement Plan** – Under this plan, once you are eligible to claim, you must submit proof that you received services that are covered under the plan. Expenses are then reimbursed up to the prescribed daily amount.
2. **An Indemnity Plan** – Under this type of plan, once you are eligible to claim, you receive the full daily amount you purchased, provided you have received a covered service.
3. **An Income Plan** – If eligible, under this plan you receive the weekly benefit that you purchased.

Not all plans are the same and it would be prudent for the prospect to investigate the various plans to assure the proper coverage that meets with his/her needs.

**UNDERSTANDING THE DIFFERENCE BETWEEN
BASIC MEDICAL CARE AND LONG TERM CARE**

BASIC MEDICAL CARE	LONG TERM CARE
<ul style="list-style-type: none"> ➤ Generally received over a <u>short</u> period of time while recovering from, for example the flu, a hernia operation or a bone fracture or break. The important point is that <u>recovery is expected</u>. 	<ul style="list-style-type: none"> ➤ Generally received over a long period of time when <u>recovery is not expected</u>, as a result of a chronic condition, a permanent illness or injury, or in most instances becoming frail due to the aging process, which can also cause the loss of cognitive skills.
<ul style="list-style-type: none"> ➤ <u>Curative in nature</u>. Provides medication, surgery, etc. all aimed at restoring the health of the individual who has temporary medical problems. 	<ul style="list-style-type: none"> ➤ <u>Non-curative in nature</u>, focused towards making the individual as comfortable as possible ideally in the home for as long as possible, but also provided in a nursing home, when care at home cannot be maintained.
<ul style="list-style-type: none"> ➤ Received on a short-term basis as <u>full recovery is expected</u>. Care can be provided in a hospital, in a doctor's office or a clinic by trained medical professionals, such as doctors, nurses, and various medical specialists. 	<ul style="list-style-type: none"> ➤ Assistance to keep the individual as comfortable as possible is given at home, or in a facility such as nursing home on a continuing bases. Care is often provided by family members, friends, or non-medical personnel.

LONG TERM CARE INSURANCE

What is it?

An insurance policy that pays a daily or weekly benefit when the person insured is unable to perform two or more Activities of Daily Living such as dressing, eating, bathing, toileting, transferring, or when the person insured has Cognitive Impairment such as Parkinson's or Alzheimer's Disease.

Particulars

Issue Ages:

Varies from company to company, but generally between the ages of 18 to 80.

Daily Benefit Amount:

Usually sold with a minimum of \$20 per day to a maximum of up to \$400 per day or alternatively on a weekly basis such as \$200, \$500, \$750 or \$1,000 per week or higher.

Maximum Benefit Period:

Could range from a period of 500, 750, 1000 or 2000 days, or for lifetime. As well, some companies calculate the benefit period by weeks (i.e. 250, 500 weeks or for life).

Elimination Period:

Could be 0, 30, 60, or 90 days.

What Does it Cover?

The main items are Home Care and Care in a Long Term Care Facility. Depending on the policy, can also provide Home Health Care, Adult Day Care, Long Term Care Facility care, Hospice Care, Respite Care, Durable Medical Equipment, Emergency Response System, Bed Reservation Benefit.

When Do Benefits Start?

When the person insured is unable to perform Activities of Daily Living or suffered from a Cognitive Impairment.

Who Determines When Insured is Eligible for Benefits?

Either a physician or a Care Co-ordinator. A Care Co-ordinator is a health professional designated by the insurer to assess whether the person insured has the ability to perform Activities of Daily Living or suffers from Cognitive Impairment.

Can Additional Benefits Be Added?

Most insurance companies offer optional benefits such as Return of Premium, Inflation Protection, Reduced Paid Up Policy as well as a Family Member Assistance Care Benefit.

What Are Some of the Advantages to Long Term Care Insurance?

- It provides the person insured with CHOICES. There is no guarantee that the provincial government will provide the desired level of home care. There is also no guarantee that accommodations will be available in a government-assisted nursing home.
- It allows the person insured to maintain their independence for as long as possible. Very few people want to spend their final years in a nursing home. They prefer the familiar surroundings of their home.
- It allows the person insured to maintain their privacy and dignity. How many of us would be comfortable in a ward with three or more individuals of different backgrounds sharing a room and all of the facilities?
- It allows the person insured to reduce their dependence on their family and friends.
- It allows the person insured to conserve the value of their estate assets and leave an inheritance to loved ones.

Allan Rock, who was Minister of Health in the late 1990's, consistently made the following comment when speaking to groups on matters concerning Long Term Care. The following excerpt comes from his speech to the National Home Care Conference.

“Our research shows that 80% of home care is delivered by an informal caregiver in the home in Canada, and much of this burden falls upon women. Today, 1 in 5 women between the ages of 30 and 55 is engaged in looking after someone in the home that is either chronically ill or disabled. They spend an average of about 28 hours a week in that work. About half of those women also work outside the home, and many of them have children. The combined burden of those responsibilities is increasingly taking a toll on the health of those women. I am not suggesting for a moment that the state can or should move in and take over family responsibilities or replace community kindness. Canadians are always going to be willing to care for friends and for family. But without a reliable foundation of professional support, those responsibilities are increasingly going to take a toll on health. Stress is often at unbearable levels and despite exhaustion, career sacrifices and financial hardships; studies tell us that many caregivers experience guilt about not doing more. This situation is unfair to everyone and it is only going to get worse.”

While this comment was made in 1999, there are many Health Care professionals who in fact will tell you that the situation today is worse hence the need for Long Term Care.

COMPARISON – CRITICAL ILLNESS – DISABILITY INSURANCE

	DISABILITY INCOME	CRITICAL ILLNESS	LONG TERM CARE
When are benefits paid?	When the individual is totally disabled and unable to work as a result of an accident or a sickness.	When an individual suffers a specified Critical Conditions and survives that condition for a period of generally 30 days.	When an individual is unable to perform two or more activities of daily living or suffers from cognitive impairment.
How are benefits paid?	Generally, monthly as long as individual is disabled.	In a lump sum provided the individual survives the condition.	Paid on a daily basis as long as individual is unable to perform activities of daily living. Some companies pay weekly.
What happens when the individual recovers?	Coverage continues generally to age 65.	Once a claim has been paid, coverage terminates.	If individual recovers, contract continues.
Who can buy?	Based on the individual's occupation and earned income.	Anyone within the Insurance Company's guidelines.	Anyone who meets the Insurance Company's guidelines.
To what age?	Generally between the ages of 18 to 55.	Generally between the ages of 18 to 65.	Generally between the ages of 18 to 80.
Amount of benefit	A percentage of earned income (generally between 60 to 70% based on T4 or other documentation).	Based on Net Worth and Income. Generally sold in amounts from \$10,000 to \$2,000,000.	Based on ability to pay. Benefits range from \$20 to \$400 per day or if weekly \$150 and upward.