Reimbursement vs. Indemnity
The Two Methods for Accessing Long-Term Care Plan Benefits

When considering appropriate solutions for a Long-Term Care (LTC) plan, you should recognize that benefits paid on claims utilize either a “Reimbursement” or “Indemnity” model. These two models determine how solution providers pay LTC claims, and it’s important to understand the pros & cons of each method.

**Reimbursement Plans**
- Regardless of the stated maximum benefit, reimbursement plans will never pay more than the qualifying LTC expenses incurred.
- Qualifying expenses in reimbursement plans do not include the costs of home modification, medical equipment (i.e., walkers), or other potential expenses that go along with LTC needs.
- Bills and receipts must be accounted for every month. Some carriers will allow the service or facility to bill the insurance carrier directly and will make a direct payment to the facility. Other carriers may require the policyholder to submit monthly bills and wait for reimbursement.

Either way, it’s possible for a service to be billed for, which may not be covered by the policy. In that event, the policyholder will have to pay for the ineligible service out of pocket.

- However, some people may like this plan because when bills are less than the stated benefit, only the amount covering the qualifying costs will be paid, and this provides the potential to stretch the LTC benefit period.

**Indemnity Plans**
- This type plan will pay the maximum benefit the policy allows, regardless of the LTC expenses.
- While some plans may require a licensed service provider to be involved in the care, no bills or receipts are needed to justify the cost of care. Carriers may require monthly re-verification of services or copies of bills to prove the continued use of a licensed provider.
- While the full benefit is available on an indemnity plan, some people may prefer to take only what they need to extend the benefit period.

- Indemnity plans allow for a wide array of flexible solutions because excess benefits not needed to pay for care can be used for any purpose. A client could use extra benefits funds to:
  - Purchase medical equipment or pay deductibles or medical bills not covered by other sources.
  - Upgrade the home with safety and accessibility features to remain safely in the home longer.
  - Hire someone to help keep the home clean and maintained
  - Help pay the costs of a spouse who also has LTC.

- Because full benefits are paid to the contract owner, an indemnity LTC rider can also be used in other planning opportunities such as:
  - Adding the LTC rider to policy used in an Irrevocable Life Insurance Trust.
  - Adding the LTC rider to a Buy/Sell Agreement or Key Person policy to help supplement the life insurance in non-death situations.

*It is important to know how each of these benefit models work; as understanding the differences will ultimately help make for a more informed choice for your plan.*