Reimbursement vs. Indemnity

The Two Methods for Accessing Long Term Care Plan Benefits

When considering appropriate solutions for your Long Term Care (LTC) plan, it's important to understand that benefits paid on claims utilize either a "Reimbursement" or "Indemnity" model. These two models guide how solution providers pay claims associated with Long Term Care, and it's important to understand the pros & cons to each method.

Reimbursement Plans

- Regardless of what the stated maximum benefit may be, 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), nor 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 direct payment back to the facility. Other carriers may require the policy holder to submit the bills each month, and then wait for reimbursement of expenses.

  Either way, it's possible for a service to be billed for that may not be covered by the policy. In that event, the policy holder 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, thus providing automatic potential to stretch out the LTC benefit for a longer period of time.

Indemnity Plans

- This type plan will pay the maximum benefit the policy allows, regardless of what the LTC expenses are.

- 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. However, keep in mind there are a few companies offering an indemnity payout, which might require monthly re-verification of services or copies of bills to prove continued the use of a licensed provider.

- While the entire 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 excess benefit 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 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. If you or your family has any questions, please don't hesitate to contact us.

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