



A GUIDE TO LONG-TERM CARE INSURANCE

This booklet is designed to help you understand long-term care insurance and how it can help you prepare financially for future long-term care needs. More information – and help – is available from your financial advisor or insurance company.



Tip



Defined term

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You told us what you want to know about Long-term care insurance

This booklet brings together the answers to many typical questions Canadians ask about long-term care insurance.

This guide will help you to:

- understand why it is important to have a financial plan to cover future long-term care needs;
- learn what options are available;
- identify questions you should ask before you purchase; and
- understand what happens when there is a claim.

A **guide to long-term care insurance** is produced by the **Canadian Life and Health Insurance Association (CLHIA)**. We do not promote any one life and health insurance company or any particular type of insurance policy or plan. We leave those choices to you, the consumer.

We hope this guide will help you make the most of your long-term care insurance coverage.



CAUTION: This guide presents a wide variety of general information on long-term care insurance as simply and accurately as possible, but it is not for legal reference. New legislation and regulations and technological and competitive developments may change some of the rules, conditions and industry practices described. If you have specific questions, check your policy details and contact your financial advisor and/or insurance company.

1 **THE BASICS**

The realities of canada's aging population

Did you know that your chances of living to 100 years old are better than ever? According to recent research, many Canadians are adopting lifestyles that may allow them to celebrate their 100th birthdays.

While living a long and fruitful life may be seen as a great gift, research conducted by the CLHIA shows that Canadians are not adequately prepared financially to pay for their future long-term care needs.

Consider these important findings

- Looking forward over the next 35 years as baby boomers age, the cost of providing long-term care to Canadian boomers will be \$1.2 trillion, and only half of that amount is covered by current government programs.
- By the year 2036, it's expected that 25 per cent of the population will be over 65 with almost 1 million Canadians afflicted with dementia.

This may surprise you

Many Canadians mistakenly believe that full-time care in a long-term care facility will be fully paid by government health care programs. However, long-term care is not covered by the public health care system. The truth is that government health care programs may cover only a small part of the costs for a nursing home or other specialized residential care facility, or perhaps none at all depending on the circumstances. This means that individuals (or their families) will have to pay for a significant portion of the costs associated with a long-term care situation out of their own pockets.

Yet, most Canadians haven't contemplated the need for long-term care in their retirement planning. Three quarters of Canadians (74 per cent) admit they have no financial plan to pay for long-term care if they needed it, according to a Leger Marketing survey conducted on behalf of the CLHIA.

Planning ahead is not only for the aged

It is difficult to imagine when we are healthy and independent that at some point in our lives our health status could change and we could require specialized, ongoing care from someone else.

Often, when we think of the need for long-term care, we think of the elderly and the need for care in a nursing home. Let's not forget there can be circumstances in a younger person's life when long-term care could be required.

An unexpected debilitating illness or an accident could result in the need for around-the-clock care for people of all ages.

What is long-term care insurance?

Essentially, long-term care insurance provides financial protection should you become unable to care for yourself because of a chronic illness; disability; cognitive impairment, such as dementia; or other age-related conditions preventing you from managing a number of the activities of daily living without assistance. It can cover stays in nursing homes and chronic care facilities or the services of a caregiver in your own home.

Generally speaking, there are two types of long-term care insurance plans:

- One reimburses you for eligible expenses that are outlined in your plan (such as homemaking or private nursing services) that you may incur on a given day, up to a pre-determined maximum.
- The other is an income-style plan, which offers a pre-determined monthly benefit amount.

With an income-style plan, the regular benefit you receive (e.g., monthly, weekly) can be spent any way you choose. You can use it to help finance your care in a residential facility, for in-home care services or to pay someone in your own family to look after you.

Most plans include a waiting period. This means once you qualify for benefits, you must wait a specified period of time before your benefits will be payable. Common waiting periods are between 30-90 days.



TIP: You may want to consider including long-term care insurance in your estate planning with the intention of helping you stay in your own home for as long as possible.



TIP: Ask about the length of time you must pay premiums and whether they are waived or discontinued when you make a claim and are receiving benefits.

2 PURCHASING LONG-TERM CARE INSURANCE

Types and costs of long-term care

Should you require ongoing, around-the-clock care, you may need to consider one of the following options:

- a specialized residential care facility where you would be cared for full time, or
- if circumstances permit, you could be cared for in your own home, either through the delivery of professional services or by a family member.

Long-term care facility

Accommodation in long-term care facilities typically range from:

- \$900 to over \$5,000 per month depending on the room type and the level of government funding available.

PURCHASING LONG-TERM CARE INSURANCE

What are the average costs of long-term care facilities in your province?

Table 1: Cost of Retirement Homes/Residences
(no government subsidy) by Province

Jurisdiction	Private	One bedroom suite
	\$ per month	
Alberta	953.00 - 4,285.00	2,658.00 - 4,440.00
B.C.	995.00 - 3,500.00	1,595.00 - 5,400.00
Manitoba	1,359.00 - 2,475.00	1,690.00 - 3,300.00
New Brunswick	800.00 - 2,533.00	1,943.00 - 3,500.00
Newfoundland ¹	1,500.00 - 1,800.00	1,065.00 - 4,200.00
Nova Scotia	1,705.00 - 3,100.00	1,900.00 - 3,490.00
Ontario	1,236.00 - 6,000.00	1,849.00 - 8,000.00
P.E.I. ¹	1,825.00 - 2,880.00	1,950.00 - 3,750.00
Quebec	850.00 - 6,700.00	750.00 - 2,500.00
Saskatchewan	1,380.00 - 3,700.00	1,200.00 - 4,300.00

1 Described as semi-private and private.

Source: LifestageCare™ (lifestagecare.ca)

Home care

Private home care service costs can range from:

- \$12 to \$90 an hour for homemaking, personal care or nursing care.

What are the average costs of private home care in your province?

Table 2: Cost of Home Care Services by Province

Jurisdiction	In home meal preparation	Personal Care (bathing/dressing)	Skilled nursing
	\$ per hour		
Alberta	19.90 - 30.00	19.90 - 32.00	27.00 - 80.00
B.C.	16.50 - 36.95	15.00 - 36.95	35.00 - 75.00
Manitoba	16.50 - 25.00	19.00 - 25.00	40.00 - 75.00
New Brunswick	15.25 - 20.00	15.25 - 20.00	36.00 - 71.25
Newfoundland	15.00 - 20.00	15.00 - 20.00	33.00 - 70.00
Nova Scotia	10.00 - 23.50	14.00 - 23.75	25.00 - 80.00
Ontario	13.00 - 30.00	13.00 - 30.00	22.85 - 70.00
P.E.I.	17.25 - 17.65	18.50 - 20.25	25.00 - 47.00
Quebec	3.00 - 25.25	12.50 - 25.25	15.00 - 85.00
Saskatchewan	18.00 - 28.00	22.00 - 27.00	(not available)

Source: LifestageCare™ (lifestagecare.ca)

It's easy to see how the costs of care can add up quickly. Based on the examples above, if you or a loved one needed:

- placement in a private care facility at \$5000 per month, or
- home care five days a week for four hours a day at \$35 per hour,

then this would add up to at least \$35,000 to \$65,000 a year, depending on the type of care required.

PURCHASING LONG-TERM CARE INSURANCE

Home care provided by a family member

A third option would be to have a family member care for you at home. However, an important question to consider is whether they would have the financial means to look after you full time?

The cost of informal care in the home is hard to tally, but for a family member who may give up a full-time job to care for a loved one at home, this loss of income could be devastating. Unfortunately, the tax breaks given to care providers in the home are only a small percentage of the total cost to those who provide this care.

Who provides long-term care insurance?

The life and health insurance industry plays a complementary role to the public health system by providing long-term care insurance protection to Canadians. There are many life and health insurance companies in Canada that offer long-term care insurance.



TIP: If you need help finding out which companies offer long-term care insurance, contact the OmbudService for Life and Health Insurance. Go to www.olhi.ca for more information.

How do you apply for long-term care insurance?

The best approach to reviewing your long-term care insurance options is to discuss them with a financial advisor. Together, you should review your financial plan and decide what type of long-term care insurance coverage is right for you.

Your individual circumstances and retirement plans are important factors to consider. You will need to complete a long-term care insurance application and it may include some medical questions. The insurance company may request additional information from you or your doctor.

How is my application for coverage assessed?

When reviewing your application, the insurance company will take into account a number of factors on which the premium amount you pay will be based. These factors include:

- your age at the time you apply (the younger you are, the lower the premium)
- your state of health at the time you apply (the better your health, the lower the premium)
- the type and amount of coverage you choose (the higher the benefit amount and the more options you choose, the higher the premium)
- the waiting period that you select (plans with longer waiting periods are typically less expensive)



TIP: Some plans provide extra benefits or options you can purchase such as:

- The option to ‘pool’ coverage which can be shared between you and your partner
- Support services to point you to long-term care resources and options in your area
- Waiver of your premium benefits (so you no longer have to make premium payments once you are collecting benefits)
- Inflation Protection Riders (that will increase your monthly benefit to guard against the impact of rising health care costs over time)

3 **ASSESSING YOUR NEEDS**

Assess the sources of income in your later years

It is important for you to consider the impact that a long-term care situation may have on their finances. The table below will help you project your total financial resources in your post-retirement years.

Click to access assessment form. 

4 **MAKING A CLAIM**

When will benefits be paid?

Typically, benefits are payable when you can no longer perform a number of essential activities of daily living without substantial assistance.

Most plans stipulate that at least two (or more depending on the plan) of the following cannot be performed without substantial help:

- bathing
- dressing
- toileting
- transferring (e.g., moving from a chair or out of bed)
- maintaining continence
- eating

Your ability to perform these activities of daily living would be assessed by representatives of the insurance company to determine your eligibility for benefits. For example, health care experts such as Occupational Therapists or Nurses may call you to ask questions, or they may ask to visit you at home. These evaluations help the claims assessors evaluate your eligibility for benefits. You may also qualify for benefits if you require substantial supervision because of cognitive impairment due to conditions that cause dementia such as Alzheimer's.

Terms for approval of benefits can vary from policy to policy.

Submitting your claim

Your claim for benefits will be assessed by a professional at the insurance company and your doctor will be asked to provide medical information as part of your claim. In some cases, you may be asked to undergo an examination to help determine the state of your independence and to assess your health. Your family may be interviewed to help gather this important information.



TIP: Take the time to discuss your long-term care insurance policy with your children or others who you expect will be caring for you when you are no longer able to manage on your own.

5 CONSUMER ASSISTANCE

Consumers with questions or complaints about life and health insurance products or services can call the OmbudService for Life and Health Insurance (OLHI) for bilingual information and assistance. The OLHI is an independent service that provides free information and assistance.

Call the OLHI from anywhere in Canada:

In Toronto: **416-777-9002** À Montréal: **514-282-2088**
Toll Free/Sans frais: **1-888-295-8112** Website: **www.olhi.ca**

Source of Income	Amount Available
Pension funds - CPP, Old Age Security, and/or employer sponsored pension plan	
RRSPs	
Non-registered Investments	
Emergency Savings	
Family support (e.g., spouse's income, if applicable)	
Funds from selling your home	
Long-term care insurance benefits	
Other	
TOTAL	

