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Will You Need Indemnity Long Term Care Insurance?

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Insurance companies that are marketing long term care insurance policies let buyers choose how they want to receive their benefits. Most people opt for reimbursement plans even though they secretly wish that they can have the indemnity long term care insurance (LTCI) plan because the former is cheaper.

There is a big difference between reimbursement LTCI policies and indemnity policies. The first will pay the total amount of daily expenses which the insured individual has incurred in a long term care (LTC) facility. The insuredâ€™s total expenses, however, should not exceed his policyâ€™s maximum da benefit amount otherwise he will have to pay the excess amount out-of-pocket.

For example, an insured personâ€™s LTCI policy shows that he has a maximum daily benefit amount of $250 but his total daily expenses in a nursing home only totaled to $190. Therefore, his insurer will only pay him or his care provider $190 and put the remaining $160 back into the insured personâ€™s pool of benefits which he can use later in the future.

Before the insurer reimburses the insured individual of his expenses on care, the latter has to submit official nursing home or hospital bills to the first. Upon receipt of these documents thatâ€™s the only time that the insurer will process the benefits that it will pay out to the insured.

Indemnity LTCI policies work differently. Owners of this type of policy will receive a fixed daily, weekly, or monthly benefit amount regardless of their actual expenses on care. Such being the case, they have absolute freedom to spend their benefits however they want.

Advantages and Disadvantages of Indemnity Long Term Care Insurance Policies

People who own an indemnity policy can receive care at home, an advantage which reimbursement LTCI policyholders envy.

Since an indemnity policy pays the insured person his exact benefit amount, the insured does not have to go through a lot of paperwork. All he or she has to think about is how to manage the paid benefits.

If you have an indemnity policy, you can use the money that you receive from your insurer in modifying your home. There have been many home accidents involving the elderly which can be attributed to overlooked home structures that are not conducive to the physical and mental state of senior citizens.

An indemnity policy will allow one to have security shower grips installed to his home, perhaps wheelchair ramps and lifts, and sturdier handrails.

Apart from their LTC needs, some people also use the money from their indemnity policies to secure their loved onesâ€™ future. For instance, a woman with breast cancer would put a portion of her policyâ€™s benefits in her childrenâ€™s trust fund so that by the time they graduate from high school, they would be financially equipped for college.

While owning an indemnity LTCI policy has many advantages, there is a downside to it also. For one, it would cost a chunk of cash for the premium since it pays out your exact benefit amount. Secondly, you may run short of benefits if you spend it lavishly.

Bear in mind that the main reason you invested into an indemnity long term care insurance plan is to receive quality care in your preferred LTC setting. Your familyâ€™s needs should only come second.

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