Glossary of Long Term Care Terms

Glossary – LTC

Activities of Daily Living (ADL's)

Daily activities used to measure functional disability. In long term care insurance policies, the five or six ADLs used are bathing, dressing, toileting, continence, transferring or mobility, and eating or feeding. Bathing is usually the first functional loss. The ease of access to policy benefits is determined by how the above activities of daily living are defined and what level of personal assistance is required in order for one to be deemed to fail an activity of daily living. Is hands-on assistance required, or will stand-by or directional assistance (cueing) satisfy the requirement?

Access to Policy Benefits (Benefit Triggers)

There are 2 ways to access long term care insurance policy benefits. It is important to read the specific definitions in the policy to understand the criteria for qualifying for policy benefits.

Activities of daily living

The insured requires personal assistance with 2 or 3 activities of daily living. Each policy will define 5 or 6 ADLs. Personal assistance may be defined in different ways in each policy, but generally refer to either hands-on assistance, stand-by assistance (for the safety of the insured), or directional assistance (cueing) to help the insured by reminding them.

Cognitive Impairment

The deterioration or loss of intellectual capacity such as dementia, Alzheimer's disease, or Parkinson's disease. The eligibility for benefits under a long term care insurance policy is determined by clinical evidence or standardized tests which judge the areas of memory, orientation, and reasoning. It is important to have a separate trigger or means of access to a long term care policy for cognitive impairment. Some long term care insurance policies permit access to benefits only if the insured requires directional assistance or cueing in two or more ADLs.

Adult Day Care

A community-based group program that provides health, social, and related support services in a facility which is licensed or certified by the state as an Adult Day Care Center to impaired adults. It does not mean 24-hour care.

Alternate Care Facility

A hospice, or a facility that is engaged primarily in providing ongoing care and related services to inpatients in one location and meets all of the following criteria:

1. Provides 24-hour a day care and services sufficient to support needs resulting from inability to perform Activities of Daily Living or Cognitive Impairment;
2. Has a trained and ready to respond employee no duty at all times to provide that care
3. Provides 3 meals a day and accommodates special dietary needs
4. Is licensed or accredited by the appropriate agency to provide such care
5. Has formal arrangements for the services of a physician or nurse to furnish medical care in case of emergency
6. Has appropriate methods and procedures for handling and administering drugs and biologicals

Alternate Plan of Care

If the insured would otherwise require confinement in a long term care facility, the insurance company, the insured and the insured's physician may agree that an alternate plan of treatment or alternate site of care such as an assisted living facility would be appropriate and the insurance policy would pay for this care. Some policies will also pay for durable medical equipment if, as an alternative to nursing home care, a person would then be able to receive care in his or her own home. Modifications to the insured's home may also be included under this policy provision. It should be noted that the definition of the alternate plan of care may vary from one insurance policy to the next. (Not available in all states.)

Benefit Increase Option (BIO), Automatic Inflation Benefit (AIB), Inflation Option

Inflation provisions included in a long term care insurance policy will usually take one of three forms:

CPI Option

Periodic offer (usually every one, two, or three years) to purchase additional insurance without regard to any changes in one's health. An additional premium charged based on the amount of the increase and the age of the insured at the time the additional insurance is purchased. The additional premium is level and charged for the remaining life of the policy. This offer is generally not made after any claim has been made against the policy.

5% Simple Inflation Option

The daily benefit will automatically increase on each policy anniversary date by 5% of the original daily benefit amount selected. An additional premium is charged for this option and the premium is scheduled to remain level for the life of the policy. Some policies will limit the amount of increase permitted under this option by either a defined number of years (i.e., 20 years), by age (i.e,. no increases permitted after age 85), or by a defined cap in dollars (i.e., an initial benefit of $100 per day will increase until a benefit of $200 per day is reached).

5% Compound Inflation Option

The daily benefit will automatically increase on each policy anniversary date by 5% of the prior year's daily benefit amount selected. An additional premium is charged for this option and the premium is scheduled to remain level for the life of the policy. Some policies will limit the amount of increase permitted under this option by either a defined number of years, by age, or a defined cap in dollars.

Benefit Period

The time during which the policy will pay benefits. There are three different approaches to defining the benefit period.

Time Frame

The benefit period is described in years (i.e., 2 years, 5 years, lifetime). Once a period of care begins, the policy will cover all of the eligible care received for as long as the policy is in force (until the benefit period limit is reached). Generally, this type of policy will have a restoration of benefit feature included.

Pool of Days

The benefit period may be stated in years but it is also stated in days (i.e., 3 years would also be shown as 1095 days, 3 years x 365 days). When the benefit period begins, only the days that you actually receive care are counted and deducted from the policy. You may have a policy that has a stated benefit of $100 per day, but if the actual costs are $60, the policy would reimburse $60 and one day would be charged against the policy.

Pool of Funds

The pool of funds is established by multiplying the number of years (or days) in the policy benefit period by 365 days times the daily benefit selected. For example, a 5 year policy with a $100 per day benefit would provide a pool of funds of $182,500 (5 x 365 x $100 per day). The policy lasts as long as money remains in the pool of funds. Only those dollars that are actually paid out by the policy are charged against the pool of funds.

Instrumental Activities of Daily Living (IADLs)

In addition to the Activities of Daily Living (ADLs), IADLs identify the full range of activities necessary for independent living in the community. IADLs include meal preparation, handling personal finances, shopping, traveling, doing housework, using the telephone, and taking medications.

Home Health Care (HHC)

Care received in one's home generally provided by family members, friends, licensed health care professionals (registered nurse, licensed practical nurse, physical therapist, or occupational therapist) or certified health care professionals such as nurse's aide or home health aide, homemakers, or providers of chore services. Long term care insurance policies with generally only reimburse for services provided by licensed health care professionals or certified health care professionals provided through a state-licensed home health care agency.

Indemnity Benefit vs. Cost Incurred Benefit

An indemnity benefit is paid to the insured regardless of the actual costs of care. The stated daily benefit amount is paid in full in some long term care insurance policies even if Medicare payments are being received for the same care. A cost incurred benefit reimburses for actual costs up to the stated daily benefit amount. Policies will generally provide for either reimbursement of 80% or 100% of costs incurred up to the daily benefit amount.

Levels of Care

Skilled Care

Care provided by a Registered Nurse (RN), Licensed Practical Nurse (LPN), Licensed Vocational Nurse (LVN), Physical Therapist (PT), or Occupational Therapist (OT). When the assistance of these care providers are required every day, the level of care is called skilled care.

Intermediate Care

Care provided by the above licensed professionals less than every day.

Custodial Care

Assistance with activities of daily living provided by a family member, friend, companion, or certified professionals such as a nurse's aide or home health aide. It may also include homemaker or chore services.

Medical Help System

A communication system, located in your home, used to summon medical attention in case of medical emergency.

NAIC Model Regulations

The National Association of Insurance Commissioners issues and amends a body of model law and regulations governing long term care insurance as a guide to state legislation and regulation of long term care insurance. Most states have adopted all or a portion of these standards.

Pre-existing Conditions

This provision in a policy states that no benefits will be paid for nursing home or home health care confinement which begins during the first 6 months of the insurance policy if the care required is the result of a condition for which care or treatment was received during the 6 months prior to the effective date of start date of the policy. Some companies will waive the preexisting conditions clause if the conditions was mentioned in the application. Some policies have no preexisting condition provisions.

Restoration of Benefits

If benefits are received from the policy and the insured does not require long term care assistance for a period of 180 consecutive days, then any subsequent incident would be considered a new period of care and the full original benefit period for care would be available.

Waiting Period (Elimination Period or Deductible)

The number of days the insured must pay for care before the policy starts paying benefits. After a period of 180 days of not requiring care, a subsequent period of care would require a new waiting period. Some policies have a one-time only waiting period.