What You Can Do as Long-Term Care Insurance Rates Climb

Most long-term care insurance policyholders continue paying their premiums when their insurer raises the rates, a new study has found.

LTC insurance premiums have been climbing steadily over the past few years due to a number of factors, including rising costs, longer life spans and low interest rates (although they have been rising lately), according to the study by the American Association for Long-Term Care Insurance.

Also, fewer people are letting their policies lapse, which has resulted in more people filing long-term care claims than they anticipated.

But for some people the higher premium can be a burden. If you are faced with a premium hike, there are steps you can take to better absorb it:

Shorten your benefit period

One choice you make when securing your policy is how long benefits can be paid out, with most policies' benefit period ranging from two to five years. Essentially, the benefit period is the minimum amount of time your policy would cover you.

If you have a five-year policy, you may want to consider shortening it to two or three years to lower your costs.

The benefit period is simply a multiplier of coverage per day. If you buy a two-year policy that will pay out $200 a day, it means your LTC benefit is going to be worth 730 x $200 (number of days x dollars per day).

Your benefit could last longer than two years if you didn't use the full $200/day benefit each day.

Opt for a shared policy

Another way to defray costs is to purchase a shared policy, which is designed for married couples. Essentially it allows policyholder to add their spouse as a "rider." As a designated rider, a wife can access the funds of her husband's plan if she exhausts funds from her own policy, and vice versa.

By pooling benefits, a shared care policy can reduce costs. There are other benefits to shared policies: policyholders can split the coverage between the two of them and it helps them extend their plan.

Consider a longer elimination period

One of the hallmarks of LTC policies is the elimination period. This is the time between when a policyholder starts needing long-term care and the time the policy starts paying out benefits, typically 30, 60 or 90 days after the claim is filed. The longer the elimination period, the lower the premiums.

On the flipside, opting for a longer elimination period can result in more out-of-pocket costs for the policyholder once they need care.

Lower your daily benefits

This should be your absolute last-ditch effort to reduce your premium, as it means a smaller payout to help you with the services and help you'll need if you require long-term care.

That, again, means more out-of-pocket costs for you should you need to file a claim, but it's a sure-fire way to reduce your premiums.

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