

## CASE STUDY

# The power of cash indemnity benefits

Most long-term care (LTC) insurance products available today offer a reimbursement or cash indemnity model to pay benefits if the insured goes on claim.

**Reimbursement** policies reimburse the policyowner,<sup>1</sup> dollar per dollar, for actual expenses incurred. Expenses must first be paid out-of-pocket, and then receipts are submitted to the carrier to be reimbursed. Only expenses covered by the contract will be reimbursed.

**Cash indemnity** policies automatically send the policyowner a monthly cash benefit regardless of actual expenses. The policyowner can use their benefit however they want: informal care, medical equipment, home maintenance, or save it to use down the road.

### Benefit payout comparison

	Reimbursement	Cash indemnity
<b>Eligibility requirements</b>	The insured is certified as chronically ill, has a plan of care and satisfied the elimination period	
<b>Monthly LTC benefit</b>	Only expenses incurred on qualified services are reimbursed, not to exceed the monthly maximum	Up to 100% of the monthly maximum is paid as a cash benefit
<b>Monthly bills and receipts</b>	Required	Not required
<b>Informal care</b>	Limited or no coverage	Yes
<b>Restrictions on use of benefits</b>	Limited to qualified LTC expenses incurred as defined in the contract	None
<b>Product examples</b>	Lincoln Financial Group - MoneyGuard® III Mass Mutual - CareChoice New York Life® - Asset Flex OneAmerica® - Asset-Care Pacific Life - PremierCare® Choice	Securian Financial - SecureCare Universal Life Nationwide® - YourLife CareMatters® II

1. If owner/insured are different, benefits will be paid to the owner upon the insured being certified as a chronically ill individual.

# Cash indemnity vs. reimbursement

In the scenario below and on the next page, your client has the same total benefit pool available to her, but the amount of benefits she actually receives depends on the payment method of the contract.



## Female client

- Purchases policy on herself at age 60 with \$5,000 monthly LTC benefit on day 1
- 6-year benefit period, 5% compound inflation protection option
- Initiates claim at age 80

## Scenario 1: Transitioning from informal care to assisted living

Over 50% of claims begin in the home<sup>2</sup>, so let's look at a scenario that starts with your client receiving care from an informal caregiver (spouse, child, etc.) at home before moving to an assisted living facility.

	Sample reimbursement contract	Cash indemnity: Securian Financial's SecureCare
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266

Ages 80-81: Informal care • Projected cost: \$0 <sup>3</sup>		
Covered	No <sup>4</sup>	Yes
Total benefits paid	\$0	\$326,356

Ages 82-83: Home health care • Projected cost (for 20 hrs/week): \$110,355 <sup>3</sup>		
Covered	Yes	Yes
Total benefits paid	\$110,355	\$359,807

Ages 84-85: Assisted living • Projected cost: \$210,142 <sup>3</sup>		
Covered	Yes	Yes
Total benefits paid	\$210,142	\$396,687

<b>Total benefits paid for all types of care</b>	<b>\$320,497</b>	<b>\$1,082,850</b>
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This is a hypothetical example for illustrative purposes only and cannot be shared with the general public. A customer's experience may be different depending on their specific situation. When providing personalized illustrations to customers, it must always be accompanied by a complete basic illustration.



## Costs of care

(2020 national medians)<sup>2</sup>

**\$27.82 per hour**

Home health aide

**\$50,924 per year**

Assisted living facility

**\$762,353 more** benefits paid over 6 years with cash indemnity vs. reimbursement

2. Long-Term Care Insurance Facts - Data - Statistics - 2019 Report. American Association for Long-Term Care Insurance. January 2019. <https://www.aaltci.org/long-term-care-insurance/learning-center/lcfacts-2019.php>

2. Calculate the cost of long-term care. LTCnews.com. 2020. <https://www.ltcnews.com/resources/states/>

3. Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation

4. Some reimbursement plans offer limited coverage for informal care

## Scenario 2: Transitioning from assisted living to a nursing home

This scenario shows a more advanced case where your client goes directly into an assisted living facility and then transitions to skilled nursing care.

	Sample reimbursement contract	Cash indemnity: Securian Financial's SecureCare
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266
<b>Ages 80-81: Assisted living • Projected cost: \$186,708<sup>6</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$186,708	\$326,356
<b>Ages 82-83: Nursing home – semi-private room • Projected cost: \$368,494<sup>6</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$359,807	\$359,807
<b>Ages 84-85: Nursing home – private room • Projected cost: \$429,430<sup>6</sup></b>		
Covered	Yes	Yes
Total benefits paid	\$396,687	\$396,687
<b>Total benefits paid for all types of care</b>	<b>\$943,202</b>	<b>\$1,082,850</b>

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### Why choose cash indemnity?

As shown in these scenarios, cash indemnity contracts can offer clients more freedom and flexibility than the reimbursement method. And given that most claims begin and end in the home, cash indemnity can be especially valuable because clients can access their benefits earlier. Plus, the cash indemnity model doesn't limit your client's monthly maximum benefit to actual expenses incurred, which means they can fully leverage their policy and not leave any benefit unused.



### Costs of care

(2020 annual national medians)<sup>5</sup>

**\$50,924**

Assisted living facility

**\$94,736**

Nursing home, semi-private room

**\$106,488**

Nursing home, private room

**\$139,648 more**  
benefits paid  
over 6 years with  
cash indemnity vs.  
reimbursement

5. Calculate the cost of long-term care. LTCnews.com. 2020. <https://www.ltcnews.com/resources/states/>

6. Projected costs calculated using 2020 national medians of costs of care and assuming 3% annual inflation



## Get started today

Show your clients the power of cash indemnity benefits with SecureCare.

**1-877-696-6654 (Securian Financial and Broker-Dealer)**

**1-888-900-1962 (Independent Brokerage)**

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Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

SecureCare may not be available in all states. Product features, including limitations and exclusions, may vary by state.

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