Some Things to Watch Out For (and usually avoid)

Coinsurance

Some policies, particularly the least expensive state that they will pay for a certain percentage of the cost of care, typically 80%, while you are responsible for paying the other 20%. This is usually applicable to services provided by a home health aide but in some policies applies to all home care and sometimes to assisted living facilities.

If you are only buying enough coverage to pay for 80% or less of the actual cost of care, this should not be a problem. The main point is to be aware of whether your policy works this way so there won't be any surprises when you need care.

Care Management

Most policies will pay for a care advisor. This is someone to help determine what services you need and what service providers are available. There is no financial penalty if you ignore their advice.

A few policies provide lower benefits (or withhold "enhancements") if you do not choose one of the care managers they suggest or if you don't follow the plan of care they draw up. In my opinion, this gives the insurance company too much influence over your care. I usually avoid such policies.

Some policies simply state that someone chosen by the insurance company will draw up your plan of care. They decide what services the policy will pay for. I would not buy such a policy unless it was the only one I could get.

Company Financial Strength

This is probably the most important choice you'll make. I probably should have put it in it's own article and written it in all capital letters in bold print.

There are three major companies that rate the financial strength or claims paying ability of insurance companies. They are A.M. Best, Standard and Poors, and Moody. A.M. Best rates companies A++, A+, A, A-, B++, B+, B, B-, C++, C+, C, C-, D, E, and F. with A++ the best. I prefer not to do business with any company rated lower than A- by A.M. Best.

Standard and Poors rates companies AAA, AA, A, BBB, BB, B, CCC, CC, C, R, and NR with AAA the best. I prefer not to do business with any company rated lower than "A" by Standard and Poors.

Moody rates companies Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and NR and further subdivided these as 1, 2, or 3 with AAA the best and 1 better than 2 better than 3. For example A1 is better than A3. I prefer not to do business with any company rated lower than A3 by Moody.

An unacceptable rating from any of these agencies would cause me to avoid that insurance company. The only exception I would make is if the poorly rated company were the only one that was willing to insure me.

Even though it is true that another company will often step in and take over the policies for failed carrier, the new company may be allowed to alter the benefits of your policy and make them more restrictive. While the state insurance departments will make considerable effort to protect the policy holders of a failed company, some changes may be necessary to get another company to accept the business and provide as much protection as possible to the policy holders.

Rather than take the chance, it is better to buy from a strong company from the start, particularly one that has a diversified mix of business rather than being focused exclusively or primarily just on long term care.

While strong and diversified companies have also failed on occasion, the risk is much lower than with an already weak company that has "all its eggs in one basket".