The Elimination Period

The elimination period defines the number of days in which you must pay for your own care before your policy begins to pay benefits. It is your " deductible". Common options are 0 days, 30 days, and 90 days. Some policies offer 20 days instead of 30 days or 100 days instead of 90 days. Some policies also offer 50 days or 60 days and some offer 180 days, 365 days, or 730 days (2 years). Many policies do not offer 0 days. The longer the EP, the lower the premium.

It is extremely important to recognize the impact inflation has on the amount of money you will pay for your own care during the elimination period. If care today costs $100 per day, with a 90 day elimination period you will spend $9000 paying for your care before you begin to collect benefits from you policy. You are unlikely to need care today. If you did, you wouldn't have been able to qualify for the policy. Remember "You pay the premium with money, but you buy the policy with good health".

At 5% inflation, the cost of care will double in about 15 years. At that point a 90 day elimination period means an out of pocket cost of $18,000. In 30 years, the costs will double twice and a 90-day Elimination Period means $36,000 out of pocket. Make sure you buy an elimination period you will still be able to afford when you need care.

Some people assume that Medicare and their Medicare Supplement (Medi-Gap) policy will pay for the first 100 days of care and that any elimination period shorter than 100 days is a waste of money. As I discuss in the article on Government Programs, you cannot depend on Medicare paying for any of your long term care expenses. Choose an elimination period based on the assumption you will have to pay for all of your own care during the elimination period.

It is important to note that most policies do not use calendar days to count the elimination period. Such a policy would say that if your first day of care was August 7th, then 90 days later your policy begins to pay benefits even if you only actually received one day of care in that time period. Most policies only count days on which you actually receive care. This is probably a moot point for facility care since most people don't use facility care only a few days each week, but it could be very important during home care. Let's suppose you only need care (covered services) on Monday, Wednesday, and Friday, while your informal (unpaid) caregivers provide any other care needed during the week. Since informal care is usually not covered by the policy, only Monday, Wednesday and Friday would count towards the elimination period. In this example it would take 30 weeks to satisfy a 90-day elimination period.

Some policies say that if you receive 1 or more days of covered services in a week, the entire week will count towards the elimination period. Much like the calendar day elimination period, this can help to greatly reduce your out of pocket cost during the elimination period.

A very few policies say that you only need to satisfy the elimination period for facility care and have a 0-day elimination period for home care. Some of them even say that days of home care will count towards the facility care elimination period even though the policy is paying for the home care! This is a very attractive option. Be careful though whether there are any restrictions in the policy in order to have home care count towards the facility care elimination period. Some policies require that you let a care coordinator of the insurance company draw up your plan of care for this period and if you don't, those days don't count towards the facility care elimination period. In my opinion, this gives the insurance company too much influence over determining what care you receive. In that case you have to weigh the positives against the negatives to determine whether that policy is beneficial to you. Since there are policies that include this benefit without the care coordination features, I would favor those policies.

You might well be asking, "What happens if I need care more than once? Do I have to satisfy the elimination period every time I need care?" With most policies today, the answer is no. After you satisfy the elimination period once, you never have to satisfy it again. I would avoid policies that have a per claim elimination period, particularly if you buy a policy with a longer elimination period.

You might now be asking, "What if I only satisfy part of the elimination period the first time? Do I have to start over the next time I need care?" The answer to this question is found in what is called the policy's accumulation period. You will have to read very carefully through the policy to determine what the accumulation period is. Also, make sure you read my article on "Tax Qualified or Non Tax Qualified Policies" as there is some relevant discussion on this found there also.

Most policies today say that once you satisfy a day of the elimination period it is satisfied forever. That is, the accumulation period is lifetime. If you have a 90-day elimination period and you need 60 days of care at some point, the next time you need care, you only have 30 more days of the elimination period to satisfy. If a policy does not have a lifetime accumulation period, I would consider this a negative to be weighed against any positives when making the decision on which policy to buy.

Some policies have a specific accumulation period. Two years is common. If you satisfy part of the elimination period and then recover, after two years, you have to start over. A few say the accumulation period is a multiple of the elimination period, commonly three times. In this case, with a 90-day elimination period you have 270 days over which to accumulate 90 days of care towards the elimination period. It is interesting to note in this final example that if you only needed 2 days of care per week, you would never satisfy the elimination period.

The shorter the accumulation period, the less attractive the policy is. A lifetime accumulation period is best.

Conclusions:

Buy the shortest Elimination Period you can afford. Look for policies with a lifetime accumulation period. Avoid policies with a per claim deductible. If you have to reduce benefits to make the premium affordable, start by choosing a longer Elimination Period, but anything longer than 90 days doesn't usually save enough money to be worth considering.