

LTC Benefit Basics

Reimbursement vs. indemnity payments



When it's time for your clients to access their long-term care (LTC) benefits, the insurance carrier's policy will pay benefits in one of two ways: Reimbursement or indemnity. Understanding how each payment approach works can help determine what strategy might be a fit for your client's needs.

	Reimbursement Pays for actual expenses incurred up to the monthly or daily benefit	Indemnity Pays the full monthly or daily benefit, regardless of the expenses incurred
Qualify for LTC benefits	Regardless of the benefit payment approach, claimants must qualify for benefits either by the inability to complete at least 2 of 6 Activities of Daily Living OR a severe cognitive impairment requiring substantial supervision.	
Care providers	<ul style="list-style-type: none"> Licensed caregiver/agency or facility Family, friends, neighbors, if licensed through an agency 	<ul style="list-style-type: none"> Licensed caregiver/agency or facility Family, friends, neighbors
Ability for insurance company to pay licensed caregiver/agency directly	Yes	No
Benefits paid to	Licensed caregiver/agency or facility	Policyowner
Responsible to pay caregiver(s)	Insurance Carrier	Policyowner
Tax responsibilities/considerations		
Consideration of IRS per diem limit	Not applicable	Proof of costs, if limit exceeded
Receives a 1099-LTC	Policyowner	Policyowner
Saves 7 years of receipts for IRS	Not required	Policyowner
Files an IRS Form 8853	Not required	Policyowner
If benefits paid to a "household employee," e.g. non-licensed care services provider not affiliated with an agency (see IRS Publication 926 for details)	Not applicable <i>All benefits paid directly to licensed care agency employees</i>	Policyowner responsible to file <ul style="list-style-type: none"> IRS Form W-2: Wage and Tax Statement IRS Form 941: FICA Quarterly Return IRS Form 945: Federal Income Tax IRS Form 940: Federal Unemployment Tax IRS Form W-3: Transmittal of Wage and Tax
Receives W-2 (taxed on monies received)	Licensed care agency employee	Household employee

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Review IRS Publication 926 to learn about household employees and associated tax considerations.

<https://www.irs.gov/pub/irs-pdf/p926.pdf>

Reach out to your OneAmerica sales representative to better understand the nuances of LTC benefit payments.

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