

STCI

STCi:

A senior client's new best friend

One of the most promising innovations in the long-term care space is the rapid rise of short-term care insurance (STCi), also known as extended care coverage. Unlike traditional LTCi, STCi plans offer benefit periods of less than two years. Consequently, STCi plans can be incredibly attractive for clients who may not qualify for LTCi policies or prefer more flexible and affordable policy structures.



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A closer look

It's a widespread misconception that STCi plans pay over very short periods, such as 10 or 20 days. They are much more robust. One popular plan design offers a facility benefit of up to \$144,000 and a home care benefit of \$108,000, providing combined coverage of up to \$252,000 before the addition of any inflation benefit that would increase the overall benefit. Many STCi plans offer built-in restoration of benefits, which could double the lifetime maximum benefit.

Features that stand out

- **Wider age range.** The issue age in some STCi plans starts at 40 and goes up to age 89. Since traditional LTCi and hybrid plans usually extend to age 79, STCi can offer protection for more seniors.
- **Unisex rates.** STCi plans, compared with the gender-based pricing of traditional LTCi plans, are a huge plus for females. LTCi plan rates for single females can be 40–50% higher than STCi rates.
- **Strength of shorter benefit periods.** Most STCi plans range from 90 to 360 days, making an STCi plan design more affordable than traditional LTCi or hybrid plan designs that offer 2, 3, 4, 5 year benefit periods.

Underwriting for STCi plans is more streamlined than with LTCi or Hybrid plans. The overall applications are very short and can be issued in less than a week.

- **Benefit amounts.** The benefit amounts in STCi plans are broken down into two categories: facility and home care. Most STCi plans offer a facility benefit that ranges from \$50/day to \$400/day. As for home care, the most common benefit amounts consist of \$50/day to \$300/day.
- **Power of indemnity.** While traditional LTCi and most hybrid plans offer a reimbursement model, STCi plans are indemnity-based; regardless of the actual care expenses the client incurs and what other coverage is in effect, STCi plans will pay the full daily (or weekly) benefit amount available for each claim.
- **Elimination periods.** The 20-day or 0-day are very popular for a modest additional cost as opposed to 90-day.

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- **Premium justifier.** While STCi plans, LTCi plans, and hybrid plans use very similar “2 of 6 activities of daily living” or “cognitive impairment” language to trigger a claim, within LTCi and Hybrid plans, “care” must be expected to last at least 90 days. This isn’t the case with STCi plans, which cover common recuperative care situations (e.g., knee/hip replacements, fractures, or surgery recoveries). This tends to be a great “premium justifier,” since it helps clients relate the expense to likely everyday events.
- **Restoration of benefit periods.** Every STCi plan of consequence includes a built-in restoration of benefits provision. Simply put, if after a claim one is not receiving benefits and is healthy (not claim-worthy) for 180 days, benefit days are restored for up to 2x the benefit period, depending on the carrier.
- **Bed reservation.** Some STCi plans also offer bed reservation as a built-in benefit. Just like traditional LTCi/Hybrid plans, this reserves a bed in the facility if a claimant is admitted to the hospital for any reason. Most bed reservation features are for 20 or 30 days.
- **Ancillary benefits.** Most STCi plans are built on a facility-protection foundation and have a home care primary rider. Most STCi carriers also offer a variety of other built-in or optional rider benefits, including riders for benefit inflation protection.
- **Discounts.** Hospital indemnity plan (aka HIP) benefits, Rx benefit reimbursement, and a return of premium are other benefits that could be included in the base plan or as an additional cost rider. Also, some STCi plans offer a marital/partner discount. Consult outlines of coverage for exact definitions and discounts.

Other considerations

Unlike LTCi and Hybrid plans, which are commonly available in all 50 states, some states have not recognized STCi plans and will not allow sales to residents in their state, although benefits can be paid in all 50 states. At publication, these states were: CA, FL, KS, MA, MN, NJ, NM, NY, VT, and WA.

Underwriting for STCi plans is more streamlined than with LTCi or Hybrid plans. The overall applications are very short (4–6 pages). On average, most STCi applications are issued in less than a week; some may take as little as 2–3 days.

A main reason for the shorter application process is that most STCi plans do not require a phone interview (PHI) or an attending physician’s statement (APS). Nor is a face-to-face interview needed for applicants over the age of 70.

With STCi, it is also common to see only 10–15 underwriting questions with a requirement that the carrier run an Rx drug report to verify the medications the client is taking. STCi

plans also enjoy a placement rate of 85–94%, which is much higher than the more stringent underwriting requirements of LTCi or hybrids.

The more relaxed STCi underwriting is especially beneficial to seniors ages 60–89 and can serve as a huge motivator to consider extended care protection.

What the research says

Both Milliman and AHIP have done significant research on claim data from traditional LTCi plans. According to its 2024 annual report, Milliman found the average LTCi claim paid out was \$61,448 (the lowest insurer average was \$47,133, and the highest was \$118,918).¹ Similarly, AHIP analyzed 2023 claims data from all 50 states and found that average LTCi claims by state ranged from \$80,000–\$110,000 (using total claims dollars paid divided by total claims per state).²

This data helps explain the surging interest in STCi. Agents and consumers are realizing that having some coverage is better than no coverage, and that having a comprehensive LTCi and or Hybrid Life with an LTC plan is not always required.

Of course there are catastrophic claims and conditions which can last for over 10 years and hit high six–seven figures for the cost of care. But the Milliman and AHIP data show that, on average, STC/LTC claims are much lower than experts anticipated. Most of today’s STC plans could easily cover these averages, especially considering that these LTCi claims were made under the tougher 90-day care requirement claim trigger which STCi does not require.

A policy for the times

STCi plans are not tax-qualified and do not meet the 7702(b) definition of TQ-LTC. As such, no special LTC or partnership CE is required to sell STCi. This is an advantage for non-LTC specialists who may be bypassing extended care conversations with their clients because they lack certification for traditional LTCi and Hybrid plans.

While such traditional solutions have a well-earned place in today’s extended care industry, STC plans offer the power, affordability, accessibility, and simplicity that enable more agents to help more people, at a time when demand for a more affordable (30 to 60% lower premiums) and flexible solution is rising.

¹ Juliet Spector, Tim Kempen, and Evan Pollock, Long-Term Care Insurance Valuation: 2024 Report (Milliman, February 26, 2025), <https://www.milliman.com/en/insight/long-term-care-insurance-valuation-2024>.

² AHIP, Long-Term Care Insurance Coverage: State-to-State 2023 (Washington, D.C.: AHIP, November 7, 2023), <https://www.ahip.org/resources/long-term-care-insurance-coverage-state-to-state-2023>.