

Ten Things to Know – and Ask -- About Long-Term Care Insurance

For Americans over the age of 50, the time to consider long-term care coverage is now. Whether to buy it is a separate question that's as individual as you are.

Long-term care insurance (LTC) is generally recommended to anyone who has suitable income to pay premiums, significant assets (i.e. a home and assets valued at \$70-100K minimum to multi-millions) to protect in the event of a chronic illness, a desire to maintain independence and personal choices of care in their senior years, as well as the peace of mind that might come from owning such a policy that fits their needs.

A 2010 Genworth Financial study reports that the cost of a private room in a nursing home is a national average of \$206 a day, placing the national average expenditure at \$75,190.

Those cost-of-care numbers tend to grow annually at a rate ahead of inflation. In 2006, Genworth put that cost at \$194.28 a day, equal to \$70,912.

It makes sense to discuss your situation with a qualified financial planner before you start wading through coverage options, of which there are many. It also makes sense to check with a tax expert before you buy because both the federal government and possibly your state might have particular tax incentives associated with owning a LTC insurance policy.

In general, here are 10 important things you should know and ask about this coverage before you buy.

1. **The government doesn't pay for long-term care:** One of the greatest myths about Medicare is that it will pay for both nursing home care and extensive care options in the home. The facts are that Medicare requires that most care be received in a skilled nursing facility and that it pays only for the first 100 days of the illness as long as the patient is improving and must include a minimum 3-day hospitalization. In short, an extended care situation means you might use up your entire retirement nest egg, including any money you plan to leave your heirs.
2. **Money is only one resource you need to consider:** The average nursing home stay is somewhere between two to three years. So taking the above dollar figures into consideration, the out-of-pocket average cost of long-term care may go north of \$200,000. In addition, at-home caregiving puts an enormous strain on family members who have their own obligations and life goals. So, you may be unable to count on your children or younger relatives to assist.
3. **It's not cheap, but pay smart:** Unsubsidized premiums for LTC insurance may run into the thousands annually. Rate increases are always an option for an insurer if a state allows it, so check in with your state insurance commissioner's office on those questions. Also, some insurers offer "shared benefits" policies for couples, providing the pool of money to either party.
4. **How's your health?** People in good health at age 55 – the typical age for purchase – usually get the most affordable premiums. Your premium is based on your current health status and your age at the time you apply. Personal health habits and lifestyle such as obesity, tobacco use, and alcohol abuse might be serious considerations in underwriting

your application. Keep in mind that your partner's health matters, too. Caring for a sick spouse or partner can drain a family's finances, compromise your caregiver partner's health, and leave you drained of resources when it's your turn. That's why LTC insurance is also a valuable safeguard for surviving spouses and partners.

5. **LTC isn't just for old people:** It's important to know that people of all ages may need long-term care assistance. According to the Family Caregiver Alliance, 63 percent of Americans needing long-term care are age 65 and older, which means that a sizable eligible population of younger people may need long term care due to illness, accident or congenital issues.
6. **Women might need LTC coverage more than men:** Because women on average live longer than men – and because they generally earn less than their male counterparts -- women should take a heightened interest in providing for their long-term care risk. A woman's spouse may exhaust the couple's assets receiving care in his final years leaving the surviving widow with a severely compromised lifestyle. Long-term care insurance not only provides for the surviving or single woman's peace of mind during her final third of life, but also protects assets.
7. **What LTC insurance covers:** A basic LTC insurance policy pays for assistance with primary activities of daily living including eating, dressing, bathing, toileting, continence, and transferring (bed to chair, etc.). Each policy lists the types of services that are covered under nursing home and related facility care and under home health care. Homemaker services are generally covered with other services as listed in the policy.
8. **A quicker startup of benefits will cost you:** A qualified LTC benefit is not paid until the covered individual is unable to perform two of the 6 basic activities of daily living expected to last for a period, of at least 90 days, or if that person requires substantial supervision related to a cognitive impairment. Some policies are more restrictive than others paying a benefit for simple "stand-by" assistance while others require "hands on" caregiving. More affordable policies include a higher deductible or elimination period (the period when you pay for care out-of-pocket before the insurer pays a benefit). Be certain that the coverage provided on a daily or monthly basis is adequate to meet the costs of care in your area.
9. **If you don't want to leave your home, make sure home care and nursing home coverage options are provided at the same levels:** The best-designed LTC policies pay the same or greater amount of benefit whether care is received in a long-term care facility, an assisted living facility, an adult day care center, or in the home. Some policies offer a smaller benefit for care received at home versus care received in a skilled nursing facility, but it's a better idea to maximize the home health care benefit since most people would rather remain in their home while receiving care.
10. **Evaluate companies carefully:** Experience counts. Check the A.M. Best ratings of the various companies you are considering, but don't stop with financial ratings. Before you settle on your policy, read all the up-to-date information you can about product offerings from various LTC insurers that have a track record. Read about how LTC costs are increasing and what insurers are changing their policies to deal with this risk. Finally, keep an eye peeled for any controversy about any company's repeated efforts to reject justified claims or any other excessive complaints from policy holders. The best LTC insurer is the one who is there to pay your claim.

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