
Is Long-Term Care Insurance a Good Idea?

There is a good possibility that you or your spouse will eventually require some form of long-term care. According to the U.S. Department of Health and Human Services, about 40% of people aged 65 or older will enter a nursing home for some period of time during their lifetimes.¹

Whether you or your spouse will be among this group is impossible to predict. But it is wise to consider how you might pay for long-term care and whether long-term care insurance is a good idea for you.

Cost of Care

Perhaps the first consideration is determining the potential cost of long-term care. Below is a summary of current costs according to the U.S. Department of Health and Human Services National Clearinghouse for Long-Term Care.

Average costs in the United States (in 2009):¹

- \$198/day for a semi-private room in a nursing home
- \$219/day for a private room in a nursing home
- \$3,131/month for care in an assisted living facility (for a one-bedroom unit)
- \$21/hour for a home health aide
- \$19/hour for homemaker services
- \$67/day for care in an adult day health care center

With health care costs rising every year, these expenses can be expected to grow substantially over time. Furthermore, neither Medicare nor Medicare supplemental coverage, also known as Medigap insurance, typically cover long-term care. Medicaid will cover a large share of such services but only if you meet stringent financial and functional criteria. What's more, most employer-sponsored or private health insurance plans follow the same general rules as Medicare. Therefore, most people who need long-term care must pay for some or all of it on their own.

Cost of Insurance

Like life insurance, long-term care insurance policy premiums largely depend on your age and health. If you take out a policy when you are young, you can expect to pay comparatively low premiums during the life of the plan, while starting a new policy when you are older will entail significantly higher monthly premiums. A 65-year-old in good health can expect to pay between \$2,000 and \$3,000 a year for a policy that covers nursing home care and home care, with premiums adjusted for inflation.²

Most long-term care policies sold today are federally tax-qualified, which means the premiums paid and out-of-pocket expenses for long-term care may be applied to the medical expense deduction of the federal tax code. (Typically, taxpayers may deduct the portion of medical and dental expenses that exceed 7.5% of adjusted gross income.) Additionally, long-term care benefits received are not taxed as income up to certain limits. Consult with a tax advisor to learn more about the tax implications of long-term care insurance.

Coverage

Long-term care policies are complex and vary widely. But in general, long-term care insurance typically covers the following:

- Nursing home care
- Adult day care
- Visiting nurses
- Assisted living
- In-home assistance with daily activities

LTC includes a range of nursing, social, and rehabilitative services for people who need ongoing assistance due to a chronic illness or disability. LTC insurance can be used by anyone at any age who suffers an accident or debilitating illness, but it most frequently is used by older adults who need assistance with essential physical needs, such as bathing, dressing, or eating.

Other Considerations

Deciding whether to purchase long-term care insurance will depend on your personal situation. You may want to consider your family health history, your level of assets to potentially pay for long-term care, and your feelings about relying on family members for support. Probing these and other individual circumstance can help you make a well-informed decision.

¹ U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care, 2009 (latest available).

² AARP.org

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