

Long Term Care insurance protects you from losing a lifetime of accumulated savings and investments. Entering a nursing home, or some type of home care service, can quickly deplete assets. Long-term care insurance can help assure your independence, protect your family and provide peace of mind.

Why buy long term care insurance?

- Americans are living longer and you may need long-term care.
- Avoid depleting your assets in order to meet Medicaid requirements.
- One year's cost in a nursing home will likely far exceed the total cost of your paid premiums.
- Provide yourself with a choice of care and facilities.



Trends affecting long term care insurance.

- There are now 32 million people in the United States age 65 or older. (U.S. Census Bureau)
- Forty-three percent (43%) of Americans over age 65 as of 1990 will enter a nursing home at some time during their life. (The New England Journal of Medicine, February 28, 1991)
- The average length of long-term care is 2.5 years. (U.S. Department of Health and Human Services)
- Medicare pays only about two percent (2%) of all nursing home costs nationwide. (U.S. Department of Health and Human Services)
- The range of nursing home costs in Western New York is between \$50,000 and \$80,000 per year. (Refer to New York State nursing home costs below.)

Long Term Care

When a consumer buys a fire insurance policy on their home they are betting in favor of a potential risk that most probably will not occur. To appreciate the rareness of a home fire consider all the times you have driven through your neighborhood or have flown into a major city. The number of house fires commonly encountered is rare. But if one does occur, it is a total financial catastrophe for most people. For that reason fire insurance policies are common. This is classic case of insurance at its best: everyone pays a small premium and in return receives the assurance they will not bear the full burden of a rare catastrophe.

In buying long-term health care, the consumer and the insurance company are engaging in a far different bet. The probability of the purchaser needing long-term health care at some time in the future is fifty percent.

Needing long-term health care is not rare. It is virtually guaranteed.



From an insurance standpoint the risk clearly becomes greater as the policyholder grows older and as expected, premiums can be expected to increase to cover this risk, otherwise there is no profit in being in this business.

Long-term care insurance policy is not for everyone. For a limited population, long-term care policy makes sense as an affordable and worthwhile form of insurance. Buying long-term coverage should not cause financial hardship and force you to forego other financial needs. Whether long-term care insurance is appropriate requires a full financial analysis. For many people it is not a good idea.

Although the need for long-term care can arise gradually as a person ages and needs more and more assistance with activities of daily living, for most a stroke or a heart attack will be the precipitating need. Those with acute illnesses may need nursing-home care for a matter of months, while others may need care for years.

In any specific case it is difficult to predict who will need long-term care, but studies point out the likelihood of needing such care. In one study, it is anticipated that 43% of those who turned age 65 in 1990 will enter a nursing home at some time during their life. Of those who live to age 65, nearly 1 in 3 will spend three months or more in a nursing home and 1 in 4 will spend one year or more in a nursing home. Only 1 in 11 will spend five years or more in a nursing home.

Women outnumber men in nursing homes according to this specific study. Thirteen percent of the women as compared to 4% of the men were projected to spend five or more years in a nursing home. And obviously the risk of needing nursing home care increases with age.

After assessing the odds that you will need long-term care, consumers must stringently analyze the reasons for a policy and the ability to pay for it for the balance of a person's life. It makes no sense to buy a policy unless it can be paid every year until death, and far too many policies are cancelled by policyholders on fixed incomes as they grow older and their premiums increase accordingly.

Buying a policy is a function of your age, health status, overall retirement objectives, income and wealth. If the only source of income is a minimum Social Security benefit or Supplemental Security Income (SSI), do not purchase a policy. If paying utilities, food or medicine stretches a budget; this person should not purchase a policy.

Long-term care policies are only for people with significant assets they want to preserve for family members, to assure independence and not burden family members with nursing home bills. Never buy a policy if paying the premiums will be a problem. If you have existing health problems that will result in the need for long-term care, such as Alzheimer's or Parkinson's disease, no company will sell you a policy because the probability of losses exceeds the probability the carrier will earn a profit on its contract with you.

What coverage is available?

Standardized long-term care policies, such as can be found for Medicare supplement insurance, do not exist in the long-term care market. Comparing policies is extremely difficult because companies are selling policies with many different combinations of benefits and coverage. Most offer to pay a fixed dollar amount each day you receive care. Other companies offer to pay a percentage of the cost of services or a specified dollar amount to cover the actual charges for care. These policies are useless, unless they provide for benefits to increase as nursing home costs rise. Without inflation protection [described below] a consumer will be left with a benefit that is meaningless.



Long-term care benefits are offered as part of some individual life insurance policies. Under this plan, a percentage of a policy's death benefit is paid when long-term care is needed and death benefit and cash values are reduced accordingly. These policies also commonly have strict rules for qualifying for coverage.

Who offers long-term care policies?

Private insurance companies, both stock and mutual companies, sell long-term care policies through agents. Some sell coverage through the mail and others through senior citizen organizations, fraternal societies, continuing care retirement communities and other groups. Employers are beginning to offer long-term care policies to their employees, their employees' parents, and their retirees.

Policies from your employer

Your employer may offer long-term care insurance as an employment benefit. The coverage provided by these employer-group policies is similar to what you could buy from an agent. Companies providing long-term care insurance usually give their employees a choice of benefit periods, maximum payments, and elimination periods. Group policies may offer nonforfeiture benefits and inflation protection and allow employees to keep their coverage after they leave their employer. They do this by offering continuation of coverage or conversion options.

Many employers also allow employees to buy coverage for their parents, which could be an advantage. Typically, employees' parents must pass the company's medical screening to qualify for coverage; employees usually do not have to pass any medical requirements. If your child's company offers such coverage, be sure to consider it carefully. It may offer advantages you won't find if you try to buy a policy on your own.