

Abstract: Nobody can know whether they will spend time in a nursing home or need home-based care for a long-term illness. But most would agree that it's wise to save for those possibilities. Long-term care insurance is one option that covers assisted living arrangements, nursing home residences and long-term home care. This article examines the benefits and costs of long-term care insurance.

## ***Is Long-Term Care Insurance Right for You? If You're Healthy Today, It May Be a Wise Investment***

Nobody can know whether they will spend time in a nursing home or need home-based care for a long-term illness. But most would agree that it's wise to save for those possibilities. (See "The Rising Costs of Senior Housing" for U.S. General Accounting Office statistics on senior housing costs.) Long-term care (LTC) insurance is one option that ensures you'll be able to pay for long-term care in any setting outside a hospital and still preserve your estate for your heirs. It covers what your regular health insurance policy and Medicare do not: assisted living arrangements, nursing home residence and long-term (more than 100 days) home care.

If your disposable net worth is more than \$3 million, you may not need LTC insurance because the interest and dividends you earn may cover your long-term care expenses. Otherwise, as long as you can afford the premiums without compromising your standard of living, you could benefit from LTC insurance. Let's examine its benefits and costs to help you evaluate which plan -- individual or group -- is likely best for you.

### **What LTC Insurance Covers**

LTC insurance pays benefits primarily to people with chronic illnesses, and can cover a broad range of medical, skilled-nursing and nonmedical services -- both at home and at an assisted-living or nursing facility. LTC policies define a chronic illness as one that requires care for at least 90 days. Nonmedical or custodial services can include help with simple daily tasks such as bathing, dressing, taking medication, going to the doctor and grocery shopping.

LTC policies usually require a short waiting period -- analogous to a health insurance policy's deductible amount -- before they begin to pay benefits. Policies generally state a daily or monthly maximum benefit in terms of dollars or a maximum period in terms of years in which they will cover services. Certain policies pay only a percentage of nursing home costs -- approximately 60% -- but offer higher coverage in return for a higher monthly premium. In addition, some policies offer inflation protection that annually increases the maximum benefit levels based on specified economic indicators.

Like life and health insurance policies, LTC policies may limit or exclude coverage for pre-existing conditions. But LTC policies may not exclude coverage based on type of treatment, non-pre-existing medical conditions (including Alzheimer's disease) or accident.

### **What LTC Insurance Costs**

The cost of monthly premiums depends on your age, the state in which you live and the coverage you want. The younger you are when you buy an LTC policy, the lower the monthly premiums will be. For

example, premiums starting at age 60 can be more than twice as expensive as premiums for the same coverage starting at age 50.

As with life insurance, you must purchase LTC insurance before you really need it. People already in poor health, and those over age 84, will have difficulty qualifying for LTC coverage. In many cases, you'll pay less in total premiums in the long run if you begin coverage now rather than wait until they escalate. And if you have concerns about potential health problems, start sooner rather than later.

### **Group vs. Individual Plans**

After you decide to purchase an LTC insurance policy, you must choose between a group or individual plan. Let's take a brief look at the advantages and disadvantages of each plan:

- Individual plans are typically more expensive than group plans but offer more coverage and benefit options. Discounts are often available for married couples and persons in excellent health.
- Group plans are generally less expensive and easier to qualify for because you don't have to meet medical requirements during the enrollment period. In addition, a group plan -- including coverage for your family -- may be available through your employer. In some cases, coverage may continue even after your employment terminates.

If you have serious health problems and your company offers guaranteed coverage, take advantage of it as soon as possible. Otherwise, consider an individual policy that lets you tailor the benefits to your needs.

### **Make Your Healthcare Future More Predictable**

There is no way to accurately predict your future healthcare needs, but you can prepare for the worst. LTC insurance assures you that your healthcare needs will be taken care of while preserving your assets for the next generation. If you would like to prepare for your future healthcare needs, please contact us. We can help you decide which LTC insurance policy is best for you.

### **The Rising Costs Of Senior Housing**

According to the U.S. General Accounting Office (GAO), nursing home costs average \$51,000 per year, basic care in an assisted-living facility averages \$26,000 per year, and annual costs for limited home care following hospitalization are at least \$36,000. Most significantly, the GAO estimates that long-term care costs will triple by 2020.