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Title

Long-Term Care

Insurance May Help Preserve Assets and Independence

The growing population of aging Americans seems woefully unprepared to meet the potential costs of long-term care.

It's a simple fact that everyone gets older, and it's not surprising that people tend to develop health problems and need more assistance as they age. Therefore, the possibility of incurring many years of long-term-care expenses may be worrisome for all families, including those who have saved diligently and built a sizable nest egg for retirement.

Because running out of money usually means running out of choices, it may be wise to consider whether your financial resources could withstand a worst-case situation. What would happen if you or your spouse were to become severely disabled and had to stay in a nursing home? How long would you be able to pay the bills before the financial effects compromised your lifestyle or depleted your savings?

Can You Afford to Self-Insure?

Two-thirds of single people and one-third of married couples would exhaust their funds after just 13 weeks in a nursing home, and 90% would become bankrupt within two years.

Source: *2014 Field Guide*, National Underwriter

THE RISING COST OF CARE

Some people mistakenly assume that Medicare or private health insurance will pay for long-term care. Although they may cover limited, medically necessary skilled nursing care, they typically do not pay for the day-to-day custodial services that many people need. Custodial care describes the assistance with one or more activities of daily living (ADLs) such as eating, bathing, dressing, toileting, and getting out of a chair or bed.

Some age-related conditions that typically require extended periods of long-term care, and tend to put people into high-cost facilities, include Alzheimer's disease, dementia, stroke, and advanced osteoporosis.

The national average cost of a one-year nursing-home stay exceeded $91,000 in 2015. But depending on the state and the level of care chosen, nursing homes range in cost from $50,000 to more than $110,000 a year.[1]

Costs have also been rising rapidly in recent years. In fact, long-term-care facility costs rose at an average annual rate of nearly 4% over the last five years.[2]

Married retirees must typically pay these charges in addition to their normal living expenses if one spouse should need care for a prolonged period.

HOW WOULD YOU PAY?

There are generally three ways to fund long-term-care needs.

- **Self-insure** — Pay for care using your personal resources.
- **Medicaid** — Spend down assets and try to qualify for government assistance.
- **Long-term-care insurance** — Purchase a policy that may help pay for the cost of care.

Medicaid is a joint federal and state program designed to assist low-income individuals, and benefits may be difficult to obtain. Relying on Medicaid typically means that recipients lose some control over where they can receive care and what forms of care may be provided.

Some households may be financially able to pay long-term-care costs out of pocket. But even those with substantial financial assets may not be certain whether they have enough set aside to meet their future needs.

AN INSURANCE STRATEGY

Long-term-care insurance provides a contractual daily or monthly benefit for covered long-term-care services (up to the policy limits). Benefits typically are triggered if the insured is unable to perform two or more ADLs for a certain period of time, or if the insured requires supervision due to a severe cognitive impairment.

Benefit periods often last from two to six years but can cover a lifetime. An elimination period may apply (typically 0 to 180 days); thus, you may have to wait for a period of time before the insurance company starts paying benefits.

A complete statement of coverage — including specific eligibility triggers, ADL definitions, exclusions, exceptions, and limitations — can be found in the insurance policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Having private long-term-care coverage in force may help prevent your retirement savings from being depleted by a health crisis. It could also broaden your choices for care if you should need it and possibly even keep you out of a nursing home by providing home-care coverage.

Keep in mind that if you wait until you are older or your health deteriorates before considering possible long-term-care needs, your options could become limited or significantly more costly.

1–2) SkilledNursingFacilities.org, 2015

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