

WHAT EXACTLY IS LONG-TERM CARE AND WHAT IS LONG-TERM CARE INSURANCE?

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“Whatever the cost of living, it’s worth it”, said Flip Wilson, the comedian, and most Americans agree. Health insurance is intended to protect against two basic problems- dying too soon or living too long. Either can require a lot of money. Long-Term Care Insurance is a relatively new area of insurance designed to protect from the devastating costs of a lengthy, long-term illness, whether it be at home or in a community setting, alternate facilities such as assisted living or in a traditional nursing facility.

What exactly is Long-Term Care? It is the kind of help you need if you’re unable to care for yourself because of a prolonged illness or disability. It can range from help with daily activities such as bathing and dressing to skilled care. Unfortunately, age or disease will eventually rob all of us of our good health. The question is not “if”, but “when”. And will it be “fast”, or “slow”.

Who is going to take care of you when you’re older? Where will that be? And how will you pay for it? Answers to these questions have become essential in retirement planning.

How did this all come about? People over 65 are the fastest growing segment of society. 6,000 people turn 65 every day. Over 36 million people will be 65 at the turn of the century. The sheer numbers, along with advances in medical technology, the changing of the family structure, the normal aging process with its medical problems as well as lack of knowledge and misconceptions all contribute to this huge health-care problem.

The following Long-Term Care statistics illustrate why Long-Term Care is the biggest risk we face as we grow older:

- 1/2 of women and almost 1/3 of men over 65 will require long-term care.
- 43% of people over 65 will enter a covered facility.
- This increases to 60% at 75 years.
- The average stay is 2 1/2 to 3 years.
- \$30,000 is average yearly cost for care (and rising).
- Over one-half are left penniless within a year.
- Home health care costs \$50-150 per day (and rising).

Neither Medicare, Medicare supplement insurance, nor Health insurance offered by your employer will pay for most Long-Term Care expenses. Medicare does pay for the first 20 days- only after a 3-day hospital stay and upon entering a Medicare-approved facility within 30 days under Doctor certification for daily skilled care for the same hospitalized condition. From 20-100 days, Medicare pays only after \$99. After 100 days, nothing.

So, what options are there to pay for this?

- Self insure with your current income and assets.
- “Spend Down”- Using up income and assets to qualify for Medicaid. This includes selling or transferring your home and assets to your spouse or child.
- Rely on children or other family member.
- Private Insurance.

People are interested in Long-Term Care Insurance for many reasons. Protecting assets, not being a burden and access to quality care are generally mentioned most frequently. The peace of mind offered by quality Long-Term Care insurance is immeasurable. However, this type of insurance is not right for everyone. If you live on a fixed income, have no assets to protect, are unhealthy, or could not comfortably afford the premium, this is not for you.

Premiums are determined by your age when you apply and sometimes by your health (you will pay less if rated “Preferred” and pay more if “Select”). Many plans also offer spousal discounts. The daily dollar amount, how long you want coverage, the length of your waiting period (amount of time before benefits begin) and whether you want inflation protection are other factors affecting the premium price.

In choosing the right plan, the coverage offered should be as comprehensive and flexible as possible. No one knows what’s down the road in technological advances and future available facility and home-care options, so you need as broad a policy as possible. Carefully review the exclusions, benefits, claims record and necessary qualifications for receiving benefits. The plan should be underwritten by a financially strong, reputable company, experienced in Long-Term Care. It should be highly rated according to A.M. Best or Standard & Poor’s rating agencies.

Check to make sure your Insurance Agent is a Long-Term Care specialist as this insurance has its own terminology, benefits and exclusions completely different from other insurance. In this way, you can put together a plan that best fits your personal and financial needs. You will then be able to make a more informed decision concerning your Long-Term Care options and truly enjoy your retirement years worry-free.

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