Long Term Care Insurance for the Elderly

HOW TO PLAN FOR THE FUTURE

Long-term-care insurance can pay for long-term care, either in an institution (such as a nursing home) or in a residence (such as an assisted living facility) or in one's own home.

In This Article:

One out of every two people will need long-term care at some point in their life time. And over 70% of those over 65 will require long-term care.

Long-term care can be:

- skilled nursing care, or
- custodial care to help with the activities of daily living

The settings for long-term care can be:

- in a nursing home
- in an assisted living facility
- in your own home
- in an adult day care center

Regardless of the type of long-term care or the setting, long-term care is very expensive and can deplete your life savings. **You have limited choices for paying for long-term care:**

- private funds (self-insurance)
- welfare (Medicaid)
- long-term-care insurance

To handle the high cost of long-term care, consider purchasing long-term-care insurance. The choices are very difficult. We suggest you start with the Consumer Reports article (see References and resources below), which provides a detailed analysis of the long-term-care insurance dilemma, along with criteria for choosing a policy if that choice is right for you:

- "…for most people, long-term-care insurance is too risky and too expensive."
- "Long-term-care insurance may be a lousy deal, but right now it's just about the only deal."

Because you cannot purchase long-term-care insurance when you need to use it, you must think about it ahead of time and make a decision about purchasing it.

What is long-term-care insurance?

Long-term-care insurance, like all insurance, requires you to pay a premium on a regular basis so that you don't have to pay huge amount later on in the event of a catastrophic illness or condition.

Long-term-care insurance covers services for people who are unable to care for themselves. The most common reasons th people need long-term-care insurance are:

- a prolonged illness, such as cancer
- a degenerative condition, such as Parkinson's or a stroke
- a disability
- a cognitive disorder, such as Alzheimer's disease

The two categories of help that people need are:

- **custodial or personal care** (For disabled or ill people, this is hands-on help with the activities of daily living such as cooking, eating, bathing, dressing, and using the toilet. For people with cognitive impairments, this is supervision, protection, and verbal reminders to do everyday tasks.)
- **skilled nursing care or rehabilitation**, either in the home or in a nursing facility

> Long-term-care insurance can pay for long-term care, either in an institution (such as a nursing home) or in a residence, such as an assisted living facility or in one's own home. Because most people prefer an assisted living arrangement, rather than living in a nursing home, they benefit by having insurance to help pay for what they prefer.

Who should consider long-term-care insurance?

Insurance companies recommend that you get a long-term-care insurance policy anytime after age 50. Consumer Reports recommends getting a policy at age 65. Consumer Reports recommends getting a policy earlier than age 65 only if you hav

- a chronic disease, or
- a history of serious illness in your family

Otherwise, you are paying premiums before you need to.

If you get a policy after age 65, the premiums are higher, and, you may not pass the medical tests. If you are unhealthy, it is too late to get a long-term-care insurance policy.

Long-term-care insurance is for anyone

- who has assets to protect
- who isn't wealthy enough to pay for long-term care out of savings
- who is healthy now

Following are some reasons to plan ahead and purchase long-term-care insurance early:

- A policy is usually guaranteed renewable once you have the policy in place, for as long as you pay your premiums.
- The premium is based on your age at the time of enrolling in the insurance, and the premium is usually locked in for the life of your policy.

Reasons to be wary of long-term-care insurance are:

- You may not be able to maintain the payments, especially if the premiums go up. You may quit paying and then lose all the money that you put into the plan.
- The company may go under, and you lose everything.
- The plan may not cover much, once you need to make a claim.
- It can be difficult to get the money when you place a claim; policies can be full of catches.
- The nursing home that the insurance covers may be no better than the nursing home that you would get with Medicaid.

What is the cost of long-term-care insurance?

Long-term-care insurance ranges between $55 per year to $12,000 per year, depending upon the coverage you purchase a your current age.

What features should I consider when I look at long-term-care insurance?

Stability of the insurer

Look for highly rated carriers that have been in long-term-care insurance over the long term. Also, make sure the insurance carrier you choose has a product approved for sale in your state.

Settings for care

Seek out a policy with flexibility in applying the benefits (sometimes called "alternate plan of care"). For example, you might want a choice from among a nursing home, assisted living, an adult day care center, or care at home.

A Facility-Only policy covers for care received in a licensed Assisted Living Facility or Skilled Nursing Facility, but not for ca in an *unlicensed* facility or *in your home.*

A policy with Integrated Home Care at 100% covers for care received either in a licensed Assisted Living Facility or Skilled Nursing Facility, or in an unlicensed setting, such as your home.

Type of care

Read the policy carefully to find out which of the following is covered:

- Skilled nursing care
- Custodial care
- Home health aides

Conditions covered

Check to see if the long-term-care insurance policy covers any particular conditions that the senior has. Such conditions wo be Alzheimer's or Parkinson's.

Maximum daily benefit

Choose the maximum amount the company will pay out per day. The higher the amount, the higher the premiums for the policy. Check how the daily benefit will be calculated. Is it each day's actual charges, or the daily average, calculated each month? The latter is better for home care because caretakers may visit many times one day, but very little the next day.

The maximum daily benefit ranges between $50 and $200 per day.

Benefit period

The average nursing home stay is 2 1/2 years. You can insure for the average stay, or you can insure for a longer stay so y don't ruin the family if they have to pitch in after the insurance policy quits paying. Take the longest benefit that you can affo

Choose how many years the company will pay for care:

- 2 years
- 3 years
- 4 years
- 5 years
- Unlimited number of years

Eligibility criteria

You become eligible for benefits from most long-term-care policies when you need help with two or more activities of daily living (ADLs). These ADLs are:

- cooking
- eating
- bathing
- dressing
- using the toilet
- maintaining continence
- moving from place to place within the living environment

Check the policy for how eligibility is determined: who must sign off? It is better if your own doctor, rather than the insurance company's representative, determines eligibility.

Elimination period

Choose how soon the payments will begin after you become eligible, in number of days. You pay out of pocket until the elimination period is over. A longer elimination period means a lower insurance premium. Your choices are usually:

- 0 days
- 30 days
- 90 days

Inflation adjustment

In long-term-care insurance, an inflation adjustment option increases the dollar value of your benefit by 5% each policy year to keep pace with estimated inflation in the cost of long-term care. You choose Yes or No:

- Yes
- No

The kinds of inflation adjustment are:

- Compound-interest increases: The annual benefit-increases compound at 5% per year. The premium is highest on this type because this is the highest increase in benefit. This is probably the best choice if you are under age 65 because of escalating costs of health care.

- Simple-interest increases: There is a 5% benefit increase each year, calculated as simple interest. This choice might be best if you are 65 to 70. The compounding interest-rate benefit doesn't overcome the simple interest-rate benefit until 12 to 14 years into the policy.
- Flat benefit: There is no change in absolute value of the benefit over the years. This is the least expensive option. This is the best choice if you're in your early to late 70s.

Note that inflation protection options can make premiums cost 50% more.

Tax-qualification of the policy

Long-term-care contracts issued after 1996 must meet specific standards for tax deductibility. If the policy is tax-qualified, y can deduct your premiums up to a maximum limit, according to tax laws (medical costs exceed 7.5% of your adjusted gross income, and you itemize deductions). New legislation will expand deductibility of long-term-care insurance premiums.

Price of the insurance

Price of the long-term-care insurance varies by your current age, the amount of coverage you want, the options you select, and the carrier.

Other options

Some insurance carriers are experimenting with options for those who purchase a long-term-care policy when they are you for example, purchasing an option to return premiums to the beneficiary if the policy owner never uses the policy.

How do I choose an insurance company?

You may first need to make a claim on your long-term-care insurance policy years or decades after you start the policy. Therefore, choose a company that has been around and that will continue to be around. Look at indicators of financial strength by choosing a company with an excellent rating with the major ratings services (A.M. Best, Standard and Poor's, Moody's, and Duff and Phelps).

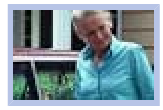
What are the other payment options for senior care and housing?

Long-term-care insurance is perhaps the best way of paying for long-term care, if you can afford the premiums. See also Helpguide's Payment Options for Senior Housing and Residential Care.

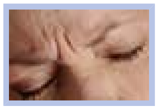
References and resources for long-term-care insurance

Helpguide's series on the Challenges of Aging:

Senior Citizen Driving: Helping an Unsafe Driver to Stop Driving



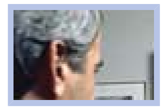
Tips to Help a Senior Drive Safely



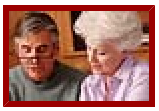
Preventing Memory Loss

Senior Fitness and Sports

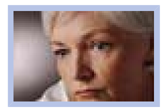
Senior Careers: Discovering New Options for Lifelong Employment



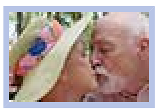
Advance Health Care Directives and Living Wills: End-of-Life Choices...



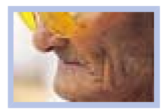
Long Term Care Insurance for the Elderly and Seniors



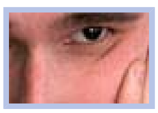
Depression in Older Adults and the Elderly: Signs, Causes and Treatment



Lifelong Sexuality

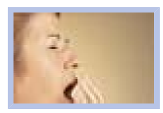


Elder Abuse & Neglect: Types, Signs, Symptoms, Causes, and Help

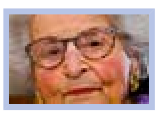


Coping with Loss:

Guide to Grieving and



Sleep and Aging: Patterns, Problems an What to Do



Senior Nutrition & Creative Meal Sharing: Eating Well As We Grow Older

Other related articles

Do you need long-term-care insurance? – Discusses whether or not you should get long-term-care insurance. (*Consumer Reports*)

Long Term Care Insurance Quotes – Provides a glossary of defined terms to help you understand long-term-care insurance policies. (Long Term Care Wiz)

Understanding Insurance Ratings and Insurance Rating Companies – Explains insurance company ratings from the standa reputable ratings services. These ratings indicate the financial soundness and credit-worthiness of companies. (Long Term Care Wiz)

Financial Issues – Provides a financial questionnaire that helps you to calculate and decide how to pay for long-term care fc the elderly. (Care Planner)

Paying for Long-Term Care – An excellent, comprehensive article from the U.S. government Medicare site. The article deta possible ways to pay for long-term care: Medicare, Medicaid, private long-term-care insurance, home equity conversion (reverse mortgage), and some other rarely discussed means of payment. (Medicare)

Summary of Long-Term Care Choices – Provides a table comparing the costs of different types of long-term care. (Medicar

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