Long Term Care Insurance

Consumer Guide

Welcome

Today, thanks in large part to advances in medical science, most Americans can look forward to enjoying a long life span. Along with this prospect comes the realization that—although a long term care need can occur at any age—the longer we live, the more likely it is that we'll need extended care before we die. The majority of Americans do, in fact, require long term care in their later years. This care can be very expensive, and is a great threat to financial security in retirement.

Long term care (LTC) is extended care that consists of help with activities of daily living (such as dressing and bathing), and/or care needed due to severe cognitive impairment (such as the dysfunction caused by Alzheimer's disease). This care can be received at home or at a facility such as an assisted living facility or a nursing home.

Many Americans mistakenly believe that they have a slim chance of needing long term care because of their family history, their health and their lifestyle. They may believe that even in the event they do need care at some point in the future, there will always be a spouse, family member or friend who will be available and able to take care of them easily, without major sacrifice. The facts, however, contradict these beliefs.

None of us can predict exactly when we might need long term care, but statistics show that 70% of people who are now 65 will need this type of care during their lifetimes, according to the U.S. Administration on Aging. In fact, the longer we live, the greater our risk. So, a healthy 55-year-old may have as high a risk of needing long term care as an unhealthy 55-year-old, because the healthy person has the longer life expectancy.

Disclaimer

The information within this booklet is provided for informational purposes only and should not be construed as insurance advice. Please consult your licensed insurance professional for advice regarding your specific circumstances.

Long term care (LTC) insurance is designed to pay the cost of extended professional caregiving. Most long term care is non-medical (custodial) care. Some experts describe LTC as "high-touch," as opposed to modern medical care, which they describe as "high-tech." High-touch LTC includes assistance with activities such as taking a bath or moving from the bed to a chair. Caring for someone with severe cognitive impairment may be different, requiring supervision to avoid injury or accident, verbal reminders of activities such as eating or dressing, or hands-on assistance.

Basic Policy Design Terms

Daily Benefit – The maximum daily (or monthly) amount the insurer will pay, once you have qualified for benefits.

Elimination Period – Like a deductible, this is the number of days that must pass between benefit eligibility and the start of benefits. Can be either defined in a policy by service day (a day on which you pay for covered services), or by calendar day (no requirement of paid services).

Inflation Provisions – Built-in inflation coverage is an optional benefit (rider) that is either selected (or not) when purchasing coverage. It increases the policy's benefit automatically on the policy's anniversary date, with no action required on the part of the insured, and no health questions. Other inflation provisions, such as options that can be exercised in the future, are sometimes available.

Benefit Period – When a claim is eligible for payment, the benefit period is the number of years that the policy will pay for covered services, if the full daily benefit were to be used each day. Policyholders who use less than their full daily benefit may find that their policy's benefit period is effectively extended. For example, most policies with a $300 daily benefit and a 2-year benefit period would pay out for 4 years in the event that only $150 in daily covered care costs were actually incurred.

What Does Long Term Care Cost?

True cost is more than dollars and cents

Long term care is expensive, even in some cases where no monetary payment for the care is involved. How can this be? It's because much of the actual long term care that takes place in the United States today is unpaid: often referred to as "informal" care, it's provided by relatives and friends.

However, this unpaid care does have a cost. Although loved ones may be willing and happy to help, the burden of being a caregiver can be great. Long term care can be physically demanding, especially for an untrained caregiver. Emotional costs can also be tremendous. Time spent caring for a parent can add up, taking precious time away from one's own spouse and children, as well as one's job. As a result, there may be a heavy toll in economic terms. Many caregivers end up scaling back their own careers—not only compromising their current income, but also their future financial security.

The question is not whether your loved ones will take care of you if you need LTC; the question is instead, would you want them to have to do it?

Professional Care Costs

According to a comprehensive report published in 2016, the national median cost for either a home health aide or for homemaker services is $20/hour. The national median for assisted living facilities is $43,536/year, with a private nursing home room costing $92,345.[1] It is important to keep in mind that costs can vary dramatically depending on location. The person who gave you this booklet can show you exact up-to-date costs in your area.

By reading this booklet and talking with the person who gave it to you, you are taking important steps to secure your future, regardless of what the future holds.

[1] Genworth, Summary of 2016 Survey Findings https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/131168_050516.pdf

[2] https://www.medicare.gov/what-medicare-covers/not-covered/item-and-services-not-covered-by-part-a-and-b.html

How Do People Pay for Professional LTC?

Most LTC is paid by one of the following: personal funds, government programs, or LTC insurance. Personal funds may involve drawing down retirement savings or other assets, using retirement income, or even funds provided by adult children.

Medicare Won't Pay

Medicare health coverage is designed primarily to cover medically-necessary care, skilled care, and some preventative screenings. The Medicare website itself states, on the page titled *What's not covered by part A & Part B?: "Services that include medical and non-medical care provided to people who are unable to perform basic activities of daily living, like dressing or bathing: Long-term supports and services can be provided at home, in the community, in assisted living, or in nursing homes. Individuals may need long-term supports and services at any age. **Medicare and most health insurance plans don't pay for long-term care.**"*[2] (emphasis added)

Smart Buying Tip: Work With Someone Who Represents Multiple Companies

As Abraham Maslow said, "If your only tool is a hammer, everything looks like a nail." Most people will benefit from working with an agent who doesn't recommend the same insurer to everyone. Not only do available plans vary among insurance companies, but premiums for the same type of coverage can vary dramatically. An agent who represents multiple companies can choose the plan best suited to your situation.

Medicaid Is a Payer of Last Resort

Medicaid is a means-tested program. It is designed to provide health care and long term care for the poor. Medicaid has an institutional bias, meaning that, although nursing homes are filled with people whose bills are paid by Medicaid, home care paid by Medicaid is not as readily available in most states.

In the vast majority of states, in order to qualify for Medicaid, an individual is only allowed to have $2,000 of (countable) assets to her name. Countable assets generally include all investments and assets, with the exception of business property and most primary residences. Legislative reform has made it virtually impossible for an individual (i.e. unmarried, widow or widower) to do the kind of last-minute Medicaid planning which was once commonplace.

Unlike Medicare and Social Security, Medicaid is not a program that we pay into through payroll taxes. Medicaid is funded jointly by general tax receipts of both the federal government and the state government where the applicant resides.

Most people are concerned about the long-term sustainability of government programs, including Medicaid. Speculation abounds that it will become even tougher to qualify for Medicaid in the future.

Tax Deductions and Other Incentives

For many years, the federal government and individual state governments have encouraged people to do long term care planning and purchase long term care insurance. There are two primary types of incentives: (1) tax deductions/credits, and (2) Partnership Programs. These are explained on a state-by-state basis in the booklet: *Tax Breaks and Incentives for Long Term Care Insurance*. Ask the person who gave you this booklet for a copy.

Smart Buying Tip: Linked Benefit Products

- Combination products are available that couple LTC insurance with life insurance products, including annuities.
- You may be able to use the cash value in an existing life insurance, annuity or a qualified pension account to purchase LTC insurance with no additional out-of-pocket expense. And, the transaction may have no tax consequences!

Smart Buying Tip: Shared Care Can Save Premiums

Spouses or other cohabitants can purchase policies that are "linked," allowing the benefits to be used by either person. These policies not only bring flexibility to planning, but they can also be more cost-effective than individual policies. On a related note: many insurers offer significant discounts to couples/cohabitants who apply together for traditional policies.

Who Buys Long Term Care Insurance, and Exactly What Do They Buy?

It's difficult to discuss typical buyers and their policies, since policies vary so much. The information below may be helpful as you consider LTC insurance. However, it's wise to keep in mind that your best course of action may bear little resemblance to the purchasing behavior of others.

The average purchaser is age 56, with most (77.6%) purchasers between the ages of 50 and 69. However, many younger people are buying coverage. Eighteen percent of purchasers are under age 50. Only 4.4% of LTC buyers are age 70 or older.

The most popular benefit period is 3 yrs. The majority of purchasers buy policies with a 3, 4, 5 or 6 year benefit period (79.7%). Almost 12% (11.7%) buy a benefit period of 2 years or less.[3]

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[3] "2015 Long Term Care Insurance Survey," Broker World Magazine, July, 2015. http://www.brokerworldmag.com

A Personal Action Plan

None of us knows for sure whether or not we will need long term care. What we do know is that the care is expensive, and the need can last for years.

And what we also know is that it's smart for each of us to have a plan in place to help pay for long term care. To help lift the burden from the shoulders of our loved ones. A plan to provide money at the most vulnerable time in our adult lives. A plan to help us maintain the retirement that we were counting on—one with dignity and quality of life.

However, having a plan in mind—without taking any action to make it a reality—will be useless when the need for care arrives. To benefit from the knowledge you have just learned, take action now. Call the person who gave you this booklet, and decide whether or not to purchase LTC insurance.

Taking action now can help ensure that you have the resources to pay for the kind of care you want. In addition, having a plan in place when the need arises will allow you to substantially lift the burden of caregiving off your loved ones. Contact the person who gave you this booklet to learn more about long term care insurance.

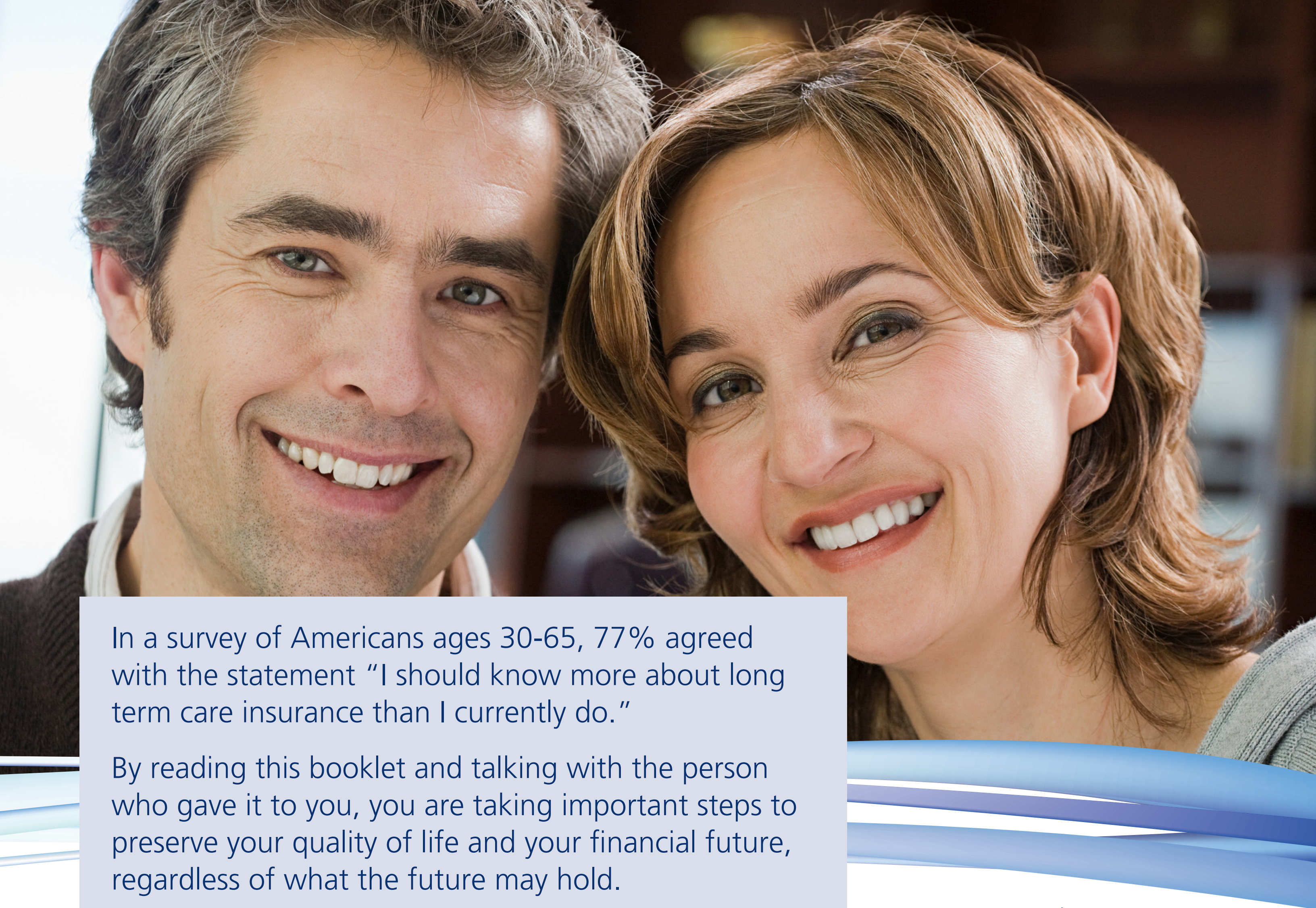
Smart Buying Tip: Set Yourself a Deadline

Time is your enemy when it comes to purchasing LTC insurance. The older your age is at the time you buy a particular policy with a particular policy design, the higher the premium. But, more importantly, you must be relatively healthy to purchase LTC insurance, and health can change at any time.

By completing an application now and including a refundable deposit, you can "lock in" your present state of health and your age. Deposits are totally refundable if you change your mind for any reason, for up to 30 days after a policy is delivered.[4] It's a great idea to set a deadline for making your decision.

[4] At least a 30 day "free look period" – this can vary from state to state.

Notes



In a survey of Americans ages 30-65, 77% agreed with the statement "I should know more about long term care insurance than I currently do."

By reading this booklet and talking with the person who gave it to you, you are taking important steps to preserve your quality of life and your financial future, regardless of what the future may hold.

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This guide was produced by the National LTC Network.
The professional who gave you this guide is a member of this national organization of Long Term Care insurance professionals.