
WISER Resource Guide

Long-Term Care

What is long-term care?

Long-term care includes a broad range of health and support services that people need as they age or if they are disabled. These services include personal care and assistance with daily tasks such as eating, dressing, bathing, and performing household chores, often referred to as activities of daily living. Long-term care services can be provided at home, at a nursing home, in an assisted living facility, or an adult day care center.

Why is it important?

70% of people over the age of 65 will need long-term care services.¹ While family members may be able to provide some of these services, paid care may be needed to supplement family-provided services as care and support needs increase. However, the cost of quality long-term care can be very expensive. For example, the average cost of a private room in a nursing home is \$92,000/year and home care costs are on average about \$3,500 per month.² Medicare will pay for skilled care at home or in a nursing home or rehabilitation facility for a limited time following a hospital stay, but it will not cover most long-term care costs. Medicaid provides long-term coverage only to those with limited income and resources: usually, before a person can qualify for Medicaid, they must “spend down” or exhaust most of their personal financial resources. Additionally, most private health insurance plans do not cover long-term care. Planning for long-term care expenses is an important part of retirement planning that is often overlooked. Insurance can help protect retirement assets and allow for more choice in types of care and care settings.

Why is it especially important for women?

Long-term care impacts women both as providers and as recipients:

- ❖ **Women are Caregivers:** Women are more likely than men to be caregivers to children, spouses, and aging family members. In fact, 60% of those providing family caregiving at home are female.³ Providing long-term care for others can have a significant impact on a woman’s finances since many women reduce their hours or leave the workforce altogether to care for family members and loved ones.³

¹ American Council of Life Insurers. *Long-Term Care Insurance*. <https://www.acli.com/Consumers/Long-Term%20Care%20Insurance/Pages/Default.aspx>

² Genworth. *Annual Median Cost of Long-Term Care in the United States*. (2016) <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>

³ AARP Public Policy Institute. *Caregiving in the U.S. 2015*. <http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

- ❖ **Women Live Longer Than Men:** Currently, a woman who reaches age 65 can expect to live another 21 years to age 86, about two years longer than the life expectancy for a man reaching age 65.⁴ One of every four 65 year olds today will live to age 90.⁴
- ❖ **Women are Unable to Afford Long-Term Care:** As women grow older, they are more likely to live alone, without a spouse or other family member to provide them with the very care that they have provided for others: 55% of women age 65 or older are widowed, divorced, or never married.⁵ As a result, these women have no one in their household to help with daily activities. They may need to pay for long-term care services, but may not have the resources to do it: the median income of women age 65 or older in 2014 was \$17,375 (in comparison, the median income for men was \$31,169).⁵ This is only about one-fifth of what it costs to live in a nursing home for one year.
- ❖ **Women Need More Long-Term Care Than Men:** At the end of their lives, women spend twice as many years in a disabled state as men do: 2.8 years if they live past 65, 3 years if they live past 80.⁶

What does long-term care cost?

The costs can vary quite a bit, depending on where you live and what types of services are needed. To give you an idea of the average costs in 2016:²

- ❖ \$82,000/ year for a semi-private room in a nursing home
- ❖ \$92,000/year for a private room in a nursing home
- ❖ \$44,000/year for care in an assisted living facility in a one-bedroom unit
- ❖ \$21/hour for a Home Health Aide
- ❖ \$20/hour for a Homemaker services
- ❖ \$18,000/year for care in an Adult Day Health Care Center

How do I pay for it?

There are four ways to pay for the costs of long-term care:

- ❖ **Out of your own pocket:** This option can be very expensive (see the costs of long-term care above), and is not feasible for most Americans.
- ❖ **Using Medicare (very limited):** Medicare covers very little when it comes to long-term care. It pays for only limited home health care and nursing home costs, usually following a hospital stay. Medicare has strict requirements for this coverage:
 - You need to stay at least three days in the hospital. The day you are discharged does not count. You must be admitted to the nursing home within 30 days for the same medical condition.
 - Your doctor must prescribe “skilled” care or “therapy.”
 - The nursing home must be Medicare-certified.

⁴ Social Security Administration. (2014). *Calculators: Life Expectancy*. <http://ssa.gov/planners/lifeexpectancy.htm>

⁵ Administration on Aging. *Profile of Older Americans: 2015*, http://www.aoa.gov/Aging_Statistics/Profile/index.aspx

⁶ American Association for Long-Term Care Insurance. *Long-Term Care: Important Information for Women*. <http://www.aaltci.org/long-term-care-insurance/learning-center/for-women.php>

- ❖ **Using Medicaid (if you qualify):** Medicaid only covers long-term care for low-income individuals without significant assets. As a result, many individuals impoverish themselves before they get assistance from the Medicaid program. When individuals do have Medicaid coverage, their benefits focus almost exclusively on institutional care, such as nursing home care.
- ❖ **With a long-term care insurance policy:** For many people, purchasing long-term care insurance should be seriously considered. Long-term care insurance helps to pay for many of the costs of care or personal assistance people would otherwise have to pay for themselves. You can purchase long-term care insurance to pay for services you might need to live relatively independently in your own home, when you are no longer able to do certain things for yourself. In addition, long-term care insurance can provide the resources to choose between types of care, including home care, assisted living facilities or nursing homes. It can help protect people who are no longer able to perform activities of daily living due to age or chronic health conditions. Insurance can also protect the assets of a spouse who is not in a long-term care situation.

Where do I buy long-term care insurance? What are the different options?

Long-term care policies can be purchased on an individual basis, and increasingly, through group plans offered by employers or associations and some continuing care communities. Most policies pay a fixed dollar amount—usually \$50 to \$250 per day—for long-term care services. Policyholders can choose among various features including the amount, the length of time benefits will be paid, and the deductible amount. The cost of long-term care insurance partly depends on the age of purchase: it generally costs less at a younger age. The cost of a policy will also reflect the limits on length of time care is covered, inflation protection or the length of the elimination period (length of time you must pay out-of-pocket before benefits begin).

Find out first if your employer or retiree association offers a plan. If so, ask about the coverage and costs. Shop around for an individual policy and compare benefits and costs of different policies before you buy anything. Search for the best deals but also be realistic. Beware of any policy that offers comprehensive coverage at a fraction of the price of other insurers: you could be facing large premium increases down the road or an insurer that leaves the market. Couples can buy long-term care insurance together, and they may even receive a discount if they both buy from the same company.

Contact the state insurance commissioner or a financial planner for a list of companies licensed to sell insurance policies in your state. Prices for long-term care insurance vary, so it pays to shop around and examine the fine print. Look for an insurance company licensed in your state that is reputable and financially stable. Several rating services measure the financial strength of insurance companies, including A.M. Best, Moody's, Standard and Poor's, and Weiss Research. Your public library can help you check these rating services.

When should I buy long-term care insurance?

There is a general agreement that if you do not have any serious health problems, the best age to buy a long-term care insurance policy is in your mid-50s. You can lock in the best price when you are in good

health, and some policies will let you add more coverage later without giving up your good health discount. The age at which you purchase a policy also affects its costs: the younger you are, the lower the cost, although you will pay the premium for more years. The older you are when you apply, the higher the premium will be, and if you have already developed a disability or severe illness, you may not be insurable. Once a policy is purchased, premiums cannot be increased because of age, but they may be raised if the increase applies to a whole class of insureds. Long-term care insurance may not be the best option for those of limited means who will quickly qualify for Medicaid. Talk to a trusted insurance agent or financial advisor for help with the decision. You should be aware that some financial planners work exclusively with one company on a commission basis. Others work on a “fee only” basis and don’t earn commissions --these advisors will provide you with more options to choose from. Be sure to shop around for the best product and price for you and your spouse.

Hybrids and Other Options

Some insurers sell what is known as hybrid or “linked benefit” policies. These policies essentially add a long-term care benefit to a life insurance policy or an annuity. If you don’t use the long-term care benefit, some portion of the life insurance benefit or annuity will be paid out, thus eliminating the unpopular “use it or lose it” element of traditional long-term care policies. There is wide variation in these policies and they require a lump-sum payment to buy the policy. Owning one of these products may impact your ability to qualify for Medicaid. These policies will be a good choice for some, but not others. Be sure to get expert advice before purchasing one of these products.

You might also investigate a life insurance policy with an accelerated death benefit or ADB. These policies pay a portion of the total death benefit while you are alive to pay for needed care. However, this will reduce or eliminate your death benefit. Not all financial advisors agree that the ADB is a preferred route. Be sure to get advice before choosing to use an ADB.

In some cases, it will make sense to use a reverse mortgage to pay for long-term care costs. For example, if one spouse requires long-term care, the other spouse can access home equity and still remain in the home and protect cash assets. Reverse mortgages are great products, but there are implications for reverse mortgages that should be discussed with a financial advisor.

Start Your Planning

Long-term care is about much more than just insurance. Sound planning includes your finances, where you will live, availability of family care, community resources, estate planning and insurance. The federal **Administration on Aging** maintains the *National Clearinghouse for Long-Term Care Information*, featuring a number of resources to help individuals start the planning process, including interactive tools such as a savings calculator, contact information for a range of programs and services, and real-life examples of how individuals have planned successfully for long-term care. Go to <http://longtermcare.gov> to get started.

What should I look for in a Long-Term Care Policy?

10 Questions to Ask Before You Buy Long-Term Care Insurance

- 1. Does the policy include protection against inflation?**
This is an important feature. Without it, your policy will be worth much less when you need it.
- 2. Does the policy guarantee that premiums will remain level?**
The company should guarantee that it will charge you the same as other policyholders of the same age. However, the premiums can still be raised for that age group across-the-board.
- 3. Does the policy cover home health care benefits and all levels of nursing home care, including skilled, intermediate, and custodial care?**
Find out how the policy will cover each of these types of care and benefit amount for each.
- 4. Does it provide comprehensive benefits for both home care and nursing home care?**
Make sure the policy covers less severe impairments and allows you to stay in your own home.
- 5. Is the maximum benefit period one year or more?**
Choose coverage for the maximum number of days or amount of benefits that you can afford, but at least one year of care.
- 6. Is the policy renewal guaranteed?**
Choose a policy that guarantees that you can renew if you pay the premiums on time, regardless of your health or age.
- 7. Is the deductible affordable and does the policy have a waiting period of 100 days or less?**
Most policies require that you pay for needed care from your own money for a certain number of days before coverage starts (sometimes called an elimination period).
- 8. Will the policy cover dementia if an individual is diagnosed down the road? What are the policy exclusions?**
Many policies cover conditions like Alzheimer's and it is important to ask this question. Dementia is a common cause of nursing admissions. Ask if there are other exclusions.
- 9. Will you be able to keep up with the policy premiums?**
Important provisions such as inflation protection and non-forfeiture increase the cost of the policy. Generally, your premiums should not be more than 5% of your income when you buy the policy.
- 10. Have you learned as much as you can about the insurance company?**
Try to choose a company that is financially sound and has a good reputation. Don't be tempted by a rock bottom price of a less secure or less reputable company. If they leave the market or significantly raise premiums across the board, you could find yourself shopping for a new policy when you are older and it is more expensive.

Additional Resources on Long-Term Care

- ❖ **Planning Steps for Long-Term Care** – The National Clearinghouse for Long-Term Care Information, established by the federal Department of Health and Human Services, has practical steps you can take to plan ahead for your long-term care needs. To access this information, visit <http://longtermcare.gov>
- ❖ **American Council of Life Insurers.** A library of consumer information on long-term care insurance, how to buy it, and the tax treatment of premiums. See their website at <https://www.acli.com/Consumers/Pages/Default.aspx>
- ❖ **A Woman’s Guide to Long-Term Care**, Publication of American Council of Life Insurers, <https://www.acli.com/Consumers/LongTerm%20Care%20Insurance/Pages/LTC%20for%20Women.aspx>
- ❖ **AARP.** *Understanding Long-Term Care Insurance.* May 2016. <http://www.aarp.org/health/health-insurance/info-06-2012/understanding-long-term-care-insurance.html>
- ❖ **Eldercare Locator** – funded by the Administration on Aging – provides help finding community services for seniors and caregivers to older adults in every community. See <http://www.eldercare.gov/Eldercare.NET/Public/Index.aspx>.
- ❖ **National Council on Aging.** *Benefits Check-Up.* An online database that links seniors and disabled to benefit programs in their state and local communities, such as nutrition programs, help with healthcare and prescription drug costs. <https://www.benefitscheckup.org>
- ❖ **National Association of Insurance Commissioners.** *Long-Term Care: What You Should Know.* http://www.naic.org/documents/consumer_alert_ltc.htm
- ❖ **Genworth Financial.** *Cost of Long Term Care Across the Nation* – an annual state-by-state comparison of the cost of long-term care, including nursing homes, assisted living facilities, home health aides. http://www.genworth.com/content/products/long_term_care/long_term_care/cost_of_care.html.
- ❖ **American Association of Long-Term Care Policies.** *Compare Life Insurance Policies that Pay for Long-Term Care.* <http://www.aaltci.org/long-term-care-insurance/learning-center/life-insurance-ltc-benefits.php>
- ❖ **National Association of Insurance Commissioners.** *A Shopper’s Guide to Long-Term Care Insurance.* 2013 http://www.naic.org/documents/prod_serv_consumer_ltc_lp.pdf