WISER®

Saving
Investments
Insurance
Social Security

Improving the long term financial security of all women through education and advocacy.

Long-Term Care Insurance

Private long-term care insurance can help protect people with a disability or chronic health condition from the high costs of long-term care. Private long-term care policies cover a wide range of services, such as home care, to help people live at home, or assisted living facilities and nursing homes.

What is Long-Term Care?

Long-term care refers to services that people need as they grow older or experience health problems that limit their ability to do certain things. Often referred to as activities of daily living, they include such basic activities as eating, getting dressed, or household chores. It may also include health care services that can be provided in the home.

Experts predict that the costs of long-term care will increase dramatically over the next several decades. The 2019 average annual cost for a private room in a nursing home is $102,204 (*Genworth Cost of Care Survey 2019*) and costs are predicted to triple by 2030.

What is Long-Term Care Insurance?

It is a type of insurance that you can buy to pay for long-term care services you might need:

- Services that might allow you to stay in your own home when you are no longer able to do certain things for yourself, or
- The resources to choose an assisted living facility or nursing home.

Long-term care covers a range of services for individuals who need assistance with the activities of daily living.

- Activities include bathing, walking, taking medication, shopping, cooking and driving.
- Long-term care can be provided in a private home, assisted living facility or in a nursing home.

5 Reasons to Purchase Long-Term Care Insurance:

1. Preserve assets for your spouse and family.
2. Avoid being dependent on others.
3. Stay at home as long as possible.
4. Have a choice of nursing homes.
5. Peace of mind.

Find out more at: www.wiserwomen.org

Like us on Facebook (facebook.com/WISERwomen)
Follow us on Twitter (@WISERwomen)
Connect with us on LinkedIn

WISER®
WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

But Doesn't Medicare Pay for Long-Term Care?

Medicare covers very little in the way of long-term care. Medicare is mostly an acute care program covering hospital and physician bills. It pays for only limited home health care and nursing home costs – usually following a hospital stay.

Medicare has three requirements before it will pay for a nursing home stay:

- 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.

Medi*caid* 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. Once eligible, Medicaid will pay for nursing home care and some home and community based services, depending on the individual state's program guidelines.

Private Long-Term Care Insurance

- Long-term care polices can be purchased on an individual basis and, increasingly, through group plans offered by employers or membership associations. The federal government offers long-term care insurance as a benefit to federal employees and many state government employers do as well.
- Most policies pay a fixed dollar amount—usually $50 to $250 per day—for long-term care services.
- Policyholders can choose the amount, the length of time benefits will be paid and the deductible period. These variables all affect the price of the policy.
- The cost of long-term care insurance also partly depends upon the age of purchase. It generally costs less at a younger age. Typically, premiums purchased before the age of 65 are much lower than polices purchased after the age of 65.
- Policies frequently have exclusions and limitations. It's important to read any policy carefully and ask questions before you purchase it.
- Long-term care insurance is important for many people, but isn't the right choice for everyone. If you have few assets and low-income, you will spend down quickly and become eligible for Medicaid. The Society of Actuaries points out that for those with assets of less than $250,000, long-term care insurance may not make sense. And, individuals and couples with savings of more than $2 million might not need the insurance. It is important to note, however, that buying long-term care insurance is more critical for women than men. Women live longer than men, are more likely to live alone in old age and are more likely to need long-term care services.

Long-Term Care Insurance & Taxes

- Premiums for "qualified" long-term care insurance policies are tax deductible to the extent that they, along with other unreimbursed medical expenses (including Medicare premiums), exceed a certain percentage of the insured's adjusted gross income. These premiums -- what the policyholder pays the insurance company to keep the policy in force -- are deductible for the taxpayer, his or her spouse and other dependents as long as they exceed 7.5 percent of your adjusted gross income. In 2019, this threshold will be 10 percent.
- Those who are self-employed can take the amount of the premium as a deduction as long as they made a net profit; their medical expenses do not have to exceed a certain percentage of their income.
- How much of the premium can be included in the deduction varies by age of the taxpayer.
- You can also use funds in a qualified Health Savings Account (HSA) to pay long-term care insurance premiums, up to a limit depending on your age.
- Benefits paid are not included as income for federal tax purposes.

In addition, most states have adopted some type of state tax incentive for long-term care insurance premiums, but there is wide variability between states.

Long-Term Care Insurance: Average Annual Premiums

The cost to the individual to purchase a policy varies widely, depending on: whether it is purchased individually or as part of a group, the benefits provided under the policy, and where the policy is sold. A recent analysis by AARP demonstrated that a typical plan purchased by a couple in their mid-50s in Maryland costs $3,100 annually but some plans costs twice that much in some areas of the country. Average premiums for single persons in mid-50s are around $2,000 year, but again vary widely by location and benefits. Premiums will be much higher for individuals who wait until age 60s or beyond to purchase a policy.

Hybrid or Linked Benefit Policies

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. If you have a paid up life insurance policy, you might investigate swapping it for a life insurance policy with a long-term care rider. Talk to a trusted financial or insurance advisor to weigh your options.

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. Some insurers will guarantee that the premium will not increase for a certain period of time.
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. A non-forfeiture provision will return some benefit to you if you drop the policy because you can't keep up with the payments.
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.

WISER® Women's Institute for a Secure Retirement
1001 Connecticut Avenue, NW, Suite 730, Washington, DC 20036 • 202-393-5452 • fax: 202-393-5890