

Long-Term Care Insurance Planning Basics Advice to Get the Best Long Term Care Insurance Cost

Read This First: The Most Important Things to Know

This Website has an enormous amount of information and we certainly invite you to read it all ... and even to visit the LTC Answer Guy section where you can read questions posed by individuals just like you. You can also submit your own questions to the Association's expert staff.

The most important thing for you to know is that the American Association for Long-Term Care Insurance does NOT sell insurance.

We certainly advocate planning and we try to provide balanced information to help you make an educated decision. And, we would welcome the opportunity to connect you with one of our members who can provide more help on a no-obligation basis.

If you are thinking about long-term care insurance, here are the most important things to know:

1. You must health-qualify for long-term care insurance. Not everyone can. Because health changes, especially as you grow older, it's smart to look into this well before you reach retirement age (your 50s are generally the best time to start).

2. Long-term care insurance can be far more affordable than most people think. Cost is an issue; so you need to know there are many ways to make this protection affordable.

3. Rates (Premiums) can vary significantly from one insurer to another. Each insurer has pricing "sweet spots" based on your age when applying. Available discounts and options can vary too. It's a reason to work with someone with access to policies from multiple insurers.

For example, here are yearly rates for basically equal coverage from four insurers for a couple ages 60 and 55. \$3,133 (Genworth). \$3,138 (John Hancock). \$4,301 (New York Life). \$5,148 (Northwestern Mutual). As you can see, it is important to speak with a knowledgeable professional able to get you the best coverage for the best rate.

4. Health qualifications can also vary from one insurer to another. If you're in great health, don't use tobacco products, take no medications -- then every insurer will accept you. Each insurer sets their own health-qualifications and they change from time to time. Be prepared to share information with an insurance professional. You want them matching you with the company offering the best protection for the best price.

5. You're only going to buy long-term care insurance once. Deciding to buy long-term care insurance is a financial and emotional decision. But, it's different than buying car or home insurance, which people switch from time to time. It's almost never economically advantageous to switch (primarily because costs are based on your age at application). Many people sell long-term care insurance. Make sure you work with someone who really knows this business. It will save you money and yield benefits for many years to come.

Read This Second: The Biggest Mistakes to Avoid?

Isn't this our biggest fear when making a purchasing decision; making a mistake we'll regret. That's why we read Consumer Reports and research online.

So, when it comes to long-term care insurance, what are the biggest mistakes to avoid?

1. Waiting too long to start planning. You don't have to buy insurance protection today; but at least find out what a policy will cost. If you take prescription medications or have health conditions, find out if you can health qualify. Ask what health changes might make you ineligible to health qualify.

2. Believing it won't happen to you. Denial is the best reason not to plan. And, honestly, we hope you live a long life ... never have an accident or illness. Yes, we hope you never need long-term care. We also hope you never have a car accident. But hope is not a strategy. Planning for the future is.

3. Counting on government programs. If you are 50 or 55, are you really ready to count on Medicare and Medicaid being able to pay for the care you want in 15 or 20 years. Everyone wants someone else to pay the bill. If you prefer having choice, options and independence, then you'd better have a plan in place ... just in case.

4. Not working with a long-term care insurance professional. As you'll find us saying many times, costs vary between insurers, discounts vary between insurers and acceptable health conditions vary. You want to work with an experienced and knowledgeable professional who stays current and can get you the best coverage for the best price. Are we biased in favor of our Association members? You bet!

How Come I'm Just Hearing About Long-Term Care?

Long-term care is new and that's simply because we're living longer lives, into our 80s, our 90s and even 100s. When you live a long life, chances are you're far more likely to need long-term care.

The average life expectancy in the United States did not reach 65 until about 50 years ago. The average life expectancy now is well over 70 for both men and women. And, the fastest growing group in the United States is people over the age of 85. Experts estimate that by the year 2040, we will have over a million people in the United States over the age of 100.

So, this is a new issue that your grandparents and (depending on how old you are) your parents didn't have to deal with. But, if you live a long life ... you're going to need to have a plan for the risk of needing long-term care.

Your Life Expectancy At Age 65

As people age, their life expectancy actually increases. Each year you live, you have survived all sorts of causes of death. If you were born in 1943 (65 years ago at this writing), your life expectancy at birth was about 68 years. Once you reached 65, you can expect to live another 18.4 years. Your current life expectancy is now 83.4 years.

Your Life Expectancy At Age 75

If you make it to age 75, your life expectancy increases to 86.8. It's not funny math, it's just one of the weird things that statistics does.

How Many People Have Long-Term Care Insurance

Some 8 million Americans have long-term care insurance and about 400,000 new policies are issued each year (2008 data).

Last year, the nation's long-term care insurers paid out some \$3.5 billion in claims to 180,000 individuals. That's an increase over the prior year. You can see some of the real stories from real people on our Website.

What is Long-Term Care (LTC)?

Long-Term Care includes a wide range of medical and support services for people with a degenerative condition (say Parkinson's; or those that occur after a stroke), a prolonged illness (cancer) or a cognitive disorder (Alzheimer's).

If these make you think of conditions that affect older individuals, you are right. Most people need long-term care in their later years (typically their 80s).

But, younger people need long-term care as a result of accidents (falling off roofs and motorcycle accidents especially for men) or illnesses that tend to inflict younger people like Multiple Sclerosis.

Long-Term Care is not necessarily medical care but rather "custodial care." Custodial care involves providing individual assistance with activities of daily living or the supervision of someone who is cognitively impaired.

To better understand Long-Term Care, think of the activities that you performed when you woke up this morning. You probably stepped out of your bed ... walked to the bathroom ... used the toilet ... took a shower ... got dressed ... ate breakfast.

When you are healthy it is easy to take for granted these Activities of Daily Living (ADLs). However, when you or a loved one is stricken with a degenerative condition such as a stroke or Alzheimer's, performing these ADLs becomes impossible without the assistance of another person. As we age, performing these simple functions becomes difficult; often impossible.

This type of care is what Long-Term Care means. It is the same type of care that a parent must provide for their new baby. This type of care is chronic (full-time) and thus becomes very expensive. Long-Term Care can be provided in many settings including nursing homes, your own home, assisted living facilities and adult day care.

I'm Never Going To a Nursing Home; Why Am I Reading This?

Say the words long-term care insurance ... and chances are you think nursing home. Today, that could not be farther from reality. Today, long-term care insurance really means home care coverage.

It is true that the earliest policies issued in the 1980s generally paid for nursing home care.

But, today, one of the most significant benefits of long-term care insurance is the ability to receive care in your own home. And, almost half of all long-term care insurance benefits pay for home care. Here are some current facts:

There are some 7.6 million individuals currently receiving care at home. And, 43 percent of all individual long-term care insurance policy benefits went for home care.

Another 1.0 million Americans live in assisted living communities. And, 32.9 percent of all individual long-term care insurance policy benefits went for assisted living care and costs.

Some 1.8 million Americans live in nursing homes. Many are there because Medicaid (the federal poverty program) pays for care in nursing homes. Only 24.1 percent of long-term care insurance policy benefits paid for nursing home care.

* Source: 2008 LTCi Sourcebook, American Association for Long-Term Care Insurance).

What Are My Real Chances of Needing Long-Term Care?

We've asked the nation's smartest actuaries (those are the mathematicians who price insurance policies by calculating the risk you'll need care) and here's the reply. Your chances of needing long-term care are either going to be zero (0%) or 100 percent.

We can share with you a ton of great statistics provided by government and independent researchers (and we will). But none of it is really relevant to predicting whether you are going to need long-term care. Your chances are going to be zero ... or 100 percent. As Clint Eastwood would say, "are ya feeling lucky?" We'd rather say, "isn't it smarter to do a little planning ... just in case."

But, for those who like statistics, here's one of the best studies we've found.

Estimated Years Of Needing Long-Term Care After Turning Age 65

More than 5 years 20%
2 to 5 years 20%
1 to 2 years 12%
1 year or less 17%
None 31%

What Do Long-Term Care Services Cost?

A year in a nursing home now averages more than \$40,000 and can exceed \$100,000 annually in some parts of the country." - The Wall Street Journal 3/31/99

Obviously Long-Term Care services are very expensive. Quality nursing homes are always filled to capacity and they are consequently able to command a hefty fee for services.

Home care is also expensive. Bringing a home health aide into your home every other day for a 4 hour visit can easily cost \$1800 per month. When the home care approaches 8 hour visits every day, the costs

rise to \$7200 per month. At this point, the care recipient begins to receive facility based care simply for economic reasons.

If I'm On Medicare - Am I Covered?

There are 4 main ways in which to pay for Long-Term care, cash, Medicare, Medicaid, or private insurance. Before you begin paying for Long-Term care insurance it is critical that you plan early so you make the best decision possible.

What is Long-Term Care Insurance?

Long-Term Care Insurance has been around in one form or another since the early days of Medicare. The policies during this time bear little resemblance to today's policies. While early Long-Term Care policies were similar to a basic Medicare supplement policy, today Long-Term Care insurance has evolved and typically covers a broad range of services including nursing home care, assisted living facilities and adult day care.

Like any insurance product, Long-Term Care insurance allows the insured to pay an affordable premium to protect an unaffordable catastrophic event.

What Is The Best Age To Buy This Insurance?

Today is the best time to buy

Explain Long-Term Care Partnership Programs

In the early 1990s, the Federal government established a test program implemented by four states (California, New York, Connecticut and Indiana). Simply stated, these states could "partner" with private insurance companies who offered LTC insurance that met certain state requirements.

The goal was to make LTC insurance more attractive (less expensive) to middle-income consumers. The premise was buy a limited period of policy benefit (say 3 years) which would be far less costly than an unlimited or lifetime benefit.

If the consumer needed long-term care for a period of time longer than that covered by the Partnership-approved policy, the State would give the incentive of increasing the level of "exempt assets" counted when applying for Medicaid (Medi-Cal in California). Everyone wins; the policyholder has insurance protection ... the State has fewer people exhausting all their savings and applying for welfare.

New federal legislation makes it possible for all states to implement Partnership programs.

If You Have Limited Savings And Assets

The asset protection benefits of a Partnership policy are perfect for someone with limited assets and retirement income. Say you have \$250,000 in assets (not including your home). You buy an affordable plan of long-term care insurance protection to protect some of the risk (A \$150-per-day-plan would buy about \$165,000 in today's dollars).

If you need long-term care and actually used the full value of your plan, the value of benefits paid would be included when calculating your eligibility for Medicaid. Keep in mind, you are going to need care years from now. Partnership plans include inflation growth so the value of what's protected will be much higher than the \$165,000.

A couple of important points to keep in mind. The states are still working out "reciprocity" which simply means, you buy Partnership insurance in Pennsylvania and retire to Florida. Will Florida recognize the asset protection? Stay tuned.

Also, simply exhausting a Partnership LTC insurance policy is not an automatic transition to Medicaid. You must apply and meet all the criteria in your State (income, etc.).

Finally, one of the primary reasons people purchase long-term care insurance is to receive care in your own home. Medicaid benefits for long-term care vary from state-to-state. Simply said, if Medicaid doesn't provide home care benefits in your state (or they change the rules as State budgets tighten), you might just find yourself being forced into an institutional setting.

Bottom line: Partnership plans are great. There's no added cost for the added protection provided by the State. Look into them. Talk to a trained and knowledgeable expert.

What If I Never Use My Long-Term Care Insurance?

People seem to have the mindset that if they buy long-term care insurance, they had better use it (or they'd be wasting their money).

These same people would never say, "I'd better total the car this year, or that car insurance was a total waste!" ... or "Gosh, I hope my home burns to the ground because I've been paying premiums now for 10 years."

Get the picture. A lot of the media coverage about long-term care insurance has created the mindset that you had better use this. The truth is, long-term care is not for sissies and you really don't want to find yourself needing long-term care. If you purchase long-term care insurance, consider yourself lucky. If you buy it and you do need it ... you should also consider yourself lucky.

See, it's one of those true win-win situations.

Are All Long-Term Care Insurance Policies Similar?

No. There are some important and significant differences. We've explained that each insurer has charges different rates ... each offers different discounts ... and each insurer has different health underwriting criteria.

But there are other differences. Some offer reimbursement policies that pay for qualifying expenses (only up to the cost of the service). Others will provide a fixed cash benefit that could be greater than the cost of actual services. The latter typically costs more.

We're not going to be able to make you an expert here (though we can certainly make you smarter). We are going to urge you to work with an experienced professional who can answer your questions and explain the important differences.

What About Life Insurance Policies With Long-Term Care Benefits?

Life insurance policies that offer long-term care benefits are a relatively new way to protect against the risk. The American Association for Long-Term Care Insurance is currently working with industry experts so that we can give you good information that will help you make an educated decision. We hope to have this information posted here soon.

How Do I Find A Good LTC Insurance Agent?

If you have a relationship with a financial planner or other professional, you can ask them for referrals to a long-term care insurance specialist.

You can also use the agent look-up to find local members of the American Association for Long-Term Care Insurance. Simply [click on this link now](#).

Or, if you take a minute to answer some simple questions, we'll forward your name to an Association member who can provide information including free rate quotes. There's never any obligation to buy and if you are dissatisfied with their services, please feel free to let us know. [Click here now to start the process](#).

If you are ready to see what coverage costs start by learning simple ways to get the [best long term care insurance costs](#). Take three minutes to read two guides published by the American Association for [Long Term Care Insurance](#). They appeared in issues of Kiplinger's Personal Finance magazine but you can read them online. No sign-in is required.

If you are ready to [compare long term care insurance costs](#) click on this link and request no-obligation information from one of the American Association for Long-Term Care Insurance's designated LTCi specialists. There is no obligation for the information and it is (of course) provided free of charge.

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