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Do You Need Insurance for Long-Term Care?

By Lynn Brenner
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To learn how to check an insurance company's credit rating, calculate the coverage you may need and access other online resources, click here.

Americans are living a lot longer. That's good news. But increased longevity has created a new financial dilemma: how to prepare for the high cost of old age. Some of us will need care for chronic ailments, and many more will need assistance with dressing, bathing and housekeeping tasks. Professional help is expensive. On average, a home health aide costs $19 an hour; an assisted-living facility is $2968 a month; a private room in a nursing home is $206 a day. Medicare rarely pays these bills. Medicaid does, but only for the poor.

Long-term care insurance is an alternative, but policies are expensive and may pay less than you expect. Here's what you need to know:

The Cost
The older you are when you buy, the more you pay. For people aged 60 to 70, premiums can range from $1500 to $8000 a year. If you buy a policy at 60, it's likely to be two decades or more before you use it—so, the younger you are, the more important it is to pay extra for an "inflation factor." This will boost your benefit over time but could double the policy's annual cost.

Your premium is supposed to stay fixed, but it probably won't. While an insurer can't single you out for an increase, it can raise premiums for all policyholders if claims exceed expectations. This has often happened, forcing people to cancel policies after years of payments. Indeed, today's cheapest policies are the ones most vulnerable to steep increases in the future.

"A renewable policy is worthless if you can't afford to maintain it," says Allan Kanner, a New Orleans lawyer who sued one insurer on behalf of more than 13,000 policyholders, some of whom had seen their premiums jump more than 700%. Their average age: 92. The case was settled out of court.

Experts say future premium hikes are inevitable, because insurers have no reliable way to predict claims.

The Benefits
A long-term care policy pays a predetermined amount—from $50 to $500 a day—and the payments can last from a year to life. But you get no benefits unless you meet the policy's definition of incapacity: the inability to perform two or three of five basic tasks, such as dressing and bathing yourself. These tasks are called "activities of daily living," or ADLs. Some policies require you to need help with two ADLs to get paid; others don't pay unless you need help with three.

Policy Language Can Be Misleading
It's easy to assume you have more coverage than you really do, so be sure to read the fine print. For example, most policies do not start paying until the end of an "elimination period," which can vary dramatically in length. Some policies determine this delay on a calendar, while others count the number of days you've been receiving care. For example, if you get one weekly visit from a health aide, a "30-day delay" could mean that you get no payments for 30 days or 30 weeks, depending on the policy.

How you receive your money also varies. Let's say your daily benefit is $300. There are three ways it can be paid. With a *reimbursement policy*, the insurer pays you or your service providers. If they charged $250, the insurer uses the extra $50 to extend the length of time your benefits last. With an *indemnity policy*, you get $300 for each day you have a receipt for services received, whatever they cost. Finally, a *cash policy* pays you the $300 per day, with no receipts required. How you spend the money is up to you.

Expert Advice
If you decide to invest in a policy:
• Buy from a company that has top financial ratings. You want the insurer to last at least as long as you do.
• Avoid policies you need a paycheck to pay for. You must be able to afford premiums after you retire.
• Don't buy more insurance than you need. Few people require lifetime benefits. The average stay in a nursing home is just 2.5 years, and 43% of residents stay less than one year.
• Don't choose a policy solely on the seller's recommendation. Get a second opinion from a certified financial planner or an elder-law attorney.

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WHO IS THE EXPERT ANYWAY?

by ken posted:02/29/2008 12:50:PM

hudsonvalleylongtermcare.com is a great website for information on Long Term Care Insurance in New York. Elder Law Attorneys and Certified Financial Planners know very little about Long Term Care Insurance. Why does everyone send people to them. They may be able to offer their opionion and advice whether or not to by Long Term Care Insurance, but you must consider the consequences to your family if you need care. IT IS NOT ABOUT THE MONEY. It is selfish on your part to put your children in the position to have too care for you or figure out how to pay for it. Even if you have the assets to cover care for 2 1/2 years, why self insure. What are the tax consequences or stock market consequences of liquidating assets? The odds of having a fire in yor home is 1 out of 1200 and the odds of needing care before you die is 1 out of 2. No one self insures their car or home, so what makes you decide to self insure your health. A Certified Long Term Care Planner (CLTC) is generally recommended to compare policies from many companies. A policy that covers $150 per day for 2 years is very affordable and will be enough for the average person who can supplement the policy with their own income should they need it. a 3 year policy covering the full cost of a nursing home in your area is better coverage if you can afford it. I have yet to speak with any writer who says that it is too expensive that has actually sat down with a Long Term Care speciaist. visit summitretirementgroup.com for a detailed comparison of the actual cost of Long Term Care insurance.

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LTCI Isn't Just About Numbers

by Kristy posted:02/28/2008 10:06:AM

As a Long-Term Care Specialist, I've worked with LTCI products from various carriers for years and yet no one has touched on one of the primary reasons to consider purchasing LTCI- because you love your family and friends. Not only can a long-term care crisis affect your expenses and force you to invade the principal of your retirement savings, but it poses an emotional and at times physical hardship to those around you. Who will provide your care? That's the first question you should ask yourself before you consider purchasing LTCI. If it's your children, are they close by? Do they have families of their own? Can they afford to take time from their employment to help care for you or assist in setting up care for you? Have you talked with them about this? Itâ s not an easy subject to approach, but itâ s one that must be dealt with. What if you donâ t have children? Who will be the person setting up your care? What are the resources available in your community? These are the reasons I believe in and personally own LTCI- because I want a plan. I want to know that if I need assistance with my daily activities or suffer from cognitive impairment, thereâ s something I can do- I can call a toll-free number and get help. I can allow my friends and family to be my care managers instead of my care-givers. I wonâ t have anyone worrying about who will come and help next when they canâ t be there because the insurance carrier worked with my doctor, my support system and me to set up and monitor my care. Yes, thereâ s an expense for the coverage, but I know what that premium is. What I donâ t know is the cost of my care to my investments and my support system. This is a coverage that everyone should consider and look into, but donâ t be scared off with negative press articles and individualâ s opinions on the subject- do the research for yourself and find someone that knows the products that are available and understands what you are looking for.

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Long Term Care

by M. posted:02/22/2008 10:35:AM

Long term care insurance is a way to mitigate your risk. To say that long term care is expensive is an uneducated statement, premiums are based health, age, benefits, location, and policy options. Education in insurance is very important. To qualify for benefits, a tax qualified plan, you must need assistance with 2 of 6 activities of daily living (ADLs) or have a cognitive impairment. A cognitive impairment, Lynn, may be a deterioration in or loss of your intellectual capacity. Home owners, car insurance, and long term care have a deductible. The longer your deductible, the smaller your premium. You have a choice with self finance by spending your assets for care and or having long term care insurance. With Medicaid, most states do not allow for assisted living or in home care. Your family will have no say to your location and care. Since the future is unknown, it is inaccurate to say when you will utilize your benefits. You purchase long term care coverage to prepare for the future and to protect your income, investments and assets. There are numerous carriers in the industry who have increased premiums to their policy carriers. Inexperienced carriers raise premiums because of their lack of knowledge in the industry. Leading companies are able to structure premiums to remain level, thus making them the leaders of the industry. Look for companies who have an AM Best rating of at least an A+. An elimination period is also known as a waiting period or a deductible. As with your home owners or car insurance, a long term care policy has a deductible, you choose. The longer your deductible, the smaller your premium. Always ask these five questions when making a decision on your insurance carrier. 1. What is their financial stability? 2. What is their market percentage? 3. How long have they been selling long term care insurance? 4. What is their rate increase history to current policy holders? 5. How much have they paid in claims?

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