



Long-Term Care Insurance

Thoughts from a financial advisor

You have worked hard to build up your assets and you're probably wondering: what happens to my savings if I'm affected by a long-term care event? It's a topic that is worth examining in detail.

Background

First, let's define long-term care. Long-term care ("LTC") is a range of services and support for your personal care needs. Most long-term care is not actual medical care, but rather help with basic personal tasks of daily living. LTC can be provided at home, in the community, in an assisted living facility or in a nursing home. And while LTC may be needed by people of any age, it is much more common for our senior citizens.

According to the US Government, some average costs for long-term care were:

- \$205 per day or \$6,235 per month for a semi-private room in a nursing home
- \$229 per day or \$6,965 per month for a private room in a nursing home
- \$3,293 per month for care in an assisted living facility (for a one-bedroom unit)
- \$21 per hour for a home health aide
- \$19 per hour for homemaker services

- \$67 per day for services in an adult day health care center

As the costs associated with LTC continue to rise, even people with substantial incomes and adequate retirement savings are worried how they would cover the costs of future care for themselves or their loved ones, should the need arise. So what should they do?

Long-Term Care Insurance

Well, as you probably know, you can insure just about anything and insurance for your long-term care is no different. In fact, the following industry data was compiled by the American Association for Long-Term Care Insurance from leading LTC insurers (the study was released in 2013 and compiles data from year-end 2012):

- 8.1 Million Americans are protected with long-term care insurance.
- 322,000 new Americans obtain LTC insurance coverage
- \$6.6 Billion in LTC insurance claims paid
- Over 264,000 individuals received LTC insurance benefits
- 85,000 combination (life plus LTC insurance policies) purchased

And while individuals can certainly purchase LTC policies on their own, there is an increasing number of companies that recognize that employees are worried about this issue and so they offer group Long-Term Care Insurance as part of their benefit packages. Designed appropriately, the addition of LTC insurance to a company's benefit package can be a tremendous recruiting and retention tool.

While employers may offer LTC insurance as a voluntary, employee-paid benefit, employees are more likely to value the benefit when employers also contribute to the policies. In some cases, employers may purchase a "core" LTC insurance benefit for each employee, giving employees the option of purchasing additional benefits (called riders). Employers wishing to offer more comprehensive LTC insurance benefits can help control the cost of premiums by imposing vesting and/or waiting periods for enrollment. In certain cases, employer contributions to LTC insurance plans may be tax deductible to the employer and excludable from the employee's income.

LTC Insurance and Medicaid

It's very common to underestimate the cost of long-term care and overestimate the funding that will be available through public programs and private health insurance. In reality, Medicare only covers short-term care. It may also cover some nursing home or assisted living costs, but only for a limited number of days of "skilled care" following a three-day hospital stay. Consequently, Medicaid has become the primary source of public funding for LTC. But, because it is a government program designed to help those in financial need, individuals must "spend down" their personal assets and meet the Federal poverty guidelines before qualifying for assistance.

Additional Considerations

LTC insurance can help cover LTC expenses before an individual becomes eligible for Medicaid. LTC insurance can provide a daily, set amount of coverage that can be used to help pay for home health care, an adult day care center, an assisted living facility, or a nursing home. The cost of a policy of course varies with things like the daily benefit amount chosen, the maximum benefit amount, and the elimination period (the number of days for which the insured is

responsible for his or her own care before benefits begin).

LTC insurance policies can be even be customized to include inflation protection, which helps ensure that policy benefits keep up with the rising cost of health care by increasing the benefit in line with inflation. It is important to note that there may be an additional premium for adding any riders.

Summary

Sound complicated? Well, it is. Make sure you find a qualified financial advisor who can help you better understand whether LTC insurance is right for you and your employees.

Your employees will appreciate that you are helping them save for their long-term care needs.