

Long-Term Care Insurance – Who Needs It?

By Nicole Gurley

When my phone rang 15 years ago, my Dad said he had called to tell me that he and my Mother had made a significant investment in my financial future. I had no idea what to think but was excited to hear what he would say next. When he told me that he had just purchased a long-term care insurance policy, I thought he'd lost it. After much discussion about why he had bought the policy, my response was, "Gee, Dad, I hope you know that we'd take care of you."

Just exactly what is long-term care? It's the assistance provided to someone who can no longer live independently as the result of a prolonged physical illness, a disability like a stroke, a cognitive impairment, such as Alzheimer's Disease, or just plain aging and growing frail.

It's different from traditional medical care. Long-term care helps us live as we are and may not improve our medical condition. It's assistance with activities of daily living, which are defined as bathing, dressing, transferring, toileting, eating, and incontinence. Long-term care also provides supervision for people who have difficulty with memory, orientation or reasoning. Services may be received in one's own home or in a range of facilities including an assisted living facility, adult day care center, nursing home or hospice.

What's the risk of needing long-term care? It's 60%! Six in 10 Americans will experience a long-term care event.¹ The projections are that 80% of us will live to be age 65 and that 70% of us who do will experience a long-term care event. But, long-term care is not just an end of life issue for the elderly. Today, 37% of those receiving long-term care in the US are under age 65.²

What I didn't know, at the time I pledged my willingness to care for my parents, was the cost of doing so. According to The MetLife Market Survey of Nursing Home & Home Care Costs September 2004, the average cost of a private room in a nursing home in the United States is \$192 per day or \$70,080 per year. The average stay in a facility is 2.4 years. So that means that the average cost of a stay in a facility is \$168,192. Keep in mind this does not include care received in one's own home prior to entering a facility. **It's no wonder that the cost of long-term care is now considered the greatest threat to financial security in retirement.**

Many people believe that Medicare will pay for long-term care. Wrong! Medicare is the Federal Government healthcare insurance plan. It covers hospitalization and doctor, lab and some outpatient services. It was never intended to provide long-term care, which is custodial in nature.

Medicare will cover 100% of the first 20 days in a skilled nursing facility if specific requirements are met. These include being hospitalized for three days, entering a facility within 30 days and requiring skilled care. Medicare may pay a portion of expenses in excess of the daily deductible for the next 80 days. But, after 100 days, very little long-term care expense is covered by Medicare.³

Who funds the cost of long-term care? In the US only about 10% of the cost is covered by private insurance.⁴ Medicare as described above, covers about 14% of the costs. That leaves private funds and Medicaid to pick up the bulk of the costs. Private income, savings and investments contribute about 32% of the cost, leaving Medicaid with the biggest share – 44%. To qualify for Medicaid, an individual must have "spent down" assets in accordance with government regulations. This may impact assets and lifestyles of family members who are perfectly healthy.

Why do people buy long-term care insurance? In survey after survey, people list the following reasons in this priority: 1) to avoid depending upon family and friends, 2) to have control over the quality of care they receive and where they receive care, 3) to preserve independence, and 4) to protect assets.

Knowing what I know now, I'm truly grateful for the insight my parents had and the long-term care insurance they purchased. Blessed with good health and now in their eighties, Dad says long-term care insurance has given him and Mom great peace of mind.

For more information on long-term care and what's important to look for in an insurance policy, you can view JT RYAN's online recorded presentation by visiting: <http://www.jtryan.com/tutorials.html>. Or, call us at (800) 868-6581 for a free copy of *The Shopper's Guide to Long-Term Care Insurance* published by the National Association of Insurance Commissioners.

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1. Conning & Company, Long-Term Care Insurance – Baby Boom or Bust? 1999.
2. The MetLife Long-Term Care IQ Test, October 2004.
3. Centers for Medicare and Medicaid Services, *Medicare & You 2004*.
4. Dept. of Health and Human Services, HCFA, Office of Actuary, National Health Statistics Group, Personal Health Care Expenditures, 2001.