

INSURANCE TO FUND LONG-TERM CARE COSTS

Long-term care (LTC) is generally defined as the personal care and other related services provided on an extended basis to people who need help with activities of daily living or who need supervision due to a severe cognitive impairment. This kind of assistance may be necessary due to an accident or lengthy illness, chronic health conditions and/or physical disabilities, such as a stroke, Alzheimer's disease, Multiple Sclerosis, or Parkinson's. It can be provided at home, in a nursing home, assisted living facility, or an adult day care center.

This year, about 9 million Americans over the age of 65 will need long-term care services. By 2020, that number will increase to 12 million. While most people who need long-term care are age 65 or older, a person can need long-term care services at any age. Forty (40) percent of people currently receiving long-term care are adults 18 to 64 years old. (America's Health Insurance Plans, "Guide to Long-Term Care Insurance," 2004; Congressional Budget Office, "Financing Long-Term Care for the Elderly," June 2004.) About 70 percent of individuals over age 65 will require at least some type of long-term care services during their lifetime. Many Americans mistakenly assume that most people receive long term care services in nursing homes. In actuality, more than 78% of adults receive long term care at home. Over 40 percent will need care in a nursing home for some period of time.

Factors that increase the risk of needing long-term care are:

- Age - The risk generally increases as you get older.
- Marital Status - Single people are more likely to need care from a paid provider.
- Gender - Women are at a higher risk than men, primarily because they tend to live longer.
- Lifestyle - Poor diet and exercise habits can increase your risk.
- Health and Family History - also impact your risk.

It is difficult to predict how much or what type of care any one person might need. On average, someone age 65 today will need some long-term care services for three years. Service and support needs vary from one person to the next and often change over time. Women need care for longer (on average 3.7 years) than do men (on average 2.2 years). While about one-third of today's 65-year-olds may never need long-term care services, 20 percent of them will need care for more than five years.

Contrary to what many people think, many long term care services are not typically covered by any other kind of insurance, including health and long term disability insurance. As for government programs, Medicare pays only for short periods of long-term care (no more than 100 days of nursing home care). Medicaid generally covers only those whose assets and incomes are at or below state-required levels (but with special considerations for spouses). Medicaid will not pay for at-home, custodial care or assisted-care living facilities.

Long-term Care Insurance

The availability and cost of long-term care insurance coverage is based on age and health at the time of application. The younger and healthier the applicant is, the lower his premiums. A 55-year-old individual considering long-term care insurance protection can expect to pay \$709 a year if married or \$1,095 if single, according to the **2008 Long-Term Care Insurance Price Index**, an annual report from the [American Association for Long-Term Care Insurance](#), an industry group. A 65-year-old purchasing comparable coverage will pay \$1,342 (married) or \$1,999 (single) according to the report. Costs for coverage increased about 4 percent over 2007.

The annual index measures current costs for top-selling long-term care insurance policies that offer consumers approximately \$115,000 in current benefits (base-level coverage), with protection increasing yearly as the individual ages. "That coverage will grow in value to over \$305,000 of protection in 20 years," explains Jesse Slome, the association's executive director. The study compares costs for plans that provide benefits for three years or longer with an annual compound inflation option that increases the available insurance benefits by five percent compounded each year.

Below is the 2008 price index:

Average price for a comprehensive long-term care insurance policy (100% home care benefit + skilled care coverage) 90-Day Elimination Period with 5% Compound Inflation Protection Option

Age 55

\$100 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$709-per-year Individual Qualifies for Preferred Health and Spousal Discounts

Age 55

\$100 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$1,095-per-year Individual is single (preferred health discount)

Age 55

\$150 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$1,064-per-year Individual Qualifies for Preferred Health and Spousal Discounts

Age 55

150 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$1,578-per-year Individual is single (preferred health discount)

Age 65

\$100 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$1,342-per-year Individual Qualifies for Spousal Discounts (standard health)

Age 65

\$100 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$1,999-per-year Individual is single (standard health)

Age 65

\$150 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$2,013-per-year Individual Qualifies for Spousal Discounts (standard health)

Age 65

\$150 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$2,998-per-year Individual is single (standard health)

Age 65

\$240 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$3,221-per-year Individual Qualifies for Spousal Discounts (standard health)

Age 65

\$240 Maximum Daily Benefit x 3 Year Benefit Period Cost: \$4,729-per-year Individual is single (standard health)