



Long Term Care Insurance

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Long-term care insurance (LTC or LTCI), is an insurance product sold in the United States and the U.K., that helps provide for the costs of long-term care beyond a predetermined period. Long-term care insurance covers care usually not covered by a health insurance policy, Medicare, or Medicaid.

Long-term care can be provided at home, in an assisted living facility or in a nursing home. Age is not always the determining factor in a person needing long-term care. It is important to remember that a person may never need long-term care, or they just might find themselves in need of Long term care quickly and unexpectedly. Once a change of health occurs, a Long-term care insurance policy probably will not be available.

Long-term care is needed if a person is unable to perform the basic activities of daily living (ADLs) such as dressing, bathing, eating, toileting, continence, transferring (getting in and out of a bed or chair), and walking.

In a recent study, it was estimated that by the end of 2010 about nine million people who are over the age of 65 will need long-term care. It is also estimated that by 2020, 12 million older Americans will need long-term care. A study by the U.S. Department of Health and Human Services, states that people who reach age 65 will likely have a 40 percent chance of entering a nursing home at some point and about 10 percent of the people who enter a nursing home will stay there.

Medicare and Long Term Care

There are many ways to pay for long-term care, and it is important to think ahead about how to fund this type of care, if it becomes needed. Keep in mind that generally, Medicare does not pay for long-term care. Medicare pays only for what they deem to be medically necessary skilled nursing facilities or home health care. Additionally, you must also meet certain conditions for Medicare to pay for these types of care. Most long-term care expenses are associated with assisting people with support services such as activities of daily living (ADLs) like dressing, bathing, eating, toileting, continence, transferring (getting in and out of a bed or chair), and walking dressing. *Medicare does not pay for this type of care called "custodial care".*

Medicaid and Long-Term Care:

Medicaid is the State and Federal Government program that pays for certain health services and nursing home care for people with low incomes and limited assets. In most states, Medicaid also pays for some long-term care services at home and in the community. Who is eligible and what services are covered vary from state to state. Most often, eligibility is based on income and personal resources.



Medicaid is not set up to pay for these LTC services, unless a person falls into the national category of poverty with little to no assets. Thus, it is important to remember if a person’s plan for LTCi is utilizing the states Medicaid program then they will need to consult a tax attorney, CPA and Financial Advisor about the options available for Medicaid Planning of assets.

ADLs and the Cost of Long Term Care (LTCi)

The cost of long-term care can vary depending on what kind of care you might need, where you will get the care, and where you plan to live. The chart below will show how these costs generally compare with each other.

Select any of the long-term care services below to receive more information about that topic.

	Help with activities of daily living	Help with additional services	Help with care needs	Range of costs
Community-Based Services	Yes	Yes	No	Low to medium
Home Health Care	Yes	Yes	Yes	Low to high
In-Law Apartments	Yes	Yes	Yes	Low to high
Housing for Aging and Disabled Individuals	Yes	Yes	No	Low to high
Board and Care Homes	Yes	Yes	Yes	Low to high
Assisted Living	Yes	Yes	Yes	Medium to high
Continuing Care Retirement Communities	Yes	Yes	Yes	High
Nursing Homes	Yes	Yes	Yes	High

*Medicare.gov -Page Last Updated: March 25, 2009 – chart accessed from www.medicare.gov on December 06, 2010.

Planning for Long Term Care



The first step is to realize if long term care is needed it could be from one year to possibly several years. Personally assess the estimated risk and also talk with your doctor.

The next step is addressing the financial strategies involved with Long Term Care.

- Talk with an Estate Planner, CPA and Financial Advisor to assess current level of risks
- Review your current level of insurance coverage – learn what is covered and what is not
- Decide if you can and / or want to pay for Long Term Care
- Housing – try to determine how long you would want to be able to stay in your home
- When home health care because prohibitive due to ADLs, then assess what facilities are options and become familiar with the costs involved.

Legal and Advance Care Planning Steps

Advance care planning is the process of determining and executing treatment directives - such as a Living Will, and appointing a health care proxy decision maker for times when a person is not able to make medical decisions for him or herself. Advance Care planning can make a critical difference in a person's life, and the lives of their families, when it comes to either emergency situations or when facing end-of-life care decisions.

Planning Documents

- Advance Directive – Living Will and Medical Powers of Attorney
A term used to describe two types of documents – living wills and medical powers of attorney. These planning documents allow you to convey the type of care you want if you cannot speak for yourself including the extent to which you want life-sustaining medical treatments, and who should make those decisions if you cannot. Advance directives should be not only focused on what treatments you don't want, but also what treatments you do want.
 - *Living will* - written instructions for care in the event that a person is unable to make medical decisions for themselves. State law can vary on signing requirements and other aspects of a living will, so it is important to check on the state's requirements when completing a living will.
 - *Medical Power of Attorney* (also called a durable power of attorney) is a document that appoints a particular person as a health care proxy or health care agent to make health care decisions if you are unable to do so yourself. All 50 states and the District of Columbia have laws recognizing health care powers of attorney. Some states may specify the types of decisions that a health care proxy can make on your behalf.
- *Do Not Resuscitate (DNR)*
Do Not Resuscitate (DNR) is a physician's order that is written in a person's medical record indicating that health care providers should not attempt life-saving measures such as cardiopulmonary resuscitation (CPR) in the event of a cardiac arrest (commonly known as a heart attack) or respiratory arrest.



Basic Components to Look for in a Long Term Care Policy

- Home Health Care – it is important that your plan will pay for 100% of the benefit amount.
- Skilled, Intermediate and Custodial - Make sure the policy pays for not only skilled care givers but also custodial care givers.
- Facility Care Coverage in Nursing Home or Assisted Living.
- Renewal Guaranteed – If the premiums are paid, the policy is guaranteed to be renewable.
- Inspection Period – 30 days after delivery of policy for consumer to cancel and change mind.
- Automatic Inflation Protection – a rider to help keep your benefits somewhat protected from inflation. (see a Long Term Care professional for specific policy details)
- Benefit Structure – Usually the amount the policy will pay as a daily benefit.
- Benefit Periods – how long the Long Term Care benefits will last. The majority of policies cover about 3 years; if the client is younger they may want to consider adding the feature for 10 years or even an unlimited benefit period, if available.
- Elimination Period – period of time that has to elapse before the policy starts paying benefits.
- Respite Care – temporary service that gives a main care giver some time off.
- Survivor Benefit – Depends on the policy.

In Summary

When shopping around for a long-term-care insurance policy, buy only from an insurer with at least \$1 billion in assets as well as an A.M. Best rating of at least A-.

In addition to John Hancock and Genworth, some of the best carriers include Guardian, Met Life, New York Life, Northwest Mutual and Mass Mutual. All long-term-care policies are guaranteed renewable as long as you pay your premiums.

For advice on the available options for a client, since LTC has a lot of moving parts and rates are going up for 2011 we suggest you call our Marketing Dept. or your BDA for more specific information.

To Your Success,

Brokers Choice of America

**As with any financial transaction make sure to consult your CPA or tax attorney as well as your Financial Advisor for the most appropriate information as it applies to you individually. This article is written only to provide a basic understanding of the above concept.*

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*Some information gathered from www.medicare.gov

