
WISER Resource Guide

Long-Term Care

What is long-term care?

Long-term care includes a broad range of health and support services that people need as they age or if they are disabled. These services include personal care and assistance with daily tasks such as eating, dressing, bathing, and performing household chores, often referred to as activities of daily living. Long-term care services can be provided at home, at a nursing home, in an assisted living facility, or an adult day care center.

Why is it important?

70% of people over the age of 65 will need long-term care services.¹ While family members may be able to provide some of these services, paid care may be needed to supplement family-provided services as care and support needs increase. However, the cost of quality long-term care can be very expensive. For example, the average cost of a room in a nursing home in 2009 was between \$70,000 to \$80,000.¹ Medicare will pay for home care for a limited time following a hospital stay for those who need skilled nursing care, but it will not cover most long-term care costs. Medicaid provides long-term coverage only to those with limited income and resources: usually, before a person can qualify for Medicaid, they must be “impoverished,” meaning that they have exhausted most of their personal financial resources. Additionally, most private health insurance plans also do not cover long-term care.

Why is it especially important for women?

Long-term care impacts women both as providers and as recipients:

- ❖ **Women are Caregivers:** Women are more likely than men to be caregivers to children, spouses, and aging family members. In fact, 75% of those providing home care are female.² Providing long-term care for others can have a significant impact on a woman’s finances since many women reduce their hour or leave the workforce altogether to care for family members and loved ones.
- ❖ **Women Live Longer Than Men:** On average, women outlive men by about five years.² A healthy 65-year-old woman has a 50% chance of living beyond age 88 and a 25% chance of living beyond 94.³

¹ National Clearinghouse for Long-Term Care Information. (2010, May 12). *Paying for Long-Term Care*. Retrieved June 2011 from the U.S. Department of Health and Human Services:

http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx#What.

² *Long-Term Care – Important Information for Women*. Retrieved June 2011 from the American Association for Long-Term Care Insurance: <http://www.aaltci.org/long-term-care-insurance/learning-center/for-women.php>.

³ Ackerman, R. (2010, April 22). *The Power of the Purse: Annuity Sales to Women Rise*. Financial Planning: <http://www.financial-planning.com/news/-2666561-1.html>

- ❖ **Women are Unable to Afford Long-Term Care:** As women grow older, they are more likely to live alone, without a spouse, or other family member to provide them with the very care that they have provided for others: almost 70% of women age 75 or older are widowed, divorced, or never married.² As a result, these women have no one in their household to help with daily activities. They may need to pay for long-term care services, but may not have the resources to do it: the median income of women age 65 or older in 2009 was \$15,282 (in comparison, the median income for men was \$25,877).⁴
This is only about one-fifth of what it costs to live in a nursing home for one year.
- ❖ **Women Need More Long-Term Care Than Men:** At the end of their lives, women spend twice as many years in a disabled state as men do: 2.8 years if they live past 65, 3 years if they live past 80.²

What does long-term care cost?

The costs can vary quite a bit, depending on where you live and what types of services are needed. To give you an idea of the average costs in 2009:¹

- ❖ \$198/day for a semi-private room in a nursing home
- ❖ \$219/day for a private room in a nursing home
- ❖ \$3,131/month for care in an assisted living facility in a one-bedroom unit
- ❖ \$21/hour for a Home Health Aide
- ❖ \$19/hour for a Homemaker services
- ❖ \$67/day for care in an Adult Day Health Care Center

How do I pay for it?

There are four ways to pay for the costs of long-term care:

1. **Out of your own pocket:** This option can be very expensive (see the costs of long-term care above), and is not feasible for most Americans.
2. **Using Medicare (very limited):** Medicare covers very little when it comes to long-term care. It pays for only limited home health care and nursing home costs, usually following a hospital stay.
3. **Using Medicaid (if you qualify):** Medicaid only covers long-term care for low-income individuals without significant assets. As a result, many individuals impoverish themselves before they get assistance from the Medicaid program. When individuals do have Medicaid coverage, their benefits focus almost exclusively on institutional care, such as nursing home care. However, Medicare has three requirements before it will pay for nursing home stays:
 - I. You need to stay at least three days in the hospital. The day you are discharged does not count. You must be admitted to the nursing home within 30 days for the same medical condition.
 - II. Your doctor must prescribe “skilled” care or “therapy.”
 - III. The nursing home must be Medicare-certified.

⁴ Administration on Aging. *Profile of Older Americans: 2010*. Retrieved June 2011 from the U.S. Department of Health and Human Services: http://www.aoa.gov/aoaroot/aging_statistics/Profile/2010/9.aspx.

4. **With a long-term care insurance policy:** For many people, purchasing long-term care insurance should be seriously considered. Long-term care insurance helps to pay for many of the costs of care or personal assistance people would otherwise have to pay for themselves. You can purchase long-term care insurance to pay for services you might need to live fairly independently in your own home, when you are no longer able to do certain things for yourself. In addition, long-term care insurance can provide the resources to choose between types of assisted living facilities or nursing homes. It can help protect people who are no longer able to perform activities of daily living due to age or chronic health conditions.

Where do I buy long-term care insurance? What are the different options?

Long-term care policies can be purchased on an individual basis, and increasingly, through group plans offered by employers. Most policies pay a fixed dollar amount—usually \$50 to \$250 per day—for long-term care services. Policyholders can choose the amount, the length of time benefits will be paid, and the deductible period. The cost of long-term care insurance partly depends on the age of purchase: it generally costs less at a younger age. Typically, the premiums purchased before the age of 65 are much lower than policies purchased after the age of 65.

Find out first if your employer or retiree association offers a plan. If so, ask about the coverage and costs. Shop around for an individual policy and compare benefits and costs of different policies before you buy anything. Search for the best deals but also be realistic. Beware of any policy that offers comprehensive coverage at a fraction of the price of other insurers: you could be facing large premium increases down the road or an insurer that leaves the market. Couples can buy long-term care insurance together, and they may even receive a discount if they both buy from the same company.

Contact the state insurance commissioner or a financial planner for a list of companies licensed to sell insurance policies in your state. Prices for long-term care insurance vary, so it pays to shop around and examine the fine print. Look for an insurance company licensed in your state that is reputable and consumer-oriented. Several rating services measure the financial strength of insurance companies, including A.M. Best, Moody's, Standard and Poor's, and Weiss Research. Your public library can help you check these rating services.

When should I buy long-term care insurance?

There is a general agreement that if you do not have any serious health problems, you should be at least 45 before you start looking for a long-term care insurance policy. The age at which you purchase a policy also affects its costs: the younger you are, the lower the cost. The older you are when you apply, the higher the premium will be, and if you have already developed a disability or severe illness, you may not be insurable. Once a policy is purchased, premiums cannot be increased because of age, but they may be raised if the increase applies to a whole class of insureds.

What should I look for in a Long-Term Care Policy?

10 Questions to Ask Before You Buy Long-Term Care Insurance

1. ***Does the policy include protection against inflation?***

This is an important feature. Without it, your policy will be worth very little when you need it.

2. ***Does the policy guarantee that premiums will remain level?***

The company should guarantee that it will charge you the same as other policy holders of the same age. However, the premiums can still be raised for that age group across-the-board. Some policies will guarantee that the rate will not change for a specific period of time.

3. ***Does the policy cover home health care benefits and all levels of nursing home care, including skilled, intermediate, and custodial care?***

Find out how the policy will cover each of these types of care, benefit amount for each, and how long benefits will last.

4. ***Does it provide comprehensive benefits for both home care and nursing home care?***

Make sure the policy covers less severe impairments and allows you to stay in your own home.

5. ***Is the maximum benefit period one year or more?***

Choose coverage for the maximum number of days or amount of benefits that you can afford, but at least one year of care.

6. ***Is the policy renewal guaranteed?***

Choose a policy that guarantees that you can renew if you pay the premiums on time, regardless of your health or age.

7. ***Is the deductible affordable and does the policy have a waiting period of 100 days or less?***

Most policies require that you pay for needed care from your own money for a certain number of days before coverage starts. Find out what the rules are and decide if this will be feasible.

8. ***Will the policy cover dementia if an individual is diagnosed down the road?***

Many policies cover conditions like Alzheimer's and it is important to ask this question. Dementia is a common cause of nursing admissions.

9. ***Will you be able to keep up with the policy premiums?***

Important provisions, such as inflation protection and nonforfeiture, increase the cost of the policy. A nonforfeiture benefit ensures that even if you cancel your policy or stop paying premiums, you will still receive some part of your benefits. Generally, your premiums should not be more than 7% of your income when you buy the policy.

10. ***Have you learned as much as you can about the insurance company?***

Try to choose a company that is financially sound and has a good reputation.

Additional Resources on Long-Term Care

- ❖ **American Council of Life Insurers** – Has consumer information on long-term care insurance, how to buy it, and the tax treatment of premiums. See their website at <http://www.acli.com/Pages/DefaultNotLoggedIn.aspx> or call 1-800-589-2254.
- ❖ **Eldercare Locator** – funded by the Administration on Aging – provides help finding community services for seniors and caregivers to older adults in every community. See <http://www.eldercare.gov/Eldercare.NET/Public/Index.aspx>.
- ❖ **National Council on the Aging** – Information on long-term care and caregiving at <http://www.ncoa.org/> or call 1-800-373-4906.
- ❖ **Genworth Financial 2011 Cost of Long Term Care Across the Nation** – a state-by-state comparison of the cost of long-term care, including nursing homes, assisted living facilities, home health aides, etc. See their website at http://www.genworth.com/content/products/long_term_care/long_term_care/cost_of_care.html.
- ❖ **Planning Steps for Long-Term Care** – The National Clearinghouse for Long-Term Care Information has practical steps you can take to plan ahead for your long-term care needs. To access this information, visit http://www.longtermcare.gov/LTC/Main_Site/Planning_LTC/Considerations/index.aspx/