

Long Term Care Insurance

What is long term care?

Long term care includes a number of medical and non-medical services such as: housekeeping, grocery shopping, rehabilitative therapy, and 24-hour skilled nursing attention. Care may be administered in a variety of settings including one's home, assisted living facilities, adult daycare or a nursing home. Long term care is required when, due to an accident or illness, one is unable to perform the routine activities of daily living such as: bathing, dressing, eating, toileting, transferring, and continence.

Disability and health insurance products do not cover the costs associated with long term care. Medicare will reimburse funds for skilled nursing care for only 20 days, and only following a hospital stay. Medicare will not pay for custodial services - the most commonly provided form of long term care. Medicaid, on the other hand, will pay for long term care but requires individuals to financially qualify by demonstrating an asset base below the Federal poverty line. Recently revised "look-back" periods have further restricted liberal asset gifting and, thus, qualification for Medicaid.

Most of us will need long term care at some point in our lives. We don't know when, we don't know how much it will cost, we don't know where care will be provided or who will help. Long term care insurance is a prudent investment for most people — regardless of means.



When to consider long term care insurance

Many financial planners assume that an asset base of \$1.5 to \$2 million dollars is adequate to "self-insure" against the cost of long term care. Rarely taken into consideration, however, is the liquidity of one's assets, the concern about running out of money before running out of life; or the spending down of a financial legacy. With home health care ranging from \$25 to \$165 per hour (CNA Life Insurance 2001) and the average cost of a nursing home in Washington State exceeding \$65,000 a year, the impact of long term care can be significant for any portfolio.

A predictable outlay of a few thousand dollars per year can look pretty attractive compared to a major expense starting at an unknown time in the future and lasting for an unknown duration. An added benefit is that, in some circumstances, the premium for long term care insurance is either partially or fully tax deductible. Benefits are always received income tax free.

What to look for in long term care coverage

Long term care insurance is complex and requires expert guidance. Insurance carrier ratings and market experience are critical considerations for a product whose premiums are subject to rate increases. The market also offers a large variety of policy riders which may enhance the flexibility and extent of the coverage, if applied appropriately. Payment options, benefits levels, and duration periods should also be considered in light of one's particular circumstances. In today's unpredictable financial environment, long term care insurance deserves strong consideration as part of a comprehensive estate/wealth management strategy.