

# WellNow

*A resource for your health and wellness*

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**Inside this issue:**

**Everything you need to know about Long-term care insurance**



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# First, some sobering stats ...

**Morningstar, a Chicago-based investment research firm, reports that of the people presently turning 65:**

- 70 percent will need some type of long-term care services in their lifetime.
- 40 percent will need some type of paid long-term care service in their lifetime.
- 24 percent will require paid long-term care for more than two years.
- 15 percent will spend more than two years in a nursing home.
- 67.9 percent of people in long-stay nursing facilities are women.

Given these statistics, you can see why long-term care insurance makes sense.

## HOW DOES IT WORK?



Long-term care refers to a host of services that aren't covered by regular health insurance. A long-term care insurance policy helps cover the costs of care when you have a chronic medical condition, a disability, or a disorder such as Alzheimer's disease. Most policies will reimburse you for care given in a variety of places, such as your home, a nursing home, an assisted living facility, or an adult day care center.

Long-term care insurance can be used at any age for a condition that requires long-term care, but it is most likely that you will use it when you are older and your illnesses or disabilities make it impossible for you or your families to care for you.

You choose the amount of coverage you want. The policies usually cap the amount paid out per day and the amount paid during your lifetime. Once you're approved for coverage and the policy is issued, you begin paying premiums.

Under most long-term care policies, you're eligible for benefits when you can't do at least two out of six "activities of daily living," or ADLs, on your own, or if you suffer from dementia or other cognitive impairment.

## The activities of daily living



ADLs are the things we normally do in daily living, including any daily activity we perform for self-care. The ability or inability to perform ADLs can be used as a very practical measure of ability/disability in many disorders. **Here is a list of examples -**

- Bathing
- Caring for incontinence
- Dressing
- Eating
- Toileting (getting on or off the toilet)
- Transferring (getting in or out of a bed or a chair).

# The truth about the coverage and cost of LTCI

## How much does LTCI cost?

A 55-year-old man in the U.S. can expect to pay a long-term care insurance premium of \$2,220 per year on average, according to a 2022 price index survey of leading insurers conducted by the American Association for Long-Term Care Insurance (AALTCI). That will cover \$165,000 in benefits when the policyholder takes out the insurance and \$400,500 at age 85, assuming benefits are increased 3% per year.

Because women tend to live longer than men and make claims more frequently, women are usually charged more for LTCI premiums. The AALTCI study showed that a single female pays an annual premium of \$3,700 on average.

## What are the limitations?

Your health may disqualify you from being able to purchase a policy. Your age also plays a part. The older you are the less healthy you are and the more likely you are to need the assistance the policy provides. So, the older you are when you start your policy, the higher the cost. The AALTCI recommends you begin shopping for LTCI between the ages of 52 and 64. Combined premiums for married couples tend to be lower than for individuals paying for a personal policy.

Each insurance carrier sets its own rates and underwriting standards, so costs for the same services can vary widely from one company to another. So it's a good idea to request quotes from various carriers. You can also work with an experienced long-term care insurance agent who can gather quotes for you and help you understand the differences between insurance policies. They can also help you determine the kind of coverage you're likely to need, so you don't over-insure.

## Consider this example

A 77-year-old man started his policy 12 years ago when he turned 65. His premium was about \$2,800 per year for lifetime coverage at the average monthly cost of a typical nursing home (about \$7,000 per month). His wife, who is 74 had a similar policy with a premium of about \$2,700.

But, like most companies offering LTCI, the insurer found it could not sustain lifetime policies and raised the premiums. The man and woman did not want to pay higher premiums, so they accepted lower benefits — five years, not lifetime, at about \$8,000 per month. But then recently the company raised rates again, and the couple opted for another reduction in benefits. The man's policy now covers four years at \$7,692 per month. The man's benefit pool is now \$369,216 (\$7,692 multiplied by 48 months).

## What is the benefit pool?

It is the amount of money available for the man's long-term care at the time he needs to begin using the coverage. At that point, he stops paying his premiums, and the benefit pool is established. That figure then is the amount he can use for his care. If it runs out before he dies, then he will need to find other resources, his own or Medicaid. But he is free to use the money in the pool as he needs it.

If he needed his benefits today, here are his options and their monthly cost (national median).	
\$9,034	Private room in nursing home
\$7,908	Semi-private room in nursing home
\$4,947	Homemaker services
\$5,148	Home health aid
\$1,690	Adult day health care
\$4,500	Assisted living facility

The benefit pool leaves him options. If he opts for having a home health aide come in every day, his money will last for 71 months or almost six years (\$369,216 divided by \$5,148). If he needs a private room in a nursing home, his money will last 40 months, just over three years (\$369,216 divided by \$9,034).