



Planning for long term care

More than 12 million Americans need long term care, and almost 5 million of those are working-age adults. Investigate your long term care insurance options now, before you need it, to make sure your later years are free from worry.

If retirement is to be the most glorious of ages, it's imperative to plan ahead. Baby boomers will be generally healthier than previous generations of retirees. But it's beyond dispute that the older people get, the more care they need. Today's retiring Americans will likely outlive their finances, according to the American Association of Retired Persons (AARP) and the National Association of Insurance Commissioners (NAIC). Those who don't prepare may find that living well into their 80s or 90s may not be such a great experience.

When planning for retirement or for the later stages in life, keep in mind that at least half of the population over the age of 85 requires help with such activities as eating, bathing, cleaning house, shopping, and using the bathroom, according to a McGraw-Hill publication, *Planning for Long Term Care*, portions of which can be viewed at MetLife.com by searching for "long term care"

There are an estimated 83 million baby boomers in the US and recent studies suggest that between 6 million and 12 million of them will eventually need long term care. Many financial planners recommend long term care insurance (LTCI) as part of overall retirement planning because long term care is not covered by traditional health insurance policies.

LTCI is a product that catches the attention of seniors, but the ideal time to buy it is actually when you are in your early 50s and in good health. At that point, premium costs are lower, and less likely to have a pre-existing condition that disqualifies you.

In addition to MetLife.com, which has a handy checklist that may be helpful when comparing long term care policies, other informative websites include www.AARP.org and www.NAIC.org

Some benefits of LTCI:

- peace of mind if your family history predisposes you to certain diseases
- automatic inflation adjustments may be applied to the benefits, which keeps benefits from eroding with time
- coverage reimburses the insured for long term care expenses
- online tools available to help you decide which plan suits you best
- tax breaks are available for qualified LTCI policies, and generally the benefit payments received under such policies are tax-free•
- a portion of premiums may be tax-deductible, depending on your age and income (premiums can be deducted as long as you itemize deductions and your medical costs are in excess of 7.5% of adjusted gross income)

Some arguments against LTCI:

- preexisting conditions are often excluded from coverage
- inflation protection can be expensive
- typically, benefits are a fixed amount per day of reimbursed expenses or a set percentage, which may not fully cover the cost once you need the care
- insurers can also increase premiums for entire classes of individuals, such as all policyholders over the age of 70
- different policies may use different definitions, making it difficult to carry out an apples-to-apples comparison of policies

Long term care is generally not covered through government-provided plans. Medicaid's long term care program is not available to anyone who has more than \$2,000 in assets. The average annual cost of a private nursing home is now about \$55,000, or \$150 per day – with many facilities in large cities costing up to \$100,000 a year. Those costs are not covered by Medicare, with the exception of a few days in a skilled nursing facility after a hospital stay.

And no Medicare supplement policy covers custodial nursing care. State Medicaid programs cover nursing care for the indigent – but that means almost all assets and income must be spent down before the state will cover costs.

Although all US states have adopted some standards for LTCI to ensure consumer protection, insurance carriers can exit – and have exited – the business, leaving policyholders without coverage. Also, only 21 states have adopted critical consumer protections, such as shielding premiums from unreasonable rate increases.

Even though buying a policy when you are young and healthy is cheaper, premiums tend to increase as you get older, which may make LTCI harder no matter when it was originally purchased.

LTCI can be confusing, but insurers try to offer many benefits and options. The goal is to allow you to keep your assets if you need long term care, while offering many choices, from nursing home to in-home nurse, from assisted living to adult daycare. Some will even reimburse a family member for giving care, provided the person is licensed and/or qualified.

However, there are benefit limitations. According to the Health Insurance Association of America, LTCI policies typically cover about 70% of nursing home costs and 90% of assisted living costs. The average duration of coverage is about five years, and policies pay benefits for the full duration of expected care for about 85% of individuals who become disabled.

As you review a policy make sure you understand exactly what is being covered. Not all policies are alike – the business is growing (there were just 4.1 million policy holders in 1998) and coverages are constantly evolving, so study both the product and the pricing.

