

homemaker services. While custodial care is a non-skilled form of assistance, many consider it one of the most vital components of long-term care.

- **Is Alzheimer's disease covered?** Most policies cover Alzheimer's disease and other cognitive disorders, often referred to as "organically based mental conditions." If a policy excludes "mental disorders," check to see if organically based mental diseases are still covered.
- **When will benefits begin?** Generally, benefits begin when a physician determines that an individual is unable to perform two ADLs without assistance or that supervision is required due to cognitive impairment or dementia. A doctor or other health professional may also need to certify that the condition is expected to last at least 90 days.
- **How long will benefits last?** You have a choice as to the duration of your benefits, which may be available up to a lifetime maximum. Consider these factors: your age, the amount you can afford to pay for premiums, and your risk tolerance based on your health and the income and assets you expect to have in the future.
- **What is the daily benefit amount?** Generally, you may select a daily benefit amount, which is the maximum daily amount of expenses for care that the policy will pay. Policies may allow you to choose from \$50/day to as much as \$500/day. Some policies may specify benefits in terms of a monthly amount, giving you the flexibility to spend more on some days and less on other days, as needed.
- **Is there an elimination (or waiting) period?** With some policies, you will be required to

wait for a predetermined amount of time before receiving benefits. During this waiting period, you are responsible for expenses. Choosing a policy with a longer elimination period may reduce your premiums; however, with a shorter elimination period, you may be required to spend less of your own assets before the policy goes into effect.

- **Will premiums be waived when benefits are received?** A waiver of premium allows you to stop paying premiums while you are receiving benefits. Your policy may contain restrictions on this feature, such as requiring you to receive care for a certain number of days or sessions before premiums are waived.
- **Who can purchase long-term care insurance?** In general, individuals age 40 and over who are in moderately good health are eligible. Certain conditions may make it more difficult or costly to obtain a long-term care policy.

Preparing for Long-Term Care Needs

It is difficult to prepare for the possibility that you or someone you love may one day need long-term care. Your world could change dramatically, affecting not only your quality of life, but also your finances. While you may not see the need for long-term care on your horizon, it may touch your life through someone you love. The U.S. Department of Health and Human Services (HHS, 2011) estimates that about 70% of individuals over the age of 65 will require at least some type of long-term care services.

We don't know what the future holds. However, planning today for an uncertain tomorrow may help preserve your assets, provide options for care, and perhaps most importantly, bring you and your loved ones peace of mind.



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sometimes planning for the future is like gazing into a dense fog. It's nearly impossible to see what's ahead of us. We simply don't know what the future might bring. It can be especially difficult to contemplate the possibility of our own failing health or that of a loved one. Many of us avoid thinking about it or just hope for the best. We may assume we'll have the resources needed to cross that bridge when, and if, we come to it. However, our ability to meet the financial challenges associated with **long-term care**, for ourselves or a loved one, may be based on common misconceptions about the cost of care, the likelihood that we may need care, where that care will be provided, and the availability of public funding.

Long-term care refers to a variety of services that include medical and non-medical care to individuals with a chronic illness or disability. Long-term care helps meet health and personal needs. The majority of long-term care is to assist people, through various support services, with **activities of daily living (ADLs)**. ADLs refer to daily tasks such as dressing, bathing, eating, transferring, and toileting. An individual is generally considered to be in need of long-term care if he or she has difficulty performing two or more ADLs due to physical limitations, cognitive impairment, or both. Long-term care can be provided at home, in the community, in an assisted living facility, or in a nursing home.

Will You Need Long-Term Care?

What is the likelihood that you or someone you love may need long-term care? According to the U.S. Department of Health and Human Services (HHS, 2011), an estimated nine million people over age 65 will need long-term care this year. What's more, this number may increase to twelve million by 2020. Factors that may increase your

risk of needing long-term care include life expectancy, gender, and marital status.

According to the most recent study by the American Association of Retired Persons (AARP, 2011), most people are unaware of the actual costs associated with long-term care. The 2006 survey of Americans age 45 and older revealed that only 8% of respondents could estimate the cost of a nursing home stay within 20% of the national average; 17% of respondents did not know the cost; and 63% thought it would cost less than it actually does: \$75,192 per year. Furthermore, only 17% of respondents could accurately estimate the average monthly cost for assisted living: \$2,968 per month. *It is important to note that these figures are national averages. Actual costs vary widely from state to state. If cost of living is high in your state, costs for long-term care services may be well above the national average.*

Financial Considerations

Many people underestimate the cost of long-term care and overestimate the funding that will be available through public programs and private health insurance. Contrary to popular belief, **Medicare** — the government health insurance program for people age 65 and over, as well as for those under 65 with certain disabilities and chronic conditions — does not fund most long-term care services. Medicare only covers short-term care. It may also cover some nursing home or assisted living costs, but only for “skilled care” that is deemed medically necessary for the duration of an illness, usually limited to 100 days following a three-day hospital stay.

As a result, **Medicaid** has become the primary source of public funding for long-term care. But, because it is a government program designed to help those in financial need, individuals must

“spend down” their personal assets and meet the Federal poverty guidelines before qualifying for assistance. Once an individual has depleted his or her savings and assets have been reduced, he or she may qualify for nursing home care under Medicaid.

The Insurance Alternative

The good news is there is an alternative. **Long-term care insurance** can help cover long-term care expenses before you, or a loved one, becomes eligible for Medicaid. Long-term care insurance may allow you to keep more of your savings, while also alleviating the financial and caregiving burden on family members.

Long-term care insurance is designed to help you maintain your independence and quality of life, while offering increased options for care. Many policies assume the costs of nursing homes, assisted living/residential care facilities, adult day-care centers, and/or home care. The cost is typically based on your age, your current health, and specific policy features, such as scope of coverage, levels of care, and duration of benefits. Before purchasing a long-term care policy, consider the following:

- **Is the policy “qualified” under the Health Insurance Portability and Accountability Act (HIPAA)?** With a qualified long-term care policy, you may be able to deduct a portion of insurance premiums or unreimbursed expenses that exceed a certain percentage of your gross income. Only “qualified” policies meet the legislative requirements for tax deductions.
- **Is the policy guaranteed to be renewable?** With this protection, an insurer cannot cancel your policy, despite any changes in your health, unless you fail to make payments. Many

insurers provide a grace period, which allows for late payment before a policy is canceled.

- **Is the policy protected against inflation?** As prices increase over time, the purchasing power of a dollar decreases; in other words, more dollars are needed to purchase goods and services. Therefore, it is important to make sure your policy offers choices for inflation protection, such as an automatic increase in your benefit on an annual basis or a guaranteed right to increase your benefit. Some insurers offer inflation protection under a policy rider called a “benefit adjustment option.” There may be an additional charge for this rider.
- **Is there a pre-existing conditions clause?** While this stipulation is common, you may want to ensure that there is no more than a six-month exclusion for pre-existing conditions.
- **What are the coverage restrictions?** Comprehensive plans cover different types of care, including nursing homes, assisted living and residential care facilities, adult day-care centers, and home care, whereas non-comprehensive plans tend to restrict coverage to either nursing homes or home care. Some insurers only offer home care with a policy rider, often at an additional charge. There also may be stipulations regarding licensing and state certification requirements of long-term care facilities.
- **What levels of care are covered?** There are three main levels of care: **skilled**, **intermediate**, and **custodial**. Licensed medical professionals provide *skilled* care under the direct supervision of a physician. Nurses, therapists, and aides provide *intermediate* care, most often nursing and rehabilitation services, under the supervision of a physician. Home health aides provide *custodial* care, which includes companion and