

Long Term Care Insurance

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As baby boomers age, the need for long term care increases. It is estimated that 70% of people over 65 years old will require some type of long term care (acsiapartners.com). In the United States, nearly 16% of the population were in this rapidly growing demographic group as of 2020 (census.gov). Costs of long term care depend on the amount and type of care required. Helping clients understand the fundamentals of long term care coverage is another value-added service of the professional insurance agent.

According to the National Institutes of Health (NIH), long term care involves “a variety of services designed to meet a person’s health or personal health care needs during a short or long period of time.” The goal is to enable someone who cannot perform normal activities live as independently as possible. Although most long term care is provided in the home by unpaid family members, \$205 billion was spent on long term care services in 2015. Long term care coverage provides funds to pay for services that are not covered under traditional health insurance, such as assistance with daily activities such as bathing, dressing, or getting in and out of bed. Services may be provided in a number of locations, including at home, in adult day care, nursing homes or assisted living facilities. As an example, the median annual nursing home cost in 2019 was \$102,200 (Morningstar.com).

Long term care coverage is traditionally written as a stand-alone policy, with specified daily maximum limits for a prescribed period of time, often three years. Benefits start after the elimination period, typically 90 days, which means the insured must pay for the services as well as the insurance premium during that period of time. There is no provision to recoup premiums if the cover-

age is never used. A newer hybrid policy offers a life insurance component, which pays a death benefit in the event the insured never needs to use the coverage.

It may seem counterintuitive, but healthy people may actually be more in need of long term care coverage than those who are unhealthy. This is because healthy individuals tend to live longer, with women typically living longer than men. In fact, people with health issues may not be able to qualify to purchase long term care insurance. Therefore, it is important to purchase coverage when one is still healthy. Premiums may be locked in and not be increased if the insured’s health deteriorates.

There are a number of benefits of long term care coverage. Historically, the elderly were taken care of by family members. 34.2 million Americans supplied unpaid care to an adult age 50 or older in 2018 (Morningstar.com). As society has become more far flung, this is not always an option. Even for those with relatives living nearby, caring for someone who needs help is physically demanding and time consuming. This is especially difficult in cases of Alzheimer’s or dementia. Many people find themselves as part of the sandwich generation –responsible for caring for their parents and their children, in addition to holding down a job.

Long term care coverage is not for everyone. Those with significant assets can afford to fund their care. Medicaid will step in to provide care for those with limited assets. Coverage is attractive for those with modest assets that they want to pass on to their heirs. Long



term care insurance offers more flexibility in where services can be provided, such as an expanded choice of nursing homes or other facilities, than Medicaid. However, the premiums can be significant, so some people may decide it is worth the risk to invest the money elsewhere rather than paying for coverage they may never need.

Fraud is an unfortunate component of any insurance system. Examples of long term care fraud include billing for services that were not provided, or were not actually necessary, or kickbacks to doctors for referring patients. If facilities are being paid a flat daily fee, they may cut services to pad their profits.

Long term care can be needed by anyone at any time, not just the elderly. The expense can be substantial, so planning before the need arises is essential. Helping clients navigate the need for and the intricacies of long term care insurance is another sign of the true insurance professional.

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