

Information for Better Living

Long Term Care Insurance: Protect Your Retirement Years

What is Long Term Care?

Long term care includes a wide range of services for people with chronic physical illnesses, disabilities and cognitive disorders. Long term care is not traditional medical care such as you would receive in a hospital. Instead, it helps an individual maintain their lifestyle. Typical long term care services include assisted living services, home health care, and care in a nursing home.

Studies have shown that 45% of people who reach age 65 will need long term care at some point in their lifetime, with around 60% staying an average of 3.1 years.¹ And this statistic does not include the possible need for home health care.

¹LTCtree.com Staff Research May 2007.

What Does Long Term Care Cost?

The cost of long term care varies with the type of care, the level of care, and the facility or service providing the care. While costs also vary from state to state, it's expensive. Nationally, the 2008 average annual cost of nursing home care (private room) is in excess of \$77,380 per year.²

²Met Life Market Survey of NH & HC Costs, October 2008.

Will Medicare or Medicaid Cover My Long Term Care?

The answer for most people is "no." Medicare was never intended to cover long term care. Medicare will cover the cost of some skilled care in a nursing home or in your own home, but only for a limited time, and only if the care is medically required after a hospital stay.

Currently, Medicare will cover 100% of nursing home costs for 20 days, provided you have entered the nursing home after a hospital stay of at least three days. For the next 80 days, Medicare will pay everything but \$137.00 per day (year 2010) toward the cost of nursing home care. At that point Medicare coverage ends. In addition, you must be expected to recover from your illness and return home.

Medicaid is designed to pay medical costs for people who are impoverished and unable to contribute toward their own care. To qualify for Medicaid coverage of long term care you must meet federal guidelines.

If you have any savings or assets, such as a house, pension, IRA, you may have to "spend down" to meet these Medicaid guidelines. This means you may have to use up your retirement savings and sell your assets to pay for your own long term care costs before Medicaid pays (spousal protection laws allow a husband or wife who is not in a long term care situation to retain minimal income and assets).

How Will I Pay for Long Term Care?

For most Americans, the costs of nursing homes, assisted living and home health care services are paid out-of-pocket by individuals and their families. The money comes from retirement savings, pensions, CDs, the sale of assets, and contributions from children. To help avoid this financial burden, many people are buying long term care insurance.

How does Long Term Care Insurance Help Cover these Costs?

In simple terms, long term care insurance helps pay for care that you would otherwise have to pay for yourself. Depending on the level of coverage you choose, the insurance will assume some or all of the financial



Eglin Financial Services Investments & Retirement
Located at: Eglin Federal Credit Union

Tom Hayes

Representative

838 Eglin Parkway NE

Fort Walton Beach, FL 32547-2781

850.862.0111, Ext. 1321

Fax: 850.862.1341

tom.hayes@cnamutual.com

A retirement plan
without a plan to
pay for long term
care insurance is
really no plan at all.



Long term care insurance is more than just insurance... it's dignity, freedom and independence all in one package.

burden should you require care in a nursing home or assisted living facility, or if you require home health care.

What Kind of Long Term Care Policies are Available?

Long term care policies offer many combinations of benefits and coverage. Variables include benefit periods, daily/monthly benefit and elimination (deductible) periods. There are also many different premium levels, depending on the coverage you select and the age at which you purchase your policy. Choosing the right combination for your needs is an important part of the insurance purchasing process.

What Does a Long Term Care Policy Cover?

Some long term care policies cover only nursing home costs. Other policies cover only care in your home. Since nobody can really predict what kind of long term care services you may need, it may be best to purchase policies that cover care in nursing homes, assisted living facilities, and home health care.

These policies offer a pool of dollars that is available for whatever type of long term care services you may need. You pick the daily/monthly benefit you want, the total benefits to be paid, and when you want the benefits to begin (elimination period).

Many policies also cover registered nurses, physical therapists, speech therapists, home health aides, homemakers, companion care, adult day care, and respite care.

Can I Be Turned Down for Coverage? Will My Health Affect My Ability to Purchase a Policy?

Most companies ask you simple questions about your health and, depending on the answers, they may do more extensive underwriting, including examining your medical records and asking for a statement about your health from your doctor.

There are some medical conditions that will disqualify persons from obtaining coverage.

When do Benefits Start?

All policies contain "benefit triggers" that determine if and when benefits are payable. The triggers are based upon your inability to perform activities of daily living (commonly known as ADLs, they include bathing, continence, dressing, eating, toileting, and transferring). A person is eligible to file a claim for benefits under a tax qualified plan when they no longer can perform two of six activities of daily living (expected to last 90 days or more as certified by physician) or have a cognitive impairment.

Your benefits generally won't begin the very first day you enter a nursing home or begin receiving home care. Your benefits may begin a specified number of days after you begin receiving care, depending on the elimination period you select when you buy your policy.

What if Long Term Care Costs Go Up?

Protection against inflation is an important option to consider when buying long term care insurance. If you select a Benefit Increase Option your daily benefit will increase over time to help keep pace with the increasing costs of long term care. The younger you are when you purchase a policy, the more important it is for you to consider choosing a benefit increase option.

Can I Renew My Coverage?

All long term care policies are guaranteed renewable. That means the insurance company guarantees that it will allow you the opportunity to renew your policy in order to maintain coverage. It does not mean that your premium will remain the same. Premiums may be increased on a class basis; your premiums won't increase just because you get older.

When Should I Purchase a Long Term Care Policy?

By purchasing insurance at an earlier age, you may reduce cumulative premiums. Also, the younger you are, the better your health may be when you're applying for coverage. Many people buy long term care insurance in their 50's or 60's.