

LTC Planning

Are YOU Prepared to Pay for Long Term Care?

With costs for long term care expected to *quadruple* by the time America's 77 million baby boomers reach retirement age,¹ there's no time like right now to learn how you can help protect your assets

KNOW YOUR OPTIONS FOR MANAGING LONG TERM CARE COSTS

Long term care can be very expensive. As a national average, a year in a nursing home is estimated to cost as much as \$57,765,² with that cost doubling in some areas of the country. Home care can be less expensive, but it still adds up. Bringing an aide in to your home five times a week (two to three hours per visit) to help with dressing, bathing, preparing meals and similar household chores, can easily cost \$2,900³ a month.

So who pays for long term care?

MEDICAID, MEDICARE AND MEDICARE SUPPLEMENT INSURANCE*

Many people begin paying for long term care on their own, but find that their savings are not enough to cover more than a few years of care. If they become impoverished, they turn to Medicaid to pay the bills. Because nursing home care is the primary type of care funded by Medicaid, this usually means entering or relocating to a Medicaid-approved nursing home. Turning to Medicaid once meant impoverishing the spouse who remained at home as well, but changes in the law, permit the at-home spouse to retain certain levels of assets and income.

If you are eligible for Medicare some costs are picked up by Medicare – but only for short-term skilled nursing home care following hospitalization and for some skilled at-home care when needed for short-term unstable conditions.

Medicare supplement insurance (often called Medigap or MedSupp) is private insurance that helps cover some of the gaps in Medicare coverage. Those gaps include hospital deductibles, doctors' deductibles and coinsurance payments – or what Medicare considers excess physician charges – but they do not include long term care.

(continued)



HEALTH INSURANCE

Generally, neither the health insurance you may have on your own or through an employer will pay for long term care.

PERSONAL SAVINGS

Considering what you've learned about the cost of long term care, how long would your savings last in the face of an ongoing long term care need?

If you're like many of us, your personal savings could not withstand several years of long term care costs. Caregivers, or those in need of long term care, often sacrifice savings earmarked for college tuition, retirement or an inheritance for the next generation. Once these savings are depleted, Medicaid becomes the only option.

LONG TERM CARE INSURANCE

One option that many people are choosing is long term care insurance. Like other types of insurance, long term care insurance allows you to pay a pre-set premium that fits your budget and helps offset the risk of much larger out-of-pocket expenses.

It's important to know that in return for your premium, long term care insurance policies pay for expenses associated with long term care up to the policy limits that you choose.

No one can predict what type of care they'll need in the future, or what the costs will be. But since the risk of having long term care expenses is very real, and long term care can be very expensive, you need to consider the best way to manage this risk and preserve your assets.

WILL LONG TERM CARE BE A PART OF YOUR FUTURE?

Thanks to advances in medicine and a greater understanding of how we stay healthy, we're all living longer. But while the number of older people increases rapidly, changes in families (more childless, one-child and step-families) and the increasing participation of women in the workforce, mean that the numbers of those available to provide informal care for aging baby boomers is decreasing.

What does all this mean for your long term care needs in the future? It means that you need to plan now for the care you may need independently of relatives who could once be relied upon for help. A long term care policy would provide the funds to help pay for the care you may need.

FICTION AND FACT ABOUT LONG TERM CARE

Fiction: Long term care insurance only covers care in a nursing home.

FACT: Comprehensive long term care insurance policies cover a variety of living options. Benefits that cover home health and assisted care facilities are just a few of the options available.

Fiction: Planning ahead for long term care is more important for men than it is for women

FACT: Planning for long term care is particularly important for women. Women experience greater longevity and accumulate fewer assets than their male counterparts, making it even more crucial for them to plan ahead for their own quality of care.

What is long term care?

Long term care is the type of help you may need when you are not able to perform daily activities such as eating, bathing and dressing by yourself due to a lengthy illness, disability, or cognitive disorder. Typically, it's not provided by doctors or skilled nursing professionals and its goal isn't to cure you of an illness. You might receive care at home, in your community, in a nursing home, or in another residential setting.

For many consumers, long term care insurance is the answer to their concerns about the cost of long term care. Both young and old can be affected as either a receiver or provider of care.

¹ The American Council of Life Insurance, "Can Aging Boomers Avoid the Nursing Home?," 2000.

^{2, 3} Met Life Mature Market Institute, Market Survey of Nursing Home and Home Care Costs, August 2003.

* For more information regarding benefits provided by Medicare or Medicaid, visit www.cms.hhs.gov. Medicaid guidelines vary by state. Contact your local Medicaid office for details.