Long Term Care Insurance

2025 Consumer Guide

LONG TERM CARE ASSOCIATES

AMERICA'S LEADING RESOURCE FOR LONG TERM CARE INSURANCE

Welcome

"Most Americans underestimate the risk of outliving their financial resources in retirement or experience economic hardship stemming from large, unanticipated health and longterm care costs in later life."[1]

Reading this Guide and talking with the person who gave it to you are both important steps. Steps to preserve your quality of life and your financial future — and that of your family — regardless of what the future may hold.

What is long term care? It's extended care that's help with activities of daily living (such as dressing and bathing), and/or care needed due to severe cognitive impairment (such as Alzheimer's disease). Long term care can be received at home or at a facility such as an assisted living facility or a nursing home. This care can be very expensive, and is a great threat to financial security in retirement.

The longer we live, the more likely it is that we'll need extended care before we die. So, a healthy 55-year-old may actually have a higher risk of needing extended care than an unhealthy 55-year-old.

What are the odds? We wrote earlier that most people underestimate the risk of needing long term care. Leading research tells us that more than half (52%) of Americans turning 65 today will need extended care.[2]

What would happen to your family members — emotionally, physically and financially — if you live a long life and need care for a few years?

What Does Long Term Care Cost?

True cost is more than dollars and cents

Long term care is expensive, even in some cases where no monetary payment for the care is involved. How is this possible? It's because much of the care that takes place in the United States today is unpaid. Often referred to as "informal" care, this unpaid care is provided by relatives and friends.

However, this unpaid care does have a cost. Although loved ones may be willing and happy to help, the burden of being a caregiver can be great. Long term care can be physically demanding, especially for an untrained caregiver. Emotional costs can also be tremendous. Time spent caring for a parent can add up, taking precious time away from a spouse and children, as well as a job. As a result, there may be a heavy toll both economically and emotionally. Many caregivers end up scaling back their own careers— not only compromising their current income, but also their future financial security.

The question is not whether your loved ones will take care of you if you need long term care; the question is instead, would you want them to have to do it?

Professional Care Costs

According to a comprehensive report[3] the national median cost for either a home health aide or for homemaker services is $33/hour. The national median for assisted living facilities is $64,200/year, with a private nursing home room costing $116,800.[3] It is important to keep in mind that costs can vary dramatically depending on location. The person who sent you this Guide can show you exact up-to-date costs in your area.

Smart Buying Tip: Shared Care Policies Can Be Cost Efficient

Spouses or other cohabitants can purchase policies that allow the benefits to be used by either person. These policies not only bring flexibility, but they can also be more cost-effective than individual policies. On a related note: some insurers offer significant discounts to couples/cohabitants who buy policies.

How Do People Pay for Professional Long Term Care?

Most long term care is paid by one of the following:

- personal funds,
- government programs, or
- long term care insurance.

Personal funds may involve drawing down retirement savings, other assets or using retirement income. Sometimes paying for long term care even involves funds provided by adult children.

Medicare Won't Pay

Medicare health coverage is designed primarily to cover medically-necessary care, skilled care, and some preventative screenings.

The Medicare website itself states, "*Medicare and most health insurance, including Medicare Supplement Insurance (Medigap), don't pay for long-term care." The site goes on to define long term care and to say "You may be eligible for this care through Medicaid, or you can choose to buy private long-term care insurance."* [4]

Medicaid Is a Payer of Last Resort
Medicaid is a means-tested government program designed to provide health care and long term care for the poor. Here's one of the biggest reasons people don't want to rely on Medicaid: it pays primarily for nursing home care, the kind of care most of us want to avoid!

In the majority of states, in order to qualify for Medicaid, an individual is only allowed to have $2,000 of (countable) assets to her name. Countable assets generally include all investments and assets, with the exception of business property and most primary residences. Legislative reform has made it virtually impossible for an individual (whether unmarried, widow or widower) to do the kind of last-minute Medicaid planning that was once commonplace.

Unlike Medicare and Social Security, Medicaid is not a program that we pay into through payroll taxes. Medicaid is funded jointly by tax receipts of both the federal government and the state government where the applicant resides.

Most people are concerned about the long-term sustainability of government programs, including Medicaid. Speculation abounds that it will become even tougher to qualify for Medicaid in the future.

Smart Buying Tip: Work With Someone Who Represents Multiple Companies

As Abraham Maslow said, "If your only tool is a hammer, everything looks like a nail." Most people will benefit from working with an agent who doesn't recommend the same insurer to everyone. Not only do available plans vary among insurance companies, but premiums for the same type of coverage can vary dramatically. An agent who represents multiple companies can recommend the plan best suited to your situation, health and budget.

Tax Deductions and Other Incentives

For many years, the federal government and individual state governments have encouraged people to do long term care planning and purchase long term care insurance.

There are two primary types of incentives:
- tax deductions/credits, and
- Partnership Programs.

These are explained in the Guide *Tax Breaks and Incentives for Long Term Care Insurance*. Ask the person who gave you this information for a copy. Your best source for tax incentives is always your personal tax advisor.

Smart Buying Tip: What to Know About Premium Stability

Modern long term care insurance was a new product in the 1990s. Many early policies have had rate increases, and — now that there is historical data available — insurers have changed the pricing on new policies in an effort to avoid or minimize future rate increases. Regulators and industry experts agree today's policies are priced for much greater premium stability.

Basic Policy Design Terms

Daily Benefit – The maximum daily (or monthly) amount the insurer will pay, once you have qualified for benefits.

Elimination Period – Like a deductible, this is the number of days that must pass between benefit eligibility and the start of benefits. This can be either defined in a policy by service day (a day on which you pay for covered services), or by calendar day (you don't need to pay for services for the day to count)..

Inflation Provisions – Built-in inflation coverage is an optional benefit or rider that can be selected when purchasing coverage. It increases the policy's benefit automatically on the policy's anniversary date, with no action required on the part of the insured, and — most importantly — with no health questions. Other inflation provisions, such as options to purchase more coverage in the future at additional cost, are sometimes available.

Benefit Period – When a claim is approved, the benefit period is the number of years that the policy will pay for covered services, assuming the full daily benefit were to be used up each day. Policyholders who use less than their full daily benefit may find that their policy's benefit period is effectively extended. For example, most policies with a $300 daily benefit and a 2-year benefit period would actually pay out for 4 years if care costs only $150/day!

Who Buys Long Term Care Insurance, and What Do They Buy?

It's difficult to discuss typical buyers and their policies, since policies vary so much. However, the information compiled below may be helpful as you consider long term care insurance. It's wise to keep in mind that your best course of action may bear little resemblance to the purchasing behavior of others.

In 2023 (the last year for which numbers are available), the average purchase age is 57. And, 44% of purchasers are between the ages of 60-74.[5] The most popular benefit period is 3 years. The most popular elimination period is 90 days.[6]

A Personal Action Plan

None of us knows for sure whether or not we will need long term care. What we do know is that the care is expensive, and the need for care can last for years.

What we also know is this: it's smart for each of us to have a plan in place to help pay for long term care. A plan helps lift the burden from the shoulders of our loved ones. A plan to provide money at the most vulnerable time in our adult lives. A plan to help us maintain the retirement that we were counting on—one with dignity and quality of life.

Smart Buying Tip: Linked Benefit Products

- Combination products are available that couple long term care insurance with life insurance products, including annuities.
- You may be able to use the cash value in an existing life insurance, annuity or a qualified pension account to purchase long term care insurance with no additional out-of-pocket expense. And, the transaction may have no tax consequences!

IRC Sec. 7702B(e)(1) and 7702B(e)(2)

However, having a plan in mind—without taking any action to make it a reality—will be useless when the need for care arrives. To benefit from the knowledge you have just learned, take action now. Call the person who gave you this information, and decide whether or not to purchase long term care insurance

Taking action now can help ensure that you have the resources to pay for the kind of care you want. In addition, your plan will most likely allow you to substantially lift the burden of caregiving off your loved ones.

Go ahead and take the logical next step — contact the person who gave you this Guide to learn more about your options in long term care insurance policies.

Smart Buying Tip: Set Yourself a Deadline

Time is your enemy when it comes to purchasing long term care insurance. The older your age is at the time you buy a particular policy with a particular policy design, the higher the premium. But, more importantly, you must be relatively healthy to purchase long term care insurance, and health can change at any time.

By completing an application now and including a refundable deposit, you can lock in your present state of health and your age. Deposits are totally refundable if you change your mind for any reason during the application process, through what is called the 'free look' period once your policy is delivered.[7]

It's a great idea to set a deadline for making your decision.

Disclaimer

The information within this guide is provided for educational purposes only and should not be construed as insurance advice. Please consult your licensed insurance professional for advice regarding your specific circumstances.

References

1. U.S. Department of Health and Human Services, ASPE Issue Brief, "Most Older Adults are Likely to Need and Use Long-Term Services and Supports" January 2021 https://aspe.hhs.gov/reports/most-older-adults-are-likely-need-use-long-term-services-supports-issue-brief-0
2. Health & Human Services, ASPE Research Brief "Long-Term Services and Supports for Older Americans: Risks and Financing" updated Feb. 2016
3. Genworth Cost of Care Survey 2023 https://www.genworth.com/aging-and-you/finances/cost-of-care
4. https://www.medicare.gov/coverage/long-term-care
5. "2024 Milliman Long Term Care Insurance Survey" *Broker World*. https://brokerworldmag.com/2024-milliman-long-term-care-insurance-survey/
6. Ibid.
7. Free look period may vary – ask the person who sent you this Guide.

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