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Elder Law: Should you buy long-term care insurance?

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Most of us will, at some point in our life, need long-term care services whether provided in an institution (assisted living or nursing facility) or in our homes.

Long-term care refers to a broad spectrum of health, social and environmental support services and assistance provided by paid and unpaid caregivers in the home and community as well as in facilities providing varying levels of care to individuals who are limited in their physical or mental ability to function independently on a daily basis. Examples are: home care, adult day care, hospice care and continuing care retirement communities.

A 2010 national survey, however, found that only 35 percent of those polled thought they would need long-term services.

Our life expectancies are continuing to increase; a female will average a life expectancy of almost 81 years and a male, 75.5 years. However, these are only averages. If you want to have some fun, try this website: www.livingto100.com to see how long you may actually expect to live.

Long-term care is expensive, averaging in Pennsylvania almost $95,000 a year for nursing facility care. In addition, for those receiving services at home, hourly private home health aides' rates can average $23 an hour. If someone is receiving 15 hours of care a week at home, he would pay almost $18,000 a year for those services.

Medicare covers only short-term nursing facility care and certain forms of home care. Nationally, Medicare represents approximately 17 percent of total nursing home expenditures with Medicaid paying about 50 percent, those paying out of pocket about 26 percent and those with private insurance only 7 percent.

Long-term care insurance isn't for everyone; neither is self-insuring (paying for care out of income and resources -- collectively called "assets"). A key consideration is the individual's health status: Is he insurable; i.e., can he be "medically underwritten"? Then it's a business decision on whether financial circumstances make buying long-term care insurance a good move.

What are some of the basic factors to consider once you've made the decision to investigate coverage? Here's an overview:

1. **The Elimination Period:** This is the time between the beginning of a claim and when you are actually eligible to receive benefits. Before you're eligible to receive benefits, you will have to pay for care out of your assets. However, the longer the elimination period, the less the premium expense. So, rather than a 30-day period, you may want to self-insure or take a 60-, 90- or 180-day period.

2. **The Benefit Period:** This is the number of years for which you want to be insured after meeting the elimination period requirements. Remember, the average length of stay in a nursing facility is approximately 21/2 years, but that's only an average. The longer the benefit period you select, the higher the premium

3. **Inflation Riders:** These are designed to provide some degree of protection against the increasing annual cost of long-term care. They can be calculated at a simple or compound percentage rate, and you should look at these riders based upon your age; the older you are (say 70+), the simple rate may make more economic sense to you. The compound rate can be one of the more expensive premium options in a policy.

4. **"Shared Benefits":** This is a benefit that can be shared between you and your spouse so that one spouse can use the benefits of the other's policy. It can be a complicated benefit to structure but one well worth looking at.

5. **Premiums:** These can vary widely by insurance carrier for similar benefits; one study has shown more than a 45 percent difference in premium rates. Shop around using someone familiar with multiple insurance companies and get competitive quotes. It's your money, and the premiums do have to be paid each year to keep the coverage in effect.

6. **Financial Stability of the Insurance Carrier:** Is the carrier going to be around when you need the coverage? One needs to examine the company's financial stability, its premium increase history and its claims paying history.

For most people, considering the purchase of long-term care insurance is a risk management strategy for covering the possibility of long-term care needs, not necessarily now, but in the future. Thus, put the same effort into evaluating its role in your overall financial and health care strategies as you would any other insurance purchase.

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