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Long-term Care Insurance

Longer life spans, and the corresponding health issues associated with old age, have forced millions of Americans to face the difficult prospect of paying for costly long-term care. Experts estimate that more than 40% of all Americans will spend time in a nursing home during their lifetimes, at a current cost of \$40,000 to \$80,000 per year. The issue of how to pay for this long-term care has become a major concern for Americans.

One way consumers look to provide for long-term care is by purchasing long-term care insurance. Unlike traditional health insurance, which covers medically-necessary care for those who are sick or disabled, long-term-care insurance provides benefits to policyholders who need daily assistance with basic tasks such as eating and bathing. Most long-term-care insurance plans will cover the costs of nursing homes, assisted-living facilities, adult day care and even in-house care. Long-term care insurance can be expensive, however, and offers differing levels of coverage and varying premiums that may not make it right for everyone.

In general, we advocate our clients consider long-term care insurance in concert with their age and overall finances. Long-term care insurance should not be purchased before age 60 except by those with chronic illnesses. People purchasing insurance at an earlier age might pay annual premiums for 30+ years without knowing if they will ever need care.

For people with less than \$200,000 in total assets, long-term care insurance rarely makes sense because Medicaid will likely pay their nursing-home expenses. Similarly, people with a net worth in excess of \$1.5 million can easily afford nursing-home and home-care costs, so this ability to “self-insure” makes insurance an unnecessary expense.

The solution for people with between \$200,000 and \$1.5 million in total assets is likely specific to the individual. People should consider their (and their family’s) health history, alternative sources of future care and their willingness to shoulder some, or all, of the risk themselves. Although many people might consider – and benefit from – self-insuring the entire risk, there are also reasons to consider shifting part of the risk to an insurer. This would be particularly true for someone with a chronic illness, no family member to care for them, or if they would like to protect their assets for other reasons.