

WHY YOU SHOULD CONSIDER BUYING LONG-TERM CARE INSURANCE

Many Americans know that they, their spouse or perhaps their parents may well require long-term care at some point in their life—perhaps for life—either at home or in a long-term care (LTC) facility. And many Americans know that the cost of this care is not cheap. The average annual cost for a nursing home is roughly \$45,000—double that in some areas. The United Seniors Health Cooperative projects that average nursing home costs will double in the next decade.

Currently, most people rely on one of two ways to pay the bills: out of their own pockets or out of the government's pockets. Only a small percentage rely on what most experts agree is the best way to pay for long-term care: private insurance. According to a 1998 report by the American Council of Life Insurance (ACLI), "about six percent of elderly people and a very small number of baby boomers have purchased long-term care insurance."

Here are several reasons why you should strongly consider buying a private policy instead of relying on government support or exhausting your own savings and income.

Treat it like any other type of insurance. You wouldn't think of going without homeowner's, medical, auto or life insurance. So why go without insurance that protects you from the financial devastation of long-term health care?

Don't rely on the kids. Most people don't want to be so poor that they have to rely on their children, and caregiving is very expensive to the caregiver in terms of lost wages, future benefits and so on. Furthermore, baby boomers have fewer children to rely on for at-home care and children tend to be more scattered than they once were.

Medicare doesn't pick up most of the tab. Many people believe that Medicare will pick up the tab for long-term health care. Medicare pays for limited nursing home care (skilled care for 100 days or less) and limited home health care. It doesn't pay for long term custodial care.

Avoid Medicaid. Medicaid, the federal/state health care program for the poor, will pay up to lifetime for long-term care, but to qualify for Medicaid, you must be impoverished. Rules vary from state to state, but generally you must have less than \$2,000 in financial assets, not

counting your home, and income is limited. Your spouse can keep more, but is still severely limited in assets and income.

Also understand that Medicaid doesn't pay all the costs of the nursing home bill that you can't. You will still have to direct any of your income, such as Social Security and pension income, to the nursing home to supplement Medicaid. Furthermore, Medicaid programs are required to recover expenses from the recipient's estate once the recipient dies. That means when your heirs sell your home the profits may go to Medicaid to help repay the bill.

Don't have to transfer assets. Some Medicaid experts recommend strategies for people to give away assets to their heirs to deliberately impoverish themselves so they qualify for Medicaid. But most people don't want to transfer assets they will likely need for retirement, nor do they want to intentionally impoverish themselves, out of pride and because of the emotional trauma of poverty.

Better alternatives to nursing homes. Most people want more options for care alternatives. Most LTC policies pay for at-home care, as well as the increasingly popular assisted living facilities, most of whom don't take Medicaid patients. A policy also will pay for adult day care, respite care, home modifications, and other housing alternatives.

Maximize nursing home choice. Because Medicaid reimburses nursing homes at below the going rate, many nursing homes limit the number of beds available for Medicaid patients, and some don't have any. This may mean a wait to get to an available nursing home, or you may be forced to move farther away from your loved ones just to get a bed.

Maximize quality of care. If you start out as a private-pay patient, and later switch to Medicaid because you have exhausted your financial resources, the nursing home cannot kick you out. It also technically cannot reduce the quality of care. However, homes frequently transfer Medicaid patients to different rooms (say from a single to a double) or even to a different facility.