



# Prepare for Long-Term Care Before the Need

*Despite the dollars, fears and emotions – you can manage with planning*

Long-term care (LTC) keeps you functioning in the face of devastating illnesses, disabilities and prolonged disorders such as Alzheimer's disease. LTC kicks in when you lose the ability to care for yourself and can no longer do things such as bathe, dress or eat without help. These are three of the six most commonly listed activities of daily living, or ADLs. The care obviously comes with lots of emotions – and rising costs you can start addressing now.

LTC stands to impact more than 70% of Americans – including the aging tidal wave of baby boomers – at some point in their lives. More than 11 million Americans need LTC now, with almost half (43%) needing the care while still younger than 65.

## Rising Costs of LTC

Costs vary depending on where you live, as well as the type of care you need and for how long, but the costs can come close to \$100,000 per year.

Below are some national average costs for long-term care in the United States as published by LongTermCare.gov:

- \$225 a day or \$6,844 per month for a semi-private room in a nursing home
- \$253 a day or \$7,698 per month for a private room in a nursing home

- \$119 a day or \$3,628 per month for care in an assisted living facility (for a one-bedroom unit)
- \$20.50 an hour for a health aide
- \$20 an hour for homemaker services
- \$68 per day for services in an adult day health care center

Further, the average need for care lasts about three years – 2.2 years for men and 3.7 years for women – according to the National Clearinghouse for Long Term Care Information. So, you can see how quickly the costs add up in just a short time.

## How to Plan for LTC

Many believe that once you turn 65 Medicare pays for LTC. No: Medicare and Medicare supplements focus on medical acute care and short-term services for conditions expected to improve.

If you don't get better, Medicare will only pay, in whole or in part, for your first 100 days of LTC. After that, you're on your own to come up with the money.

Depending on your current financial situation, to take preemptive steps about LTC you can:

**Pay with your own money.** Some seniors will in fact pay less than \$25,000 in private out-of-pocket expenses for nursing home care during their lifetime,

and others will pay \$100,000 or more annually for LTC for longer than five years.

Consider these questions before choosing this funding option. Are you in the former group, or the latter? Are your resources sufficient to cover both the costs of LTC and the standard of living of your spouse who isn't receiving care? Are family members willing and able to provide in-kind cost savings by being your caregivers?

**Buy an LTC insurance policy.** The American Association for Long-Term Care Insurance finds that only 8 million Americans hold LTC policies. LTC insurance can cover nursing-home care, home-health care and personal or adult day care for those who have a chronic or disabling condition that needs constant supervision.

**Know what to expect.** According to a Milliman Individual LTCi Survey, insurers reject a fifth of plan applicants. Initial premiums increase proportionate to age at application and some insurance companies can increase premiums on existing policies. If this option seems right for you, look for a policy with a shared care provision to transfer unused benefits from a deceased spouse or partner to the survivor. Find out if your state participates in the long-term care partnership program and what the policy qualifications are.

**Buy a life insurance or annuity contract with a specialty rider regarding payment for LTC.** Some new hybrid policies combine features of life insurance or annuities with LTC benefits – though many require a single up front lump sum premium that not everyone can afford. Still, those who want to retain greater flexibility of their resources, or are concerned about the possible underwriting obstacles of a traditional LTC insurance policy, can consider this alternative.

**Rely on Medicaid.** Some default to Medicaid for LTC based on income and savings levels. Others spend down their assets paying for LTC and then qualify for Medicaid funded LTC. Paying with your own money and buying individual insurance policies are costly ways of funding LTC and not appropriate for everyone. Learn what to expect from Medicaid before you make your first claim.

Prepare for your future LTC well before the need arises. Despite the dollars, emotions and fears involved, you can manage the process.

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