

Understanding Long Term Care Insurance



Your Green® with
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What is Long Term Care (LTC) and who should have it? LTC is insurance that pays all or part of the care you may need should you become unable to care for yourself due to some form of disability – whether that care is rendered from home, from a loved one's home, or in a care facility. It is not income replacement, such as would be found under a disability policy.

Many don't realize long term care is generally not covered by health or disability insurance and there is only very minimal coverage provided by Medicare. **In**

general, long-term care protection makes sense for people with a net worth of somewhere around \$250,000 - \$3million. Those with less will exhaust their assets to qualify for Medicaid; those with more can self-fund their care, but may not want to assume the risk.

I recommend Long Term Care (LTC) insurance for many of my clients. **More than one-half of them will develop a disability serious enough to require LTC for some period of time in their lives after turning 65** (Source: *aspe.hhs.gov*). As we age, the likelihood of someone facing an illness or injury that requires outside care is great. **Care can be financially devastating without adequate coverage, and knowing you have more say about your care gives many comfort.**

How can I get LTC coverage and what will it cost? Although some employers offer group coverage at lower rates, most end up needing individual policies. These policies are not cheap, and waiting until you are older to obtain coverage only increases the premium cost. To give you an idea of how much LTC insurance policy may cost, the average annual premium for a couple age 55 is \$5,025 (*plan with an initial pool of benefits equal to \$165,000, benefits grow at 3% yearly*). Waiting until age 60 results in a 15% increase, on average, to \$5,800. (Source: *American Association for Long-Term Care Insurance, 2024, www.aaltci.org*).

LTC insurance has continued getting more and more expensive due to an aging population and increased care costs. Policy premiums may increase significantly over time, and the benefits (term of coverage, daily benefits, and inflation riders etc.) available have been reduced or have become more costly. **In spite of the rising cost of protection, the expense of care can be enormous if you don't have insurance, and it is also growing. The median cost of annual care ranges from \$26,000 for adult daycare up to \$116,800 for a private nursing home room.** (Source: *Genworth 2023 Cost of Care Study by CareScout*).

To provide alternatives to traditional LTC insurance, newer hybrid products have been created that combine LTC coverage and life insurance/other insurance products. Hybrid policies also may offer a way to keep the cost level over time. Traditional LTC insurance pays out only if an individual has a long-term care need. With hybrid LTC/Life policies, if you died without needing long-term care, the full death benefit would be paid out to your heirs. However, if there was a LTC need, that expense would reduce the cash value of the policy accordingly. There are pros and cons to the various ways to obtain coverage, and each situation and policy is different.

One of the biggest issues with LTC is that medical underwriting is required to obtain coverage. Many people wait until they have health issues that disqualify them from coverage, or that greatly

increase the cost of such coverage.

Those who talk themselves out of LTC coverage often do so because they convince themselves "*it will never happen to me*" or expect someone in their family will care for them. Across the United States, an estimated 38 million people, about 11.5% of the population, are taking care of loved ones in 2023. (Source: *Valuing the Invaluable 2023, AARP Public Policy Institute*).

What do I need to ask about a LTC policy?

- What does it take to initiate a claim?
- What is the elimination period or waiting period before benefits are payable?
- What is the benefit that will be paid – how much and for how long?
- Can the premiums increase or are they fixed?
- Does the policy provide for inflation increases to help cover the rising cost of care over time?
- How is the insurer rated? Look for an "A" rating by A.M. Best and "strong" by Standard and Poor's and Moody's.
- What exactly does your policy cover? For instance, if you want home care coverage, will you get to choose your caregiver or will they determine the provider?

How can I make sure I am fully utilizing my benefits?

Many people who have LTC policies are not aware of the wide range of benefits available, and as such, underutilize their policies. For instance, even before the elimination period is satisfied, many policies contain benefits to help with care needs, such as providing assistance coordinating caregivers; developing a plan of care, as well as monitoring the care and support services received. A policy may cover expenses incurred to train an informal (unpaid) caregiver, such as a family member, to care for the covered insured in his or her home if the health situation permits that to occur.

A policy may also cover, even prior to the satisfaction of the elimination period, the purchase or rental of supportive equipment that allows the covered person to remain in their home; such as an adjustable bed, a ramp for access in the residence, or even pumps for intravenous injections. Some policies contain a home care benefit that actually provides coverage for home health care aids, adult day care, and hospice care without an elimination period. For these potential benefits alone, it is critical the insurance company be contacted from the very beginning.

A LTC policy can provide much needed protection – no matter what type you choose. If you wish to review your situation and hear our recommendations, please contact us at 770-931-1414 or via www.RogerSGreen.com for a no-cost, no obligation consultation on this and any other financial/retirement planning issues on your mind.

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