

# Long Term Care Considerations

Long term care insurance is just that – insurance. Will you need it? No one can answer that any more than you know whether you need homeowner’s insurance coverage for a fire that might or might not happen sometime in the future. But if that fire happens, you will be thankful for the premiums you have paid. Just the same, if you need long term care, all of a sudden those premiums you paid look like a good investment and not just a regular expense item or a waste of money!

Both Medicare and Medicaid cover only very limited costs associated with long term care. To illustrate that point, Medicare only pays for long term care if you require skilled services or rehabilitative care. It does not pay for non-skilled assistance with Activities of Daily Living (ADL), which make up the majority of long term care services (getting up in the morning, bathing, dressing, etc.). There are some very strict eligibility requirements for Medicaid; for example, you must exhaust almost all of your lifetime of savings, although Florida allows people to establish what are called Qualified Income Trusts, Qualified Disabled Trusts, or Qualified Pooled Trusts for the Disabled. These allow a family to set aside some money and still qualify for Medicaid. Such Trusts must be carefully prepared to meet the legal requirements. This emphasizes the problem; you either can or will exhaust a lifetime of savings paying for nursing home or assisted living expenses very quickly.

However, long term care insurance coverage is not for everyone or every situation. The coverage is, like any other insurance coverage, a contract of insurance coverage that is extremely complex and difficult for anyone other than an eldercare specialist lawyer to understand.

Whether you should invest in a long term care policy depends on many circumstances and variables. Often there are too many uncertainties to allow you to determine years in advance if this is a good buy.

Consider the following:

- Your age – you should be between the ages of 40 and 84;
- You have significant assets to protect;
- You can afford to pay the premiums both now and in the future; and/or
- You are in good health and are insurable.

## What Will it Cost?

Coverage is often expensive, even to the point of being very expensive. Not to excuse, but rather to explain the high cost, consider the fact that medical expenses, nursing care and assisted living care for an unknown number of years in a very uncertain future cause the premiums for a long term care policy to be what they are. The risk for the insurance carrier is equally uncertain and high. The cost of a policy depends on many factors, including the amount of coverage,

the length of payments that might have to be paid by the carrier, and the care options. The cost of premiums is highly dependent on your age when you purchase the policy. The younger you are when you purchase a policy, the lower your premiums will be, but the longer you will have to pay the premiums.

## Serious Policy Considerations

In Florida, the number of options is not high, but shop around anyway. Do not buy from the first sales person and ignore pressure tactics or pricing “specials.” Do not bargain down the benefits to a point where you can afford it, but what you have isn’t worth it. Work through in advance what you think you might need, factor in reasonable inflation and as a part of that, know what features and benefits are important to you. Some options and thoughts to consider include:

1. Consider the financial strength of the long term care company. You do not want to pay premiums for twenty years only to discover that the company is insolvent and your policy of coverage is an illusion.
2. You should plan on buying enough coverage, which combined with your disposable monthly income, will be sufficient for your projected expenses. How much is that? It depends upon how far away in time your needs are and what they are. To illustrate that, the average costs for long term care in the United States in 2016 (as published on [longtermcare.gov](http://longtermcare.gov)) were:
  - \$244.01 per day or \$7,422 per month for a semi-private room in a nursing home
  - \$275.01 per day or \$8,365 per month for a private room in a nursing home
  - \$3,045 per month for care in an assisted living facility (for a one-bedroom unit)
  - \$22.60 per hour for a home health aide
  - \$21.16 per hour for homemaker services
  - \$1,365 per month for services in an adult day health care center

You may wish to study and consider the resources available at the website of the U.S. Department of Health and Human Services at <https://longtermcare.acl.gov/costs-how-to-pay/costs-of-care.html> where there is a planning feature allowing you to look at what should be considered depending upon different age groups.

Further, the cost of long term care depends on the type and duration of care you need, the provider you use, and where you live. Costs can be affected by certain factors, such as:

- Time of day. Home health and home care services, provided in two-to-four-hour blocks of time referred to as “visits,” are generally more expensive in the evening, on weekends, and on holidays.

- Extra charges for services provided beyond the basic room, food and housekeeping charges at facilities, although some may have “all inclusive” fees.
- Variable rates in some community programs, such as adult day service, are provided at a per-day rate, but can be more based on extra events and activities.

The average cost of a nursing home in Florida has now risen to above \$7,500 per month.

3. You should seek out lifetime benefits in your policy. People are living far longer than in the past. Of course, no one can say life extension will continue, but neither do you want to fall short in your plans and your ability to pay for long term care.
4. To reduce the premiums, the cost of the policy, you should seek out a long elimination period. Typically, the longer the elimination period, the lower the cost of the policy. Policies with an elimination period between zero and ninety days are more likely to be used and will certainly cost more. Many people have the ability to pay for care needs up to or even beyond ninety days. Pay for the care during the elimination period while you are able to do so with relative ease.
5. Try to find a policy that will allow the policy benefits to keep up with inflation or that at least increase based upon the cost of living increases reflected by government indexes.

There are no easy answers to the many questions about this complex insurance coverage. But know that if you are able to look ahead and protect yourself, keeping God first in those plans, and that if you stay active, working, serving, giving and praising your Creator, you can walk hand-in-hand with God into a secure future. Philippians 4:4-7.

