

Separating Long-Term Care Insurance Myths from Realities



Submitted by Allen Schiefelbein with Pearre and Associates and MassMutual.

Parents and their adult children can never begin too early to think about their families' potential needs for care in their "golden" years, as the number of people who will be impacted by debilitating diseases such as Alzheimer's is expected to increase to up to 16 million by 2050, according to the Alzheimer's Association, and correspondingly the need for long-term care will increase, as well.

Since I have become Certified in Long Term Care (CLTC), I've seen first-hand the impact the need for long-term care can have on families and caregivers. That's why I've decided to focus my career on educating people about their long-term care needs and protecting their future, beginning with dispelling these common myths about long-term care:

Most people can afford to pay for their own care. Many people think they can liquidate taxable or tax-deferred assets, including retirement plans or annuities, to pay for long-term care costs, but nursing home care averages \$206 a day, for a private room, according to a September 2006 MetLife Mature Market Institute study. If you do the math, that could mean more than \$75,000 per year. When considering retirement savings habits and rates, this may leave many people unable to maintain their standard of living or an opportunity to enjoy the golden years they've worked so hard to create.

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Long-term care insurance is only for nursing home care. This is simply untrue. While some people do receive long-term care in a nursing home, a majority receives care in their homes or other community-care centers. Long Term Care insurance policies are designed to cover care that is provided in a variety of settings.

All long-term care insurance is the same. Actually, all policies are not created equally. When making a direct comparison from one policy to another, keep in mind that five key elements of any policy contribute to price and quality:

- *Financial Strength Ratings:* High ratings are an indication that the insurance company will be able to pay any future claims against the obligations they have outstanding.

- *Daily Benefit:* Understanding the current cost of care in the area is very important to make a decision regarding what daily benefit amount is needed.
- *Benefit Period:* The length of time payments will be received from the insurance company, once care is needed, is difficult to predetermine. Although policies often come with shorter benefit period options, and correspondingly lower annual premiums, many policyholders opt for lifetime or unlimited benefits and the peace-of-mind that the benefit will continue for as long as needed.
- *Elimination Period or Deductible:* The number of days that policyholders will be responsible for paying for their care before the policy coverage kicks in can be determined by the amount of time one can afford to pay for care or make other arrangements.
- *Inflation Protection:* While the exact percentage of inflation cannot be calculated due to the unpredictability of how market factors will impact the cost in future years, adding inflation protection can help ensure policyholders have adequate benefits when needed.

The government is there for people who need long-term care. Many think they can rely on Medicare or Medicaid, but don't realize that Medicare covers only a limited amount of long-term care services, while Medicaid covers some long-term care services for people who have severely limited income and assets.

Thinking long-term as future caregivers and caregiver supporters is a strong initial step in eliminating the myths about long-term care. Preparing well in advance to meet our own needs and those of our loved ones should undoubtedly be our first step.