FACTS AND FICTION: GETTING TO THE TRUTH ABOUT FUNDING LONG TERM CARE

With all the buzz about the aging of the American population and the enormous expenses of long term care, you may want to get more facts about funding this type of care for yourself or a relative. The fact is that each of us have different needs and financial situations, and a careful analysis is key to preparing for the future, whatever it may bring.

Can I afford simply to invest my own money and pay for long term care with my own assets?

That depends. Long term care is expensive today. According to The Health Insurance Association of America's *A Guide to Long-Term Care Insurance*, published in 2002) a year in a nursing home is currently estimated to cost a national average of $50,000 with some areas easily costing twice that amount, and just three visits a week by a home care aide can add up to $12,000 a year with skilled help costing much more.

Of course, costs are likely to increase, just as other health care expenses continue to rise. So if paying upwards of $50,000 a year now for a stay in a nursing home sounds like a problem, the situation you might face in a couple of decades will be far more challenging.

If you are concerned about one partner using up the assets the other may need to live later on, or if you want to preserve assets to leave to your heirs, you need to face the fact that long term care could take a big bite out of your funds. Long term care can consume your retirement savings and other assets very quickly.

Can't I utilize Medicare or Medicaid for my long term care needs?

Many people hope to take advantage of Medicare or Medicaid in the event of long term care needs. However, the Health Insurance Association of America advised in 2002 that Medicare pays only approximately 12% of all nursing home costs overall, and these are for short-term skilled nursing home stays following hospitalization. Medicare pays for home care only for short-term unstable conditions, not for the longer-term assistance that long term care insurance is designed to cover.

To be eligible for Medicaid, you must meet a range of federal and state guidelines regarding your assets and income. This may mean that you would have to spend most of your own money before qualifying for Medicaid at all. (Requirements vary by state.) Once you are dependent on Medicare or Medicaid, you will be paid only for approved charges, and will be limited to their approved facilities for care.

Does this mean that nearly everyone needs long term care insurance?

Not everyone. The U.S. Senior Health Cooperative, in its book *Planning for Long-Term Care,* published in 2002, recommends that you consider long term care insurance if you have over $75,000 in assets other than your primary house and your car ($150,000 for a couple) and over $25,000 in annual household income ($50,000 for a couple).

If you have less money than this, you may eventually be able to rely on Medicaid.

If you have more than about two million dollars in liquid assets, you may be just as happy paying for long term care as you need it. However, some wealthy individuals use long term care insurance as a tool to protect their assets, rather than taking the risk of paying for the care itself.

I hope I never need long term care, and I don't like to make sacrifices now to save for something I may never use!

It is true that you may never need long term care. But, in 2002 alone, about 7 million men and women over the age of 65 required services from a nursing home or home or community based program, according to the Health Insurance Association of America's *Guide.* This association also asserts that, by the year 2020, 12 million older Americans will require long term care. The longer you live, the greater the possibility that you will someday need assistance with the basics of everyday living. Among people who have purchased long term care insurance, a full 33 percent eventually require long term care and use their benefits, according to financial planning expert Suze Orman.

You may want to look at a long term care insurance plan that pays a benefit to your spouse or heirs when you die in the event that you have not used up your benefit dollars for care. This way, there can be a financial benefit for the people you care about.

Are the benefits of long term care insurance only important for our later years?

In fact, no. About 40% of the people needing long term care are adults between ages 18 and 64, who may have had an accident, a stroke, or developed multiple sclerosis or another illness, according to the 2002 *Long Term Care Planning Handbook*, published by Federal Handbooks, Inc.

Most people are unprepared for the high ongoing costs of this care, and it can present real difficulties for a younger family. The benefits of long term care insurance work for a younger person just as they do for a senior.

I am married. How can a spouse cope — physically, emotionally and financially — if the other partner becomes ill and requires expensive long term care?

For many people, one of the biggest worries about aging is becoming ill and using up the couple's money. You may be concerned that your care needs will not leave enough to take care of the spouse later on. In addition, you don't want your spouse to have the physical and emotional burden of caring for you full time.

In this instance, long term care insurance can help assure that the care one spouse may require does not drain a couple’s assets, or place an undue burden on the other spouse. Wise options may include creating a joint policy and adding features such as a return of premium benefit for the surviving spouse or a paid-up survivor option to eliminate or reduce policy premiums for a surviving spouse. The joint policy is generally a more cost-effective option than purchasing two individual policies.