

# An Introduction to Long Term Care Insurance

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## Why Is Long Term Care Planning So Important?

Let's face it - you've known someone who needed long term care, either at home or in a facility. Did they have a plan for when it happened? *Do you?*

A generation ago, retirement could be expected to last a few years. Today, people are spending decades in retirement. We're living longer, and the longer we live, the more likely it becomes that we'll need long term care services at some point. It's not a bad thing; it's just a fact of life. Living longer also means that your assets need to last longer – your nest egg needs to last throughout your retirement years. That's why long term care insurance should be considered as part of any comprehensive retirement plan.

### **This *isn't* about nursing homes.**

For every person in a nursing home, there are four others receiving long term care services somewhere else, *usually at home*. When you need long term care, you want to be in control, and that means having a way to pay for long term care services, in the setting of your choice. *Having a plan for long term care will help you stay in your own home as long as possible.*

Remember, long term care *isn't* medical care. It's help with the things we do every day – things like bathing, dressing, moving around the house, etc. You may need help with these things because of a chronic illness, or even just because of advanced age. Or, it may be supervision required because of a cognitive impairment, such as Alzheimer's disease. These kinds of care are called *custodial care*. Even in nursing homes, most residents are receiving just custodial care, and if they had a way to pay for it, many of them could be *in their own home*. And because long term care is custodial care, Medicare and private health insurance *will not* pay for it.

## Some Things to Think About

Imagine spending \$101,000 or more a year for nursing home care - the average private nursing home room cost in Maine in 2010. How long would your money last? What would it mean for your family when the assets were gone? When you're thinking about your plans for long term care, here are a few things to consider:

- 1) Have you known anyone who needed care at home or in a facility? How much warning did they have? How did it affect them? How did it affect their family? Their spouse?
- 2) What is your current health status? Do you have a plan for when your health changes?
- 3) Would you rather receive care at home, in an assisted living facility, or in a nursing home? Would you like to make the decision about where you stay?
- 4) Are you familiar with the cost of care in the area? In Maine, today, a private nursing home room averages over \$101,000 per year, and home care can easily cost \$50,000 per year. Where would the money to pay for this come from?
- 5) Does your family live nearby? Do they have careers? Do they have children of their own? Have you discussed your plans for long term care with them?
- 6) Do you understand why Medicare and Medicaid are not realistic options to pay for long term care?
- 7) Where will your retirement income come from?  
Social Security \_\_\_\_\_ Investments \_\_\_\_\_ Annuities \_\_\_\_\_  
Pension \_\_\_\_\_ Other \_\_\_\_\_
- 8) Do you have any of the following?  
\_\_\_\_ Savings \_\_\_\_\_ IRA / 401k  
\_\_\_\_ Certificates of Deposit (CDs) \_\_\_\_\_ Annuities  
\_\_\_\_ A home \_\_\_\_\_ Cash value life insurance  
\_\_\_\_ Investment properties
- 9) Which income source or asset will you use *first* to pay for long term care? How long could you pay for long term care if it cost \$5,000 to \$9,000 *per month*?
- 10) Do you have assets – savings, a house, property, etc. – that you would like to pass on to your spouse or heirs?

## Is Long Term Care Insurance Right for Me?

Long term care insurance isn't the best answer for everyone, but for many families it can be. Do any of these statements apply to you? If so, then long term care insurance is something you should consider:

- I want to remain in my own home, and in control of care decisions for as long as possible
- I want to reduce the emotional and financial burden on my spouse and family
- I want to maintain my independence
- I have assets that I want to protect or pass along to my family
- I am counting on my investment income for retirement
- I have a stable income

## When Should I Buy Long Term Care Insurance

You should get started *today*. Many people think that they'll save money if they wait until they're older to purchase long term care insurance. In fact, the longer you wait, the more this coverage will cost you. Because of the way this insurance is priced, you will actually pay less, both now and over time, if you buy at a younger age. Today, the average person buying long term care insurance is in their mid-to-late 50s.

You also need to consider that you're as young and healthy today as you're ever likely to be. This means you'll qualify for favorable age-based rates, and you may qualify for preferred health discounts. And if your health changes later, you may not be able to get coverage at any price.

By working with an agent who *specializes* in long term care insurance, you can find affordable coverage at almost any age, *but only if your health remains good*. So, whether you're 50 or 75, the best time to start is *now*.

## How Much Does Long Term Care Insurance Cost?

Since there is a great deal of flexibility in designing a plan, you can find coverage to fit almost any family's needs or budget. Your long term care insurance specialist will talk to you about your health, family, and financial situation, and recommend a plan that makes sense for you. Your health and age will affect the price, and there are discounts available for preferred health, and spouses or domestic partners.

## How Do I Qualify for Coverage?

When you apply for a policy, the insurance company will review the medical history information on your application. Depending upon your age and medical history, they may require additional information, including:

**Telephone Interview**—you may be contacted by phone to review your health history. This will also include a brief memory test.

**APS**—Attending Physician's Statement—the company may order your medical records. Usually they will order records from your primary physician, and they may also order records from any specialists you're seeing.

**Face-to-face assessment (usually 70 and older)** - some clients may be required to complete a "face-to-face assessment." This is simply a meeting where a medical professional, usually an RN or an LPN, sits with the client to review their medical history, assess their mobility and functionality, and perform some simple memory tests. This is usually done in your home.

You don't need to be in perfect health to get long term care insurance, but your health will be considered. If you're in good health, you may qualify for an additional preferred health discount.

If you can't qualify for traditional long term care insurance because of your health history, you may still have other options available to you to help pay for care. An agent who specializes in this field can help identify other possible funding sources, or refer you to other professionals who can help you.

## Getting Started

There is a vast amount of information on the topic of long term care insurance, but much of it is misleading, confusing, and inaccurate. The best way to get started is by working with an agent who *specializes* in long term care insurance. An LTC specialist will help you find the plan and company that best fits your specific needs, based on your goals and your family, financial, and health circumstances.

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