

## **Short-term Long-term Care Insurance? Make Sure it's a Good Idea for You**

As the long-term care (LTC) insurance market has matured over the past 20 years, features have been added to the costly policies to make them more attractive. Even the IRS has come on board, making a portion of the premiums tax-deductible. Yet with the tougher economy, insurers are looking for ways to get more consumers in the door – so they're adjusting features to give people a break on cost.

Enter the "shorter-term" long-term care policy for individuals who are willing to play the odds. The main change in such policies is that they eliminate the "lifetime" feature in favor of a shorter time limit on benefits, usually between two and three years, currently the length of an average nursing home stay. These shorter-term plans can potentially cut the cost of average annual premiums in half, and if couples buy a combined policy, they potentially may cut the premium cost further.

The idea of lower-cost LTC insurance is certainly attractive, but it makes sense to get some advice and ask some very important questions before committing. A financial planning professional can help you assess how well prepared your finances are to sustain a serious long-term illness with a current national average of \$70,000 in annual nursing home bills that would not otherwise be covered by insurance. In addition, ask:

**What's your health like?** People in good health purchasing long-term care insurance in their 50s or younger usually get the most affordable deal in LTC insurance. But to some degree, your current health status is no guarantee that you'll only be looking at 2-3 years of expenses in total. Keep in mind that 40 percent of long-term care is provided to individuals between the ages of 19 and 65, so the need for care can strike at any time and may do so more than once.

**Are you female?** Again, personal and family resources come into play here, but since women typically live longer than men – and they still earn less on average than men – women should take a heightened interest in providing for their long-term care safety net. Long-term care insurance might be a good solution given their other investments and their health history.

**What types of services are covered?** Over the course of time, LTC policies have evolved to place more emphasis on home-based care or assisted living, since most people would choose to be cared for in a familiar environment. However, it is important to review what all home-based as well as nursing home/assisted care center services may be covered. A basic LTC insurance policy pays for assistance with activities of daily living including eating, dressing, bathing, toileting, incontinence and transferring (bed to chair, etc.). Each policy lists the types of services that are covered under nursing home care and under home health care. Homemaker services may be covered. Also, if you are considering a policy with a fixed dollar benefit, compare all of these features with a lifetime policy.

**What triggers coverage?** Most LTC policies won't go into effect until the covered

individual can't perform two tasks of daily living for a specific period of time or when that person needs substantial supervision related to cognitive impairment, such as Alzheimer's disease.

**What if I never want to go to a nursing home?** The idea is to cover every eventuality. The best-designed LTC policies will pay the same amount of benefit whether care is received in a long-term care facility, an assisted living facility, an adult day care center or in the home. Some policies do offer reduced percentages for home health care versus nursing home care, but it's a better idea to keep full percentages on home health care benefits since most people would rather stay in their homes. Discuss these options with a financial planner if you can, because the amount of your personal assets will be a factor here.

**What's the record of particular companies in this business?** Over the past generation, more companies have gotten involved in the LTC insurance business, and it makes sense to see not only who the leaders are at the time you're buying and what they're offering, but how financially healthy these companies are and have been over the course of time. You've probably heard of insurance companies that have gone out of business and stranded customers. There's no restriction on that happening with LTC providers, so check their ratings and financial history very carefully.

*October 2008 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Paul Lemon, CPA, CFP®, a local member of FPA.*