



Long Term Care Insurance - The Basics

By Jody M. Sharer, Investment Advisor and CCO of Nestlerode & Loy, Inc., an investment firm located in Centre County and serving the world

What is Long Term Care insurance? Long Term Care insurance (LTC) assists you or your loved ones with the costs associated with Activities of Daily Living. ADLs are defined as those functions you perform in your daily life such as eating, bathing, and dressing. Some policies will cover costs associated with other everyday tasks such as taking medication, shopping and light housework. These services may be provided in your home or another facility. It is important to note that these are non-medical in nature.

According to longtermcare.gov, 70% of people 65 or older will use some form of LTC during their lifetime. Because women tend to outlive their spouses, we may have a period of time where we live alone in our later years. We may need someone to help with our care. By the age of 90, 69% of us will have some sort of disability requiring assistance with the Activities of Daily Living.

I am often asked, "What about Medicare?" Medicare covers only the medically necessary costs such as doctor visits, medication and hospital stays. You must also meet eligibility requirements to receive Medicare. Although Medicare will help cover some costs associated with home health care, skilled nursing or hospice care, it does not cover the costs of custodial care. The costs associated with LTC can be staggering. In Pennsylvania in 2012 the average annual cost of a semi-private room in a nursing home was \$94,619. It is projected that this cost could be as much as \$264,650 in 2037. Make that a private room and the cost soars to \$336,244.

LTC is not a one-size-fits-all insurance policy. Long Term Care policies can cover a range of options from in-home care to adult day facilities to skilled nursing. The cost of a policy can vary greatly as well. By purchasing a policy as a younger, healthy individual we would expect to see lower premiums than if we were to wait an additional 10 years. I recommend clients look into the purchase of their LTC policy between the ages of 54-65. Another option is to plan to use other assets first to shorten your coverage period; 70% of new policies cover 3-5 years of care. Couples can purchase shared policies that allow a piggy back of care from one spouse to the other. Other types of policies include hybrid plans that combine life insurance with Long Term Care.

Many states, including Pennsylvania, offer LTC Partnership Plans. This is a joint federal-state initiative used to encourage more people to purchase LTC policies which in turn helps to keep the government coffers full. These are sometimes called "spend down" plans. They work like this: for each dollar you purchase in LTC coverage, there is an equal "asset disregard" for Medicaid eligibility. For example, if you purchase \$150,000 of LTC coverage under the partnership program, you will be allowed to keep that \$150,000 plus the allowable Medicaid assets. This may help to keep a spouse in your home should you need a skilled nursing facility. A benefit of this program is that those assets are protected at your death from Medicaid estate recovery.

Choosing a Long Term Care policy does not have to be a daunting experience. While setting other goals for your future, take the time to talk with your financial advisor. These professionals can guide you through the myriad of options for coverage. This additional step in planning for your golden years will help put your mind at ease.