



Educate Your Clients about Long-Term Care Insurance

At the mention of long-term care insurance, most of my clients respond with at least one of these objections: “I can’t afford it,” “I plan to drop dead of a heart attack,” “My family will take care of me” or the old standby: “I will never go to a nursing home!” Unfortunately, these same clients will return years later with health conditions that require around-the-clock care. Their exhausted family caregivers have

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proven unable to provide that care because of their own professional and family obligations. Together they pose these burning questions: “how are we going to get more care and pay for it?”

About 10,000 baby boomers will turn 65 every day for the next 19 years! Of those folks over the age of 65, almost 70 percent will need long-term care.¹ Much of that care is not covered by Medicare, Medicaid, or Veterans’ benefits. We need to educate our clients about the cost of long-term care, the need for long-term care insurance, and how to choose a policy that will fit their needs.

What does long-term care cost in Tennessee? According to a 2010 MetLife Market Survey of Long-Term Care Costs,² these are the Tennessee averages:

- The average cost of a nursing home semi-private room is \$5,301/month.
- The average cost of assisted living is \$3,216/month.
- The average cost of a home health aid is \$21/hour or \$15,624/month for 24/7 care.
- The average cost of adult day care is \$46/day. (Usually adult day care is offered for a maximum of five days per week for eight hours per day.)

The average length of a stay in

assisted living is 28.3 months³ and the average length of stay in a nursing home is 2.4 years.⁴ In today’s dollars, that is an average of \$152,668 for an average nursing home stay and \$91,012 for an average stay in assisted living.

What is the average cost of long-term care insurance? The cost of long-term care insurance will depend on the daily benefit, the elimination period, age at time of purchase, and the length of the policy. I have observed that generally, the annual cost of a long-term care insurance policy is roughly equal to one month of assisted living care. In my opinion, that is a bargain.

If you are interested in seeing monthly premiums for Tennessee State employees based on age, daily benefit rates, the benefit period and the inflation protection, look at this website: http://www.tn.gov/finance/ins/prem_ltc.html. Chances are the cost will be higher if you are not in a large pool such as folks employed by the state. However, it is worth your review.

What factors should be considered when purchasing long-term care insurance?

- Consider whether retirement income will be sufficient to cover the cost of long-term care.
- Even if retirement income will be high, the client may want to avoid

the diminution of savings due to long-term care costs.

- Choose a policy the client can afford now and later if premiums increase.
- Determine whether the policy covers nursing home, assisted living, adult day care and in-home care.
- Choose a daily benefit rate (usually \$100-\$200) based on projected retirement income and assets as well as the cost of care in our state.
- Choose a benefit period (usually three years and up) depending on projected retirement savings, income and an affordable premium.
- Choose an elimination period (generally 30-90 days) during which the client will be prepared to pay for long-term care before the insurance begins to pay out. Generally the longer the elimination period, the lower the premium.
- Consider the inflation protection options. Most companies offer simple or compound inflation protection. Compound inflation protection costs more but provides the most protection.
- Know the policy triggers. Most long-term care policies require that the insured need assistance with at least two activities of daily living (transferring bed to chair, eating, continence, bathing, dressing or cognitive impairment) before the policy benefits are paid.
- Research the insurance company's fiscal soundness. *Consumer Reports* recommends that you stick with insurers that fall in the "A" ratings tier at TheStreet.com, as well as the "AAAq" grade at Fitch and the "AAApi" grade at Standard and Poor's.
- For more information and a rather exhaustive long-term care policy checklist, you may download "Guide to Long-Term Care Insurance" at www.ahip.org. Or you may order "A Shopper's Guide to Long-Term Care Insurance" free from the National Association of

Insurance Commissioners:
www.naic.org/index_ltc_section.htm

- Is the policy in the State Partnership Program?

What is the State Long-Term Care Partnership Program? This is a public-private venture designed to encourage Tennesseans to plan for their long-term care needs. Enrollment in a Partnership Program long-term care insurance policy can result in significant savings down the line. For every dollar that the Partnership-qualified policy pays out in benefits, a dollar of personal assets can be protected when (eventually) applying for long-term coverage under TennCare.

For example, assume Mr. Smith, a single man, purchases a Partnership policy with a value of \$100,000. Several years later, the policy has paid out \$150,000, the maximum coverage adjusted for inflation. Mr. Smith eventually applies for Medicaid. If he had not purchased the policy, he would have to spend down his countable assets to \$2,000. However because Mr. Smith purchased a qualified Partnership policy, he will only have to spend down his assets to \$152,000 in order to be eligible for Medicaid. Of course, he must be medically eligible for Medicaid, meet the income requirements, and in a facility that accepts Medicaid.

The requirements for a Partnership Policy Certificate are that it must:

- be issued to an individual after Feb. 8, 2006;
- cover an individual who was a Tennessee resident when coverage first became effective under the policy;
- be a tax-qualified policy under § 7702(B)(b) of the Internal Revenue Code of 1986;
- meet stringent consumer protection standards; and
- meet the following inflation requirements:
 - For ages 60 or younger — provides compound annual inflation protection;

- For ages 61 to 75 — provides some level of inflation protection;
- For ages 76 and older — no purchase of inflation protection is required.

If you apply and are approved for long-term care insurance coverage, the insurance company will provide you with written documentation as to whether or not your policy qualifies as a Partnership Policy Certificate.

For a list of companies with approved plans as of 2010, go to www.tn.gov/commerce/insurance/documents/LTClistpartnershipplan.pdf.

For a pdf bulletin published by the Department of Commerce and Insurance regarding the Partnership Program, go to <http://tn.gov/commerce/insurance/documents/092208.pdf>.

The miracles of modern health care have supported a dramatic increase in life expectancy in our country. The physical, emotional and economic realities of *living older* must guide our own planning and our informed counsel to clients. A reliable means to assure our comfort and well-being during times of disability as we age is available through investing in long-term care insurance. It may also serve as a great way to preserve something for heirs. ^{ATA}

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Notes

1. U.S. Department of Health and Human Services. DHS also states that people age 65 face at least a 40-percent lifetime risk of entering a nursing home sometime during their lifetime, and about 10 percent will stay there five years or longer.

2. http://www.longtermcare.gov/LTC/Main_Site/Tools/State_Costs.aspx?rand=10&nameclass=County&map=TN&full=Tennessee#data/

3. <http://www.consumerreports.org/cro/money/retirement-planning/choosing-an-assisted-living-facility/overview/index.htm>

4. U. S. Department of Health and Human Services, The National Nursing Home Survey: 1999 Summary, June 2002.