

Long Term Care Insurance

Why purchase Long Term Care Insurance (“LTCI”)?

According to Elder Law Answers, 1 in 3 people over age 65 will need some type of nursing care. The Tennessee Health Care Association says that the cost of nursing home care in Tennessee ranges from \$3,000 to \$6,000 a month. Keep in mind that the rate of inflation could significantly increase this cost over the next several decades. If you purchase LTCI early enough, you can keep costs to about \$1,700 to \$5,000 a year. This amount is even less if you take into consideration the tax breaks LTCI allows. While still steep, LTCI can save you tens of thousands in the long run.

Will purchasing LTCI have any effect on my taxes?

Yes. The federal government wants to shift medical expenses to insurance companies. Currently, you can itemize LTCI premiums as a medical expense when filing your taxes. The older you are, the more you can deduct. This provides some relief for the high cost of LTCI.

If I am married can my spouse and I get joint LTCI?

Yes. Married people frequently pool their LTCI. For example, you may both buy coverage for 6 years. If one spouse uses some but not all of this coverage, the remainder will still be available to both. Joint LTCI will typically cost a little more than individual LTCI, but the benefit of the pooled coverage can be significant.

What does LTCI cover?

This depends on the policy purchased, but common services covered are:

- Home care - An agency or individual who performs such services as bathing, grooming, and help with housekeeping.
- Assisted living - A residence with apartment-style units that makes personal care and other individualized services, such as meal delivery, available when needed.
- Adult daycare - A program outside the home that provides daytime health, social, and other services in a supervised setting for adults in need of help.
- Respite care - Temporary help to relieve family caregivers.
- Stays in a nursing home - A residential facility that provides a full range of skilled health care, rehabilitation, personal care, and daily activities in a 24/7 setting.
- Alzheimer's care.

Different types of care receive different amounts of coverage. For example, because home care is cheaper than assisted living, the amount LTCI will pay is less for home care. Seriously consider how you would like to receive care if you may one day need it.

It is also important to note that you do not have to buy coverage that pays for the entire daily cost of care. You can purchase less than the total cost of daily care and pay for the rest with your own funds, which could potentially save money depending on the length of coverage you will need and the cost of the LTCI. You will have to compare plans to make this decision.

How long does coverage typically last?

This depends on the amount of coverage you need and how much you can afford. Lifetime coverage is available, but there are plans that cover a certain number of years.

Although studies vary on this point, the average length of stay in nursing homes is generally a little over 2 years, although the majority of people are in a nursing home for less than 6 months. Therefore, the length of coverage provided by LTCI covers the length of stay for most people. Only worry about additional coverage if you have a family history of conditions like Alzheimer's disease.

When should I buy LTCI?

The sooner you buy LTCI, the cheaper it will be. AARP recommends that people buy this insurance in their early to mid-50's while still relatively healthy in order to keep premiums low. The American Association for Long Term Care Insurance shows that more than half of people who purchase LTCI do so between the ages of 55 and 64.

What happens if I need Long Term Care Supports and Services, but I don't have LTCI?

There are two options in Tennessee:

- Private Pay - With smart saving and investment over the course of a lifetime, individuals can potentially afford the high costs of private pay. However, if you need nursing home care for several years, the cost is likely to be out of almost anyone's price range.
 - Medicaid/TennCare - To qualify the individual must have a very small amount of assets and income.
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What is hybrid LTCI?

Hybrid LTCI is LTCI bundled with either an annuity or life insurance. Combining LTCI with life insurance guarantees a return on the investment if no long term care is needed. The major benefit of hybrid LTCI is that it removes the "use it or lose it" nature of normal LTCI. However, the downside is that the up-front premiums will likely be higher.

What are some resources I should check out before purchasing?

- AARP's Understanding Long Term Care Insurance, <http://www.aarp.org/health/health-insurance/info-06-2012/understanding-long-term-care-insurance.html>

- U.S. Department of Health and Human Services LTC Pathfinder, <https://longtermcare.acl.gov/>
- Elder Law Answers, <http://www.elderlawanswers.com/long-term-care-insurance>

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