



## Facts About the “Forgotten” Policy

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Everybody knows about life insurance, and disability insurance covers millions through corporate plans. Health insurance is always in the news thanks to the controversy around the Affordable Care Act.

But what about the forgotten step-child, Long-Term Care (LTC) insurance? How much do you know about it? How do you know if you need it or not?

Recently, the Morningstar mutual fund service published an eye-opening blog that provides 75 statistics about LTC coverage, some of which will help people evaluate this oft forgotten piece of their personal risk profile.

For instance, 52.3% of people turning 65 will need long-term care during their lifetimes – meaning either skilled care providers in their homes, or more often, a stay for months or years in a nursing facility. Already 10% of Americans over age 65 and 38% over age 85 currently have Alzheimer’s dementia, which in its advanced stage requires round the clock care.

But before you buy that policy that will pay for 5 years of assisted living or space in a nursing home, you should know that the average long-term care need for individuals who today are age 65 is 2 years, and only 22% of men will ever need more than one year in a nursing home. This figure rises to 36% for women. There is only a 2% (men) to 7% (women) probability of needing more than 5 years in a nursing home.

If you self-insure, what kind of costs are you looking at? The median yearly cost for adult day care in the home is \$17,680, but that increases to \$43,539/year if you move into an assisted living facility and more than doubles if you prefer a private room (\$92,378). Some places, like Manhattan, cost more: \$164,250 for a private room.

Why can’t you just move in with your relatives if you begin to experience symptoms of Alzheimer’s or are too frail to get around on your own? The blog cites this statistic: unpaid caregivers (usually family members, usually a daughter) suffer significant financial hardships; their 37 billion hours of unpaid labor cost them \$3 trillion in potential earnings in the most recent year for statistics (2013).

Doesn’t the government pay for many people’s LTC expenses? Yes. In fact, 62.3% of long-term care services and supports are provided through Medicaid – and these payments make up roughly 20% of Medicaid’s total budget. But there’s a catch: a Medicaid recipient can only retain up to \$120,900 (total assets) to be eligible for long-term care benefits provided by Medicaid.

Suppose all of this has convinced you to buy LTC insurance. You should know that there are now fewer than 15 insurers offering stand alone long-term care policies, down from 125 back at the turn of the century. Altogether, 7.25 million individuals have long-term care insurance coverage, with average annual premiums of \$2,772. Total benefits available at age 82, for a person who bought a typical policy at age 60: \$547,000.

Source:

<http://news.morningstar.com/articlenet/article.aspx?id=823957>