



## An Introduction to Long-Term Care

All of us hope to be able to work productively at a meaningful job throughout our working lives and then enjoy a rewarding and healthy retirement. However, sometimes we don't take into account what our health status will be in the years ahead and whether we'll be able to support ourselves in the event of a long-term disability or illness. This issue of Dollars & Sense provides some helpful information on long-term care—what it is and things we can do earlier in life so that we're better prepared to handle the expenses should we require long-term care in the future. ■



### What Is Long-Term Care?

As explained by the National Association of Insurance Commissioners ([www.naic.org](http://www.naic.org)), someone with a prolonged physical illness, a disability, or a cognitive impairment (such as Alzheimer's disease) often needs long-term care. Many different services help people with chronic conditions to overcome limitations that keep them from being independent.

Long-term care is different from traditional medical care. Long-term care helps one live as he or she is now; it may not help to improve or correct medical problems. Long-term care services may include help with:

- Activities of daily living
- Home health care
- Respite care
- Hospice care
- Adult day care
- Care in a nursing home, and
- Care in an assisted living facility.

Long-term care may also include care management services, which will evaluate your needs and coordinate and monitor the delivery of long-term care services.

Someone with a physical illness or disability often needs hands-on or stand-by assistance with activities of daily living. People with cognitive impairments usually need supervision, protection, or verbal reminders to do everyday activities.

The way long-term care services are provided is changing. Skilled care and personal care are still the terms used most often to describe long-term care and the type or level of care you may need.

#### Skilled Care and Personal Care

People usually need skilled care for medical conditions that require care by medical personnel such as registered nurses or professional therapists. This care is usually needed 24 hours a day. A physician must order it, and the care must follow a plan.

Individuals usually get skilled care in a nursing home but may also receive it in other places. For example, you might get skilled care in your home with help from visiting nurses or therapists. Examples of skilled care

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## How Much Does Long-Term Care Cost?

Long-term care can be expensive. The cost depends on the amount and type of care you need and where you get it. Below are some average annual costs for care provided in a nursing home, in an assisted living facility, and in your own home:

- **Nursing Home Costs**—In 2001, the national average cost of nursing home care was \$56,000 per year, or about \$153 per day. By 2006, nursing home costs had climbed to \$204 per day, or \$74,445 per year according to a study commissioned by the New York Life Long-Term Care Division. This cost does not include items such as therapies and medications, which could make the cost much higher.

- **Assisted Living Facility Costs**—In 2001, assisted living facilities reported charging an average fee of \$1,873 per month, or \$22,476 per year, including rent and most other fees. By 2007, these costs have increased to \$2,969 per month, or \$35,628 annually, according to the 2007 MetLife Market Survey of Nursing Home and Assisted Living Costs. Some residents in these facilities can end up paying a lot more if their care needs are higher.
- **Home Care Costs**—In 2001, the national average cost of part-time basic home care ranged from \$12,000 to \$16,000 per year. By 2007, the national average hourly rate for home health aides was \$19, which extrapolates to \$19,000 per year for part-time basic home care, according to

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## Is Long-Term Care Insurance Right for You?

Whether you should buy a long-term care insurance policy will depend on your age, health status, overall retirement goals, income, and assets. For example, if your only source of income is a Social Security benefit or Supplemental Security Income (SSI), you probably shouldn't buy long-term care insurance since you may not be able to afford the premium.

However, if you have a large amount of assets but don't want to use them to pay for long-term care, you may want to buy a long-term care insurance policy. Many people buy a policy because they want to stay independent of government aid or the help of family. They don't want to burden anyone with having to care for them. However, you should not buy a policy if you can't afford the premium or aren't sure you can pay the premium for the rest of your life.

As recommended by the National Association of Insurance Commissioners, you should NOT buy long-term care insurance if:

- You can't afford the premiums.
- You have limited assets.
- Your only source of income is a Social Security benefit or Supplemental Security Income (SSI).
- You often have trouble paying for utilities, food, medicine, or other important needs.
- You are on Medicaid.

On the other hand, you might consider buying long-term care insurance if:

- You have significant assets and income.
- You want to protect some of your assets and income.
- You can pay premiums, including possible premium increases, without financial difficulty.
- You want to stay independent of the support of others.
- You want to have the flexibility of choosing care in the setting you prefer or will be most comfortable in.

# Who Pays for Long-Term Care?

People pay for long-term care in a variety of ways. These include: using the personal resources of individuals or their families, long-term care insurance, and some assistance from Medicaid for those who qualify. Medicare, Medicare supplement insurance, and the health insurance you may have at work usually will not pay for long-term care.

## Individual Personal Resources

Individuals and their families generally pay for part or all of the costs of long-term care from their own funds. Many use savings and investments. Some people sell assets such as their homes to pay for their long-term care needs.

## Medicare

Medicare's skilled nursing facility (SNF) benefit does not cover most nursing home care. Medicare will pay the cost of some skilled care in an approved nursing home or in your home but only in specific situations. For example, the SNF benefit only covers you if a medical professional says you need daily skilled care after you have been in the hospital for at least three days, and you are receiving that care in a nursing home that is a Medicare-certified skilled nursing facility. While Medicare may cover up to 100 days of skilled nursing home care per benefit period when these conditions are met, after 20 days beneficiaries must pay a co-insurance fee.

## Medicare Supplement Insurance

Medicare supplemental insurance is private insurance that helps pay for some of the gaps in Medicare coverage, such as hospital deductibles and excess physicians' charges above what Medicare approves. Medicare supplement policies do not cover long-term care costs. However, four Medicare supplement policies—Plans D, G, I, and J—do pay up to \$1,600 per year for services to people recovering at home from an illness, injury, or surgery. The benefit will pay for short-term, at home help with activities of daily living. You must qualify for Medicare-covered home health services before this Medicare supplement is available.

## Medicaid

Medicaid is the government-funded program that pays nursing home care only for individuals who are low income and who have spent most of their assets. Medicaid pays

for nearly half of all nursing home care on an aggregate basis, but many people who need long-term care never qualify for Medicaid assistance. Medicaid also pays for some home and community-based services. To get Medicaid help, you must meet federal and state guidelines for income and assets. Many people start paying for nursing home care out of their own funds and "spend down" their income until they are eligible for Medicaid, which would then pay part or all of their nursing home costs. You may have to use up most of your assets on your health care before Medicaid is able to help. Some assets and income can be protected for a spouse who remains at home. In addition, some of your assets may be protected if you have long-term care insurance approved under one of the state programs.

## Long-Term Care Insurance

Long-term care insurance is one other way you may pay for long-term care. This type of insurance will pay for some or all of your long-term care. It was introduced in the 1980s as nursing home insurance but has changed significantly since then and now covers much more than nursing home care.

Private insurance companies sell long-term care insurance policies. You can buy an individual policy from an agent or through the mail. Or, you can buy coverage under a group policy through an employer or through membership in an association. The federal government and several state governments offer long-term care insurance coverage to their employees, retirees, and their families. This program is voluntary and premiums are paid by participants. You can also get long-term care benefits through a life insurance policy. ■



### What Is Long-Term Care?

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include physical therapy, care for a wound, or supervising the administration of intravenous medication.

Personal care, sometimes called custodial care, helps one with activities of daily living. These activities include bathing, eating, dressing, toileting, continence, and transferring. Personal care is less involved than skilled care, and it may be given in many settings.

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**The need for long-term care may begin gradually as you find that you need more and more help with activities of daily living. Or you may suddenly need long-term care after a major illness, such as a stroke or heart attack.**

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#### Who May Need Long-Term Care?

The need for long-term care may begin gradually as you find that you need more and more help with activities of daily living, such as bathing and dressing. Or you may suddenly need long-term care after a major illness, such as a stroke or heart attack. If you do need care, you may need nursing home or home health care for only a short time. Or, you may need these services for many months, years, or the rest of your life.

It's tough to know if and when you will need long-term care, but there are some statistics that may help you formulate a strategy to prepare. For example:

- Life expectancy after age 65 has now increased to 17.9 years, up from 1940 when life expectancy after 65 was only 13 extra years. The longer people live, the greater the chances they will need assistance due to chronic conditions.
- About 12.8 million Americans of all ages require long-term care, but only 2.4 million live in nursing homes.
- About 44% of people reaching age 65 are expected to enter a nursing home at least once in their lifetime. Of those who do enter a nursing home, about 53% will stay for one year or more. ■

### How Much Does Long-Term Care Cost?

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the MetLife Mature Market Institute. It's also important to note that skilled care provided by a nurse is more expensive than care provided by a home health aide. Annual costs for home health care will vary based on the number of days per week the caregiver visits, the type of care required, and the length of each visit. Home health care can be expensive if round-the-clock care is required. These costs vary across the country. Your state insurance department or the insurance counseling program in your state may have costs for your area. ■

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