

Securing the Future

Millions Are Turning to Long-term Care Insurance

Gina Barry weighs in below

BY JOSEPH BEDNAR

As people live longer and the cost of nursing home care increases, insurance agents and estate planners are sounding the call that, for many, purchasing long-term care insurance is a better financial bet than relying on Medicaid — while also providing the flexibility of being cared for at home. Increasingly, Americans nearing retirement age are heeding the advice.



Sandra Grant says the younger and healthier people are when they buy long-term care insurance, the more money they will save.

It happens all the time: after spending a lifetime amassing some savings and perhaps a small inheritance for the next generation, a retired man or woman suddenly suffers a downturn in health that requires admission to a nursing home.

Then they find out what it costs: around \$88,000 per year, on average, or about \$7,500 a month. Without any sort of long-term care insurance, there are only two options: pay out of pocket or enter the state Medicaid program, which first requires a spend-down of most savings. Either way, it almost always means saying goodbye to that nest egg — and that money for the kids.

As the average age of the pop-

ulation in Massachusetts continues to rise, and the Baby Boom generation starts to drift into the retirement years en masse, insurance agents are seeing a growing understanding of the importance of long-term care insurance.

But only to a point.

“All the awareness in the world would not be enough to get everyone to pay attention to this,” said Sandra Grant, a producer with Novak Charter Oak Financial Group in Springfield. “Everyone over the age of 40 needs to purchase long-term care insurance and integrate it into their retirement plan.”

The basic, minimum policy — typically providing \$125 of nursing home coverage per day — is sufficient to ensure at least some long-term care, but it’s not something that can be easily added to a retirement plan late in life. At a certain age and quality of health, in fact, it’s not available at all, which means people need to start considering their options long before they retire, Grant said.

“It’s really about your health at the time of application,” she explained. “You can purchase more at a younger age because it’s so much more affordable, and you can set it up to pay more over

a shorter period. For someone who purchases it in their 60s, it might be a lifetime payment plan, but in your 40s and 50s, you might be working and be in a position to afford a higher insurance premium, so it can be paid in full by age 65. Purchasing it at a younger age does give you a lot more flexibility.”

In this issue, *BusinessWest* examines why public-health plans like Medicaid carry their own financial pitfalls, and why long-term care insurance is becoming more accepted as a way to achieve a certain quality of care without sacrificing a lifetime of savings.

Getting Through the Day

Individuals who require chronic care are not always sick in the traditional sense, but may simply be unable to perform the basic activities of daily living, such as dressing, bathing, getting in and out of a bed or chair, and walking. For others, long-term care benefits can be used in the short term; a person may need care for only a few months to recover from surgery or illness, and find Medicare to be insufficient to cover the cost.

Gina Barry, an attorney with Bacon & Wilson, P.C. in Springfield who specializes in estate planning, explained that Medicare pays a certain percentage of nursing home care in a short-term, rehabilitative situation, up to a possible 100 days after a hospital stay. But once that rehab benefit is used up, or if someone goes directly from their own home into a nursing home, then Medicaid is often the next option, as long as certain health criteria are met. But entry into

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the program can come at a high cost.

"The people who really need long-term care insurance are those who have assets they want to protect," said Amy Leidl, benefits director at Phillips Insurance Agency in Chicopee. "That's where it makes the most sense."

That's because Medicaid, while a valuable tool to fund necessary care late in life, can drain savings quickly. In order to qualify for the program, a single person must have no more than \$2,000 in personal assets; if married, that person's spouse can keep no more than \$101,640; the rest must be spent down before enrolling in Medicaid, or else relinquished. And simply giving the money away to family is problematic, because Medicaid can reach back five years and claim any of those gifted assets.

"If you're a single person in Massachusetts and want to go into nursing home care under Medicaid, you need to spend down virtually all your assets," Leidl said. The good news, she added, is that people are catching on to this wrinkle, and financial planners are doing a better job of explaining it to people who are still years away from retirement. "Most people know somebody who's in a nursing home and who has been faced with financial issues because of it."

Not only does long-term care insurance help people avoid that scenario altogether, it can also be used in conjunction with Medicaid to successfully escape the five-year look-back period.

"If you have a minimum long-term care policy, if you do go on Medicaid, the state won't put a lien on your house," Barry said, and gifted assets can be protected. Many people gift their assets, then use a few years of insurance coverage to get them past the look-back period, at which point they enter Medicaid, their savings secure.

Some policies pay for assisted

living or home health care expenses, thus increasing a person's long-term care options, Barry noted. These options can include a live-in caregiver, companion, housekeeper, therapist, or private-duty nurse — around the clock, if necessary. Additionally, many policies provide that if long-term care benefits are not used, the premium may be refunded or applied as a death

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benefit.

Grant explained that a written plan of care is crucial to any insurance policy, as it lays out what types of care are covered — nursing home, private-duty nurse, non-medical home care, etc. — and where that care may be delivered.

She added that people also need to know the difference between a reimbursement plan and an indemnity plan; the former reimburses only expenses detailed on the care plan, while the other designates a specific amount of coverage; if money is left over in the monthly benefit period, the policyholder may spend it on a variety of additional expenses beyond the written plan, from buying experimental drugs not covered by insurance to hiring a neighbor to perform some household chores.

"There are a lot of options, but in my view, it comes down to having a monthly or daily benefit and understanding how that benefit is paid out," she said. "The reimbursement plan might limit you if you haven't made your written plan of care as flexible as possible. Your needs have a way of changing years down the road."

The Comforts of Home

With the call to consider long-term care insurance growing louder, people are heeding it; according to the American Association for Long-term Insurance, more than 8 million Americans own such policies, and individuals received more than \$3.3 billion in benefit payments in 2006, the highest annual

ple talk about nursing homes as places to recuperate from a hospital stay, or a place to live their final days. Aside from that, people want to have care in the home. What long-term care insurance does is give you the independence to choose where you're going to receive your care. So this is really about not having to get care in a nursing home; that should be a last resort."

Still, of all Americans age 65 and older — a population that continues to grow as modern medical care does a better job of treating chronic illness — some 43% are projected to enter a nursing home at some point in their lifetime, Barry said. Partly because of the ever-growing need for long-term health care, she sees a definite shift on the state level in encouraging people to go the insurance route to pay for care late in life.

"The government wants people buying these policies, so these programs aren't bearing the expense," Barry said — which is why people are allowed to use insurance to get past the five-year gifting look-back period.

"That's why they're willing to give you these benefits and won't put a lien on your house; they're basically pushing people into private insurance and away from the public dole."

But to have the options provided by private insurance, Americans need to consider them long before they need care. And in that regard, there's still plenty of work to be done.

"More people are becoming aware that Medicaid is not necessarily an option they want," Barry concluded. "They know they need to start looking at long-term care insurance — sooner rather than later." ❖

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payout to date. Of that amount, 30% paid for care in the home, while more than 36% went toward nursing home care.

"One of the most significant benefits of owning long-term care coverage is the fact that it can pay for care received in your own home, which is what people clearly prefer," said Jeff Reilly, a long-term care insurance expert in East Longmeadow. "Some of these individuals are still receiving long-term care, so the value of the protection they've received will continue to grow."

That, to Grant, is the key factor when considering long-term care insurance; for most people, she said, it has less to do with finances than with quality of life — specifically, the desire of most senior citizens to be cared for at home. While Medicaid does pay for medically necessary services for people with limited resources who need nursing care but can stay at home, the program does not pay for assisted living or non-medical home care.

"The care can be in a nursing home, but a lot of long-term plans are developed around ways to keep people out of nursing homes," Grant said. "Today, peo-