Long-term Care Insurance

How to Protect Your Nest Egg and Provide for Your Care

BY JULIE A. DIALESSI-LAFLEY, ESQ.

Americans are largely independent folks who could not imagine a future where their independence is compromised because they require long-term care as a result of prolonged illness or disability. Long-term care refers to the wide range of medical, personal, and social services a person may receive as a result of a prolonged illness or disability. It can include help with activities of daily living, home health care, adult day care, nursing-home care, and care in a group-living facility.


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On average, you will have worked more than 30 years before you retire and will have accumulated a nest egg to support yourself during retirement and to hopefully pass on to your children and family as an inheritance. The thought of losing the independence you value or the funds you have worked so hard to put aside, as a result of needing long-term care, is a major concern. Sound financial and estate planning can address these issues.

Part of the planning process can include the purchase of a long-term care insurance policy that can protect your nest egg and provide a means to pay for necessary long-term care expenses. This is the best way to protect yourself from spending your resources on nursing-home expenses and medical services. Long-term care insurance is designed to cover all or some of the services provided by long-term care and create options regarding where you will receive services and the type of services you will be able to access. After satisfaction of an elimination period, a number of days you must need the nursing-home or home-health care before the policy will pay benefits, the insurance will kick in.

A long-term care policy typically pays a daily benefit ranging from $50 to $250, which can be paid for a specific number of days, months, or years. The maximum benefit period can range from a year to a lifetime depending upon the policy you purchase. Additionally, policies can include an inflation rider that will provide for coverage increases over time. Of course, a higher daily benefit or longer term of coverage will increase the premium paid for the insurance.

Other factors such as age and life expectancy, gender, family situation, health status, income, and assets should be considered when determining whether or not to purchase long-term care insurance. Naturally, the longer you live, the more likely it is that you will need long-term care, and younger and/or healthier people will pay lower premiums. Women are more likely to need long-term care due to their longer life expectancies, and people with families or children are more likely to obtain in-home care from those family members. Of course, if family care is not available and you can't care for yourself, insurance can pay for care outside of your home, which may be your only alternative.

People with family history of chronic illness or poor health histories may be also at greater risk for needing long-term care. Perhaps most significantly, however; if you have accumulated assets during your lifetime, long-term care insurance can protect those assets from being spent on your long-term care. But if you have low income or minimal assets, long-term care insurance is not a wise investment.

Another major consideration is whether or not your long-term care insurance will meet the Medicaid eligibility standards in effect at the time the insurance is purchased. Medicaid is the federally funded, state-administered health program that pays for your long-term care bills if you meet certain poverty levels. If you have assets in excess of the minimum allowances, you will be required to spend down those assets to qualify for Medicaid. You will also need to have income at or below the federal poverty level before Medicaid will pay for your long-term care. This can deplete your nest egg very quickly, as the average annual cost of nursing-home care is upward of $95,000 per year.

Some states, Massachusetts included, have programs designed to minimize the financial impact of spending down assets to meet Medicaid eligibility standards. By purchasing a qualifying policy, you will receive partial protection against the normal Medicaid requirement to spend down your assets to become eligible.

For Massachusetts residents, the policy must provide certain benefits in order to qualify for the Medicaid-eligibility and asset-recovery exemptions. Specifically, when you enter a nursing home, your policy must:

• Cover nursing home care for at least 730 days;

• Pay at least $125 per day for nursing-home care; and

• Not require an elimination period (days that services must be provided before your policy will begin to pay) of more than 365 days, or, in lieu of a waiting period, a deductible of more than $54,750.

A visit to your state's division of insurance will provide you with the current requirements necessary for a policy to be qualifying. It is of paramount importance to ensure that your policy meets the qualifying requirements necessary for your state to accept it.

When purchasing a policy, it is important to work with a knowledgeable agent and reputable insurance company, as you want to ensure compliance with the requirements set forth by Massachusetts regulation and also remain confident that the insurance company will be solvent at the time you need to make a claim.

While most folks do not think they need this insurance coverage at first glance, it should be noted that 58% of people making claims under long-term care policies are under the age of 65. Of those making claims, the majority of long-term care utilized, approximately 66%, is for care in one's own home, compared to only 17% being provided in a nursing home.

Interestingly, age-related ailments such as dementia and Alzheimer's disease are not the major claim. In fact, the leading cause for needing long-term care is cancer. Given these facts, long-term care is likely necessary for most people, and finding a way to pay for it by means other than depleting your savings makes sense.

Like all insurance policies, you pay for long-term care coverage hoping you will never need to use it. However, accepting the fact that it is likely you will need long-term care at some point in your life will make the payments more palatable. Giving yourself options for where you will receive your care is invaluable. ❖

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