

Long-Term Care Insurance & The Five Most Frequently Asked Questions

Here's what consumers and business people ask most often:

1. Q: What exactly is long term care?

A: It's the care people need when they can't perform the tasks of ordinary living independently -- things like bathing, dressing, toileting, continence, eating, and moving around. Or, the person may need care and supervision due to a cognitive impairment such as Alzheimer's disease.

2. Q: Who should consider long term care insurance?

A: Everyone except (a) those without means who can qualify for Medicaid; (b) those whose lifestyles would be seriously compromised by the monthly premiums, or (c) those rich enough to self-insure.

3. Q: What types of care are there?

A: When people need care for any illness or accident, it may fall into one or more of the following categories:

- **Acute Versus Chronic Care:** Acute care is the type usually provided in hospitals and emergency rooms: treatment of stroke, heart attack, and pneumonia, for example. Chronic care is usually for conditions that are treatable but generally not completely curable: arthritis, diabetes, hypertension, and Alzheimers, for example.
- **Skilled Care:** Usually delivered in skilled nursing homes, this type of care can also be received in one's home. If the skilled care meets strict criteria set forth by Medicare, then the provider is referred to as a skilled nursing facility (SNF). Medicare defines skilled care as services and rehabilitation

that require technical or professional personnel such as registered nurses, licensed practical nurses, and physical or occupational therapists.

- **Non-Skilled Care:** Also known as custodial care, this type is provided to persons who need help on a regular basis with activities of daily living -- because of a physical limitation, chronic problem, or a cognitive disorder. The care can be given by any non-skilled individuals including family members.

Long term care insurance may be appropriate for all the above care except skilled care covered by health insurance or Medicare.

4. Q: Where is long term care provided?

A: Not just in nursing homes, which many people assume, but in a variety of settings:

- **In one's own home:** Most long term care recipients live with their families. About 1.3 million are cared for at home by paid helpers, who provide skilled or unskilled care with basic personal activities. Another 5.5 million Americans receive unpaid help at home from family members.
- **Skilled Nursing Facilities:** Also known as nursing homes, these institutions are usually comprised of two separate units, one that gives skilled nursing care (which may be covered by Medicare), and one providing non-skilled or custodial care (which may be covered by long term care insurance). The goal of the "Medicare" unit is to provide services needed to rehabilitate patients so they can go home. However, often patients are unable to return home and are moved over to the non-skilled or custodial unit.
- **Assisted-Care Living Facilities:** Also known as assisted-living facilities or residential care facilities, these institutions provide non-skilled care for people who need help with daily living but can also provide much of their own care. These institutions are an excellent alternative to nursing homes. The residents may live in apartments that they can personalize.
- **Adult Day Care centers:** These community-based services were developed to help people stay at home rather than moving prematurely into nursing homes. The centers offer custodial care during weekdays and sometimes on weekends too.

5. Q: What does long term care cost, and who pays?

A: The cost varies depending on state of residence and type of care (nursing home, in-home, etc.). Nursing home services currently average close to \$76,000 per year. Costs are projected to rise dramatically in the years ahead.

There are four options for paying. The individual needing care --

1. **Rely on family** (spouse, children, etc). Appropriate only when there is a support system in place with available time, money, and accommodations.
2. **Self-insure and pay for long term care with one's own assets and income.** Recommended only for the very wealthy.
3. **Spend down all assets and then qualify for Medicaid** (Medi-Cal in California).
New federal legislation passed in 2005 makes this option more difficult and less attractive than it was in the past.
4. **Transfer a predetermined amount of the long term care risk to an insurance company.** In other words, buy a long term care insurance policy.
The best option for most Americans.