Long-Term Care

Long-term care (LTC) is the term used to describe a variety of services in the area of health, personal care, and social needs of persons who are chronically disabled, ill or infirm. Depending on the needs of the individual, long-term care may include services such as nursing home care, assisted living, home health care, or adult day care.

Who Needs Long-Term Care?

The need for long-term care is generally defined by an individual's inability to perform the normal activities of daily living (ADL) such as bathing, dressing, eating, toileting, continence, and moving around. Conditions such as AIDS, spinal cord or head injuries, stroke, mental illness, Alzheimer's disease or other forms of dementia, or physical weakness and frailty due to advancing age can all result in the need for long-term care.

While the need for long-term care can occur at any age, it is typically older individuals who require such care.

Individuals With Disabilities, by Age[1]

Age Range	No Disability	With a Disability
5-15 Years	94%	6%
16-20 Years	93%	7%
21-64 Years	87%	13%
65-74 Years	70%	30%
75 Years and over	48%	52%

What Is The Cost of Long-Term Care?

Apart from the unpaid services of family and friends, long-term care is expensive. The table below contains national average cost data (regional costs can vary widely) for typical long-term care services; it provides an approximate guide to the cost of long-term care:

Service	2004	2005	2006
Assisted living facility[2]	$2,524 per month ($30,288 per year)	$2,905 per month ($34,860 per year)	$2,968 per month ($35,288 per year)
Nursing home[3] (Private room)	$192 per day ($70,080 per year)	$203 per day ($74,095 per year)	$206 per day ($75,190 per year)
Nursing home[3] (Semi-private room)	$169 per day ($61,685 per year)	$176 per day ($64,240 per year)	$183 per day ($66,795 per year)
Home health aide[3]	$19 per hour	$19 per hour	$18 per hour
Homemaker/companion[3]	No data available	$17 per hour	$17 per hour

[1] Source: U.S. Census Bureau, 2005 American Community Survey. Table B18002, sex by age by disability status for the civilian noninstitutionalized population 5 years and over, male and female.
[2] Source: The MetLife Market Survey of Assisted Living Costs, October, 2006.
[3] Source: The MetLife Market Survey of Nursing Home and Home Care Costs, September, 2006.

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Paying for Long-Term Care – Personal Resources

Much long-term care is paid for from personal resources:

- **Out-of-Pocket:** Expenses paid from personal savings and investments.
- **Reverse Mortgage:** Certain homeowners may qualify for a reverse mortgage, allowing them to tap the equity in the home while retaining ownership.
- **Accelerated Death Benefits:** Certain life insurance policies provide for "accelerated death benefits" (also known as a living benefit) if the insured becomes terminally ill.
- **Private Health Insurance:** Some private health insurance policies cover a limited period of at-home or nursing home care, usually related to a covered illness or injury.
- **Long-Term Care Insurance:** Private insurance designed to pay for long-term care services, at home or in an institution, either skilled or unskilled. Benefits will vary from policy to policy.

Paying for Long-Term Care – Government Resources

Long-term care that is paid for by government comes from two primary sources:

- **Medicare:** Medicare is a health insurance program operated by the federal government. Benefits are available to qualifying individuals age 65 and older, certain disabled individuals under age 65, and those suffering from end-state renal disease. A limited amount of nursing home care is available under Medicare Part A, Hospital Insurance. An unlimited amount of home health care is also available, if made under a physician's treatment plan.
- **Medicaid:** Medicaid is a welfare program funded by both federal and state governments, designed to provide health care for the truly impoverished. Eligibility for benefits under Medicaid is typically based on an individual's income and assets.

  In the past, some individuals have attempted to artificially qualify themselves for Medicaid by gifting or otherwise disposing of assets for less than fair market value. Sometimes known as "Medicaid spend-down", this strategy has been the subject of legislation such as the Omnibus Budget Reconciliation Act of 1993 (OBRA '93). Among other restrictions, OBRA '93 provided that gifts of assets within 36 months (60 months for certain trusts) before applying for Medicaid could delay benefit eligibility.

  The Deficit Reduction Act of 2005[1] (DRA) further tightened the requirements to qualify for Medicaid by extending the "look-back" period for all gifts from 36 to 60 months. Under this law, the beginning of the ineligibility (or penalty) period was generally changed to the later of: (1) the date of the gift; or, (2) the date the individual would otherwise have qualified to receive Medicaid benefits. This legislation also clarified certain "spousal impoverishment" rules as well making it more difficult to use certain types of annuities as a means of transferring assets for less than fair market value.

[1] Effective February 8, 2006.

Choosing a Long-Term Care Policy

Assessing the need for long-term care (LTC) insurance is an important part of any risk management program. The heavy economic burden of paying for such care should be measured against your available resources. If you need LTC for even a short period of time, what effect will that have on your estate and any legacy you may wish to leave to your heirs? The decision to purchase LTC insurance, either individually or under a group plan, generally must be made while you are still healthy. Once a disabling condition occurs, it is too late to act.

Common Elements in Long-Term Care Insurance Policies

- **"Qualified" LTC policies**: If a LTC policy meets certain criteria established by the federal government, the premiums for the policy are considered "medical care" and thus qualify for the medical expense itemized deduction. Federal law limits the amount of qualified LTC premiums that may be deducted each year.
- **Amount of the benefit:** Most policies pay a fixed dollar amount for each day you are eligible for the benefit; e.g., $200 per day. A survey of nursing homes in the local area can help determine the desired amount.
- **Inflation protection:** Since costs inevitably increase, a policy without a provision for inflation may be outdated in a few years. Of course, an additional charge is incurred for this protection.
- **Guaranteed renewability:** Almost all long-term care policies sold today are guaranteed renewable; they cannot be canceled as long as you pay the premiums on time and as long as you have told the truth about your health on the application. The fact that a policy is guaranteed renewable does not mean that the premiums cannot be increased; insurers typically reserve the right to raise premiums for an entire class or group of policyholders. Some policies sold in the past were not guaranteed renewable and a few of these policies may still be in force.
- **Waiver of premium:** Some policies will waive future premiums after you have been in the nursing home for a specified number of days; e.g., 90 days.
- **Prior hospitalization:** This policy provision requires one to be hospitalized (for the same condition) prior to entering the nursing home or no benefits will be paid under the policy. Although prior hospitalization clauses have been prohibited in all states, some older policies still in force may contain this provision. Policies currently sold do not contain prior hospitalization clauses.
- **Place of care:** Does the policy require that the nursing home be licensed or otherwise certified by the state to provide skilled or intermediate nursing care? Must the facility meet certain record keeping requirements?
- **Plan of care:** A plan of care is part of the health care claims process. It is the result of an assessment prepared by the insured's physician, and a multi-disciplinary team, including practical nurses, social workers, and other health care professionals. The plan outlines the appropriate level of care needed to assist the insured in performing the activities of daily living.

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Choosing a Long-Term Care Policy

- **Level of care:** There are three generally recognized levels of care in an institutional setting:
  - **Skilled care:** Daily nursing and rehabilitation care under the supervision of skilled medical personnel; e.g., registered nurses and based on a physician's orders.
  - **Intermediate care:** The same as skilled care, except it requires only intermittent or occasional nursing and rehabilitative care.
  - **Custodial care:** Help in one's daily activities including eating, getting up, bathing, dressing, use of toilet, etc. Persons performing the assistance do not need to be medically skilled, but the care is usually based upon the physician's certification that the care is needed.
- **Pre-existing conditions:** Depending on the state, a policy may limit coverage of pre-existing conditions to discourage persons who are already ill from purchasing a policy. Many policies will provide benefits if the pre-existing condition was overcome six months or more prior to applying for the policy. Also, some policies will not pay benefits if the pre-existing condition re-occurs within six months after the effective date of coverage.
- **Deductible or waiting period:** Most LTC policies require you to "pay your own way" for a specified number of days (generally ranging between zero and 120 days) before the insurance company will begin to pay benefits. Of course, the shorter the waiting period, the higher the cost will be. This is usually referred to as an "elimination period."
- **Alzheimer's disease:** Most policies now include coverage for organic brain disorders like Alzheimer's disease.
- **Home health care (home care):** Many long-term care policies can provide coverage in the insured's home. It is most often offered as a rider (requiring an additional premium) to nursing facility coverage, and reimburses the cost of long-term care received at home.
- **Rating the company:** Companies should be financially sound and have a reputation of treating policyholders fairly.

Seek Professional Guidance

A perfect LTC policy does not exist. Many policy features must be compared and weighed. As a general rule, the more benefits included in a policy, the higher the premium will be. Professional guidance is extremely important in this complicated area.