Long-Term Care

According to the Department of Health and Human Services, 70% of people over the age of 65 will require some form of long-term care services. These services include assisted living arrangements, in-home care, and nursing home care. With soaring healthcare costs, it is essential that you evaluate your assets to determine the potential impact of future long-term care expenses and decide whether long-term care insurance is necessary.

LONG-TERM CARE INSURANCE

Long-term care insurance policies cover costs associated with cognitive impairment and physical assistance. There are advantages and disadvantages to purchasing a policy, with the decision often depending on age, health status, and asset level.

- **Advantages** — Purchasing insurance provides peace of mind that a portion of any future long-term care costs will be covered. The premium is often tax deductible, and having insurance coverage can help to maintain your portfolio for the future transfer to heirs or charity.
- **Disadvantages** — Depending on your age and health, the premium could be a significant annual expense. Policies purchased at a younger age will likely result in more years of premium payments before benefits are needed. Though, premiums do exponentially escalate as you age or health issues arise.

If you are still working, your employer may provide a group long-term care insurance option. This allows you access to coverage with a premium based on group rates, which is often more affordable than an individual policy. Most insurance companies allow you to take the policy with you when employment is terminated. While your premiums may increase at that time, you are not required to provide evidence of insurability.

JOINT LONG-TERM CARE INSURANCE

Joint long-term care insurance policies allow you to purchase a single policy that covers two people if long-term care is needed. The policy creates a shared pool of long-term care benefits a couple may draw from simultaneously or separately. A joint policy is often less expensive than two single policies as it is less likely both spouses will require long-term care. However, with this policy design, you run the risk of one spouse depleting the pool of benefits, effectively leaving the other spouse with nothing.

HYBRID LONG-TERM CARE INSURANCE

Hybrid long-term care insurance policies combine long-term care insurance with life insurance or an annuity. Policyholders typically either invest a lump-sum premium upfront or make premium payments over a short period of time. These policies often have less stringent underwriting criteria in comparison to traditional long-term care insurance policies, which makes these a more favorable option for individuals who may not qualify for traditional long-term care insurance. In addition, they eliminate the “use it or lose it” proposition that comes with traditional insurance policies. While these products tend to be more expensive and less flexible than a stand-alone policy, the advantage is that premiums are paid upfront or remain fixed throughout the life of the policy.

With hybrid life insurance products, you purchase a cash-value whole life insurance policy and can accelerate the death benefit to pay for long-term care expenses if necessary. If long-term care services are not needed, or all of the healthcare benefit is not used, the remaining death benefit will be paid to your heirs upon your passing. Therefore, the premiums paid into the policy are not lost, unlike with traditional long-term care policies.

Hybrid annuity products often combine a fixed annuity and long-term care policy. Most often, these policies are funded with a one-time single premium. Purchasers will select the amount of long-term care coverage they desire, which is generally 200 or 300 percent of the face value of the annuity. Your money will continue to grow at a declared interest rate – should you need long-term care; you may utilize the leveraged accumulated value to pay for long-term care expenses. If long-term care is never required, the accumulated value can be redeemed or passed to your beneficiaries upon your passing. It is important to note that hybrid annuity policies from different providers will work in different ways, and one size does not fit all.

COST OF CARE

The daily cost of care has increased dramatically over the past decade, with individuals and their families shouldering the expense. If you have accumulated significant assets, you may be able to self-insure and utilize assets to cover the cost of care. If you are considering self-insuring, we recommend completing an analysis to illustrate the impact long-term care costs would have on your assets and the wealth available for your heirs.

2021 Cost of Care

Institution	ANNUAL Nursing Home Rate (private room)	ANNUAL Nursing Home Rate (shared room)	Annual Assisted Living Facility Rate	Home Health Aide Avg. ANNUAL Cost
Oregon	$133,360	$124,100	$60,540	$73,216
California	$146,000	$117,530	$63,000	$73,216
National Median	$108,405	$94,900	$54,000	$61,776

MEDICARE

Many people believe Medicare will pay for their long-term care expenses. However, Medicare only pays for care if you require skilled nursing services or rehabilitation care and only **for a short period of time**. For Medicare to apply, a hospitalization of at least 3 days must have occurred and the nursing home selected must be a Medicare-certified service facility. Private Medigap Insurance may cover the $204/day co-pay but does **not** cover any of the other services listed.

Medicare Coverage of Long-term Care

Type of Care	Coverage
Nursing Home Care	Medicare pays the first 20 days of care at qualified facilities. Medicare may pay for days 21-100 after **you pay a $204 daily co-pay**.
Assisted Living Facility	**Does not cover**
Continuing Care Retirement Community	**Does not cover**
Adult Day Care Facility	**Does not cover**
Home Health Care	Limited care available for certain therapies ordered by a doctor. **Does not pay for on-going custodial care or help with activities of daily living.**

Source: Department of Health and Human Services

POLICY FEATURES

If you decide to purchase insurance to cover all or a portion of future long-term care expenses, several policy features allow you to customize the policy to fit your needs. Many of these features also impact the annual premium. The general policy features are:

- **Daily Benefit** — The dollar amount of daily coverage provided by the policy. Higher amounts of coverage will result in higher policy premiums.
- **Coverage Period** — The length of time the policy will provide benefits. Selecting a policy that covers 2 or 3 years will result in a lower premium than selecting a policy that provides coverage for an unlimited amount of time.
- **Elimination Period** — The waiting period before coverage begins. A longer elimination period will result in a lower premium.
- **Inflation Protection** — Adjusts the benefit annually for inflation. Electing this feature will result in a higher premium, but it is extremely important to protect your future benefits from the impact of inflation.

Long-term care insurance may or may not be the right choice for you and your family. Nonetheless, everyone needs to have a strategy in place that addresses the potential costs of long-term care services.