

Should I buy long-term care insurance?

The average cost for one year in a nursing home is \$40,000, but can be close to \$100,000 in some big cities. Round-the-clock care at home can be just as expensive. Medicare does not pay these bills beyond a short period of time after a hospital stay. Health insurance rarely pays any of the cost. Unless you have so little money that you will qualify for Medicaid, or so much money that you can pay the bills out of your own pocket, you should consider long-term care insurance.

- **Four key reasons to buy long-term care insurance**

1. Preserve your assets for your family instead of spending the money on long-term care.
2. The odds are one-in-three that a man over 65 will need long-term care; for a woman over 65, the odds are one in two.
3. New rules make it hard to qualify for Medicaid.
4. Premiums may be partially tax-deductible.

- **Typical policy features**

The best policies pay for care in a nursing home, assisted living facility or at home. Benefits are typically expressed in daily amounts, with a lifetime maximum. Some policies pay half as much per day for at-home care as for nursing home care. Others pay the same amount, or have a "pool of benefits" that can be tapped as needed.

- **Eligibility triggers**

Make sure you know when benefits kick in. The policy should state the various conditions that must be met.

1. The inability to perform two or three specific "activities of daily living" without help. These include bathing, dressing, eating, toileting and "transferring" or being able to move from place to place or between bed and chair.
2. Cognitive impairment. Most policies cover stroke, Alzheimer's and Parkinson's disease, but other forms of mental incapacity may be excluded.
3. Medical necessity, or certification by a doctor that long-term care is necessary.
4. Prior hospitalization. Some older policies

require a hospital stay of at least three days before benefits can be paid. This requirement is very restrictive and should be avoided.

5. A benefit period that may range from two years to lifetime. You can keep premiums down by electing coverage for three to four years -- longer than the average nursing home stay -- instead of lifetime.
6. A waiting or "elimination" period. Premiums will be lower if you pay for an initial period of care yourself instead of electing first-day coverage.
7. Inflation protection is an important feature, especially if you are under 65 when you buy benefits that you may not use for 20 years or more. The best inflation provision compounds benefits at 5% a year.
8. Guaranteed renewable policies must be renewed by the insurance company, although premiums can go up if they are increased for an entire class of policyholders.
9. Waiver of premium, so that no further premiums are due once you start to receive benefits.
10. Third-party notification, so that a relative, friend or professional adviser will be notified if the policyholder forgets to pay a premium.

- **Optional features**

1. Restoration of benefits. This feature ensures that maximum benefits are put back in place if you receive benefits for a time, then recover, and go for a specified period (typically six months) without benefits.
2. Nonforfeiture benefits return a portion of premiums or keep a lesser amount of insurance in force if you let the policy lapse. This provision, required by some states, adds to the cost of the policy.

For more information on long-term care insurance, you can access the Life and Health Foundation for Education at <http://www.life-line.org> or the Health Insurance Association of America at <http://www.hiaa.org>.

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