

WHY SHOULD EVERYONE BE CONCERNED ABOUT LONG TERM CARE?

The Need Is Increasing

More and more people are talking about long-term care, and for good reason. Long-term care is among the most important health care issues facing our country today. One of the nation's leading consumer magazines recently reported **"Half of all women and a third of all men who are now age 65 will spend their last years in a nursing home at a cost of \$40,000 a year."** *And, that does not count the millions of Americans who will need in-home care, assisted living, adult day care, or any of the many other alternatives to a nursing home.*

As our average life span increases and medical science continues to find ways to help us live longer, the demand for quality long-term care will naturally increase. This undeniable fact, plus the rising cost of healthcare make planning for long-term care more important than ever before.

Many People Lack Adequate Protection

Many people today are unaware of the risks we face by not planning now for the expenses we may incur later. The longer we wait to start preparing for the cost of long-term care, the more expensive it will likely become and the fewer options there will likely be for us to choose from. The issues of dignity, security, and choice are so important that I urge you to read more on this important topic.

WHAT IS LONG TERM CARE?

Definition of Long-Term Care

Long-term care is for individuals who, because of a prolonged illness, accidental injuries, disability or cognitive disorder (Alzheimer's Disease is an example), need assistance in carrying out basic day-to-day activities. Assistance can vary from occasional help in your home to more intensive supervision at a nursing home facility. These day-to-day activities include bathing, getting dressed, using the bathroom, transferring, (moving about) and eating. They are referred to as "Activities of Daily Living" (ADLs). You can receive these services in a nursing home, an assisted living facility, through community-based services such as an adult day care center, or even in your own home.

HOW MUCH DOES LONG TERM CARE COST?

Quality Care Is Expensive

The cost of long-term care varies by where you live and the services you need. As a reference point, here is a list of services and their average costs:

1. **The average cost of a nursing home is in excess of \$40,000 per year.**
2. **Assisted living can cost \$26,000 or more per year.**
3. **Home health care can range widely from minimal custodial type care (\$20,000 to \$36,000) to round the clock care. Round the clock care can cost much more than nursing home care – \$60,000 to \$120.00 per year (24 hrs. x \$15 per hr. = \$360 per day or \$10,800 per month). Even at these prices, dependable help is hard to find, thus**

the boom in assisted living facilities where you can have 24 hr. care for a fraction of the cost.

WHY HAVEN'T I HEARD MUCH ABOUT LONG TERM CARE BEFORE THIS?

It is an Emerging Problem

Less than 25 years ago our life expectancy was shorter. We could expect our family or charitable institutions to care for the relatively few people who lived past the point when they could care for themselves. **Now, a person at the age of 65 can expect to live nearly 20 more years and may spend one or more of those years in a nursing home.**

Common Misconceptions

Some people are not aware that they must plan for their own long-term care. Many individuals believe that their private health insurance will pay all or at least part of the substantial cost related to long-term care. If you are among the people who still believe that, we urge you to check your policy very closely.

Medigap plans do not cover long-term care expenses. Medigap policies fill the gaps in Medicare coverage, but by Federal law can only pay on the type of charges that Medicare approves and provides coverage for. **If Medicare won't pay, they can't either.**

Another, commonly held misconception is that "the government" will pay for long-term care.

DOESN'T THE GOVERNMENT PAY FOR THIS KIND OF CARE?

Medicare and Medicaid

Medicare's "long-term care" coverage, if you qualify, pays full expenses in "**skilled care only**" for the first **20 days**. From the 21st through the 100th day you are required to pay a **substantial co-payment**. During 2003, **the co-payment you would pay is \$105.00 per day.** **After the first 100 days, Medicare pays nothing for long-term care.**

Medicare also places other restrictions on long-term care payments such as the need to spend at least three days in a hospital before benefits are paid.

If you go to assisted living, or need intermediate or custodial nursing home care – MEDICARE PAYS NOTHING. Medicare is not a source of payment for extended long-term care.

Medicaid, the federal and state health insurance program for the poor (**Welfare**), will assist people in paying long-term care expenses if they have little income and few assets. However, if you are receiving a pension income, have accumulated a retirement nest egg, or have investments other than your home, you may have to spend almost all of your own money (down to \$2,000 if you are single) before you can qualify. Not everyone accepting Medicaid assistance started out on Medicaid. Many individuals began receiving Medicaid only after an extended stay in a nursing home, which now costs an average of \$3,333 per month. These costs can impoverish even those who lived fairly comfortably before illness, injury or age stripped them of their ability to care for themselves.

(You will need to check with your state Medicaid office to determine exactly what assets you would have to spend down in order to qualify)

IF MEDICAID ISN'T FOR ME – WHO PAYS ALL OF THE BILLS?

Surprise... You Do!

If you do not qualify for government assistance, as the majority of us do not, then the burden of paying for long-term care falls on you or your family. That is why so many financial experts today recommend long-term care insurance for people who have assets to protect. Because there are only a few options to protect your hard-earned savings from the cost of long-term care, it is no surprise that most of us need to consider the protection that long-term care insurance can offer.

WHAT ARE THE CHANCES THAT I MIGHT NEED LONG TERM CARE?

Greater than You May Think

You could take a chance and hope that you will never need any long-term care services, and I hope that you never will, but if you do, **by waiting too long it may be too late to do anything about it.** If you are **over age 65, there is a 50% chance** that you will enter a nursing home in your lifetime. With the average nursing home stay costing \$40,000 per year, it is easy to see why it is important to plan ahead. Even if you beat the odds and never go into a nursing home, you could still face other substantial expenses. **You may need care provided in your home, adult day care, assisted living facilities or other forms of assistance that millions of Americans must depend on everyday.**

WHY DO PEOPLE BUY THIS TYPE OF COVERAGE?

Six Main Reasons

1. **Burden** – They simply don't want to be a hardship on their families. They don't want to rely on their spouse, children or relatives for the financial and physical support long-term care requires on a daily basis. No matter how well intentioned, family members may not be equipped to provide the skilled and time-consuming care that is needed.
2. **Access to Quality Care** – the freedom of choice is important to everyone, but even more so when it comes to long-term care. Choices may include high quality care right in their own home where most people want to be. And, if a nursing facility becomes necessary, **being able to choose** among qualifying nursing homes is very comforting.
3. **Asset Protection** – Paying for long-term care could easily deplete their family savings in just a few years. They desire to protect their life savings and assets so that their spouse will have a continued means of support. Also, this will allow them to keep their assets so they can be passed along to children and grandchildren, a favorite charity, or anyway they see fit.
4. **CHOICES = Control and Independence** – They want to retain the freedom of making their own decisions and have the ability to remain independent. Among those who do purchase long-term care insurance, making sure funds are available to **choose** their own doctor, health care options, and nursing facilities is a high priority.
5. **Aversion to Welfare** – If given the opportunity, most people prefer to pay their own way rather than having to depend on the government, their families, or charities for financial assistance.

6. **Peace of Mind** – Long-term care insurance offers a true sense of protection. It's important to have the extra money and the access to professional caregivers so they can seek the high quality care that they need.

WHEN SHOULD I APPLY?

The Right Time May Be NOW

The sooner you apply for your long-term care insurance, the better your chances of being accepted. Long-term care insurance has strict acceptance standards. That means **your current health and past health history could affect your ability to qualify for coverage**. When you put off long-term care insurance coverage until later you increase the risk that a serious illness or disability may occur before you actually apply. If you wait even a few years it might mean you'll pay a higher rate. But, **once you are approved for coverage, your rate will not increase because of age or changes in your health**.

CAN I AFFORD LONG TERM CARE INSURANCE?

Misconceptions About the Cost of Long-Term Care Insurance

Many people think long-term care insurance costs the average person \$8,000, \$10,000, or as much as \$12,000 a year. That's a logical mistake considering the amount of long-term care benefits you could receive over an extended period of time. However, for many Americans long-term care insurance can be quite affordable compared to other alternatives.

Some people mistakenly think they can save money by waiting until just before they will need long-term care before buying insurance coverage. Actually, that may be the very worst thing you can do. The sooner you purchase insurance coverage, the more likely you are to pay less money over the life of the plan. **More importantly, if you wait until your health deteriorates, you may not qualify for insurance coverage at all.**

Ways to Pay for Your Insurance Protection

One purpose of long-term care insurance is to protect your savings and other financial assets you have worked so hard to accumulate. Since that is the case, it makes sense to put those assets to work in order to pay for your insurance coverage by using a tax-deferred annuity or tax leveraged immediate annuity.

CAN I AFFORD NOT TO HAVE INSURANCE PROTECTION?

It Depends On What You Have To Protect.

One reason to buy long-term care insurance is to preserve your savings and other assets so that your spouse will have money to live on, or to protect the money you want to pass on to your children and grandchildren. If preserving your assets is not a priority or you don't have any savings and assets, you may not need insurance protection. If you qualify for Medicaid, you would not need insurance protection. But, if you're like most Americans, **protecting your assets and your freedom of choice** through long-term care insurance **makes a lot of sense**.

CAN I SELF-INSURE FOR LONG TERM CARE?

If You Saved What You Would Have Contributed To Insurance

You can decide to self-insure against almost any risk – your car, your house, or

your health for example. However, **people don't generally do that because they know the potential of a large loss could be devastating to them and their family.** Also, there is no way to determine the actual risk in dollars, since you have no idea how long you may spend in a facility. You insure your house and your car, even though you can replace a house or car for a given amount of money, but **there is now way to guess what a nursing home or assisted living bill might add up to. Even if you can afford to pay your own bill with no financial strain – does it make sense to do so?** You didn't get to the point of financial independence by squandering your money – why throw it away on a nursing home bill when a policy will cover it for pennies on the dollar. **That's why more and more people are turning to long-term care insurance.**

Let's say you are 65 years old save \$1,500 a year for 15 years, instead of paying for long-term care insurance. **At the end of 15 years, using 6% compounded interest you have accumulated about \$37,000, which is less than today's average cost of a nursing home stay for one year.** Then, imagine what the cost of an average nursing home stay will be 15 years from now if it costs \$40,000 a year today². It's easy to see that self-insuring may not buy enough care.

ARE THERE ANY OTHER OPTIONS TO PROTECT ASSETS?

Continuing-Care Retirement Communities

There are many types of planned senior communities across the nation. Some may offer all stages of late-life care. That does not necessarily mean they perform all the long-term care services you might need. Senior communities may even require that you purchase a long-term care policy to cover extra charges. A unit in one of these communities may be quite expensive - \$100,000 or more, which is sometimes not refundable to your family at your death. Plus, there are normally monthly maintenance fees of \$2,000 or more that you will have to pay in return for services. Also, you normally must enter these facilities **BEFORE you are disabled** or need care. Therefore, you may have to leave your home before you are ready to make that decision. **It's very important that you find out exactly what services are included and what the costs will be. What is your recourse if the facility files for bankruptcy?** If you are considering a Continuing-Care Retirement Community, a good long-term care policy will pay in those facilities. *It will act as a safety net while providing additional income to offset the added costs of assisted living or confined nursing care.*

WHAT ELSE DO I NEED TO KNOW?

The Final Hurdles

The two most common reasons for putting off long-term care planning are *denial* and *desire*.

1. **Denial** – "This won't happen to me. I'll never need long-term care."

No one wants to think about a time when they may have to depend on others for performing simple everyday activities like bathing, eating and getting dressed. Sometimes it may seem easier to avoid tough issues rather than deal with them, but how often has that made things better for you in the past?

2. **Desire** – "My family will take care of me. I don't need professional care"

There is no substitute for a loving family who are willing to take care of you, but there are some **tough questions you have to ask yourself, and them.**

- **Is your spouse or other family member qualified and able to give the type of care you may need?** How about lifting you in and out of bed, the bath, etc. If you fall down, can they pick you up without outside assistance? Even an 85 lb person is dead weight and not easy to manage and most of us weigh much more than that.
- **Do you really want them providing the type of very personal care that you may need?** Bathing, using the toilet, etc. How about a catheter or colostomy bag or other personal need?
- **Do they live close by?** Will they have to constantly drive back and forth?
- **Can they afford the time?** Do they work full or part time, have a family, etc. Are they paying for their house, cars and children's education?
- **Will it impact their career and their time with their own family?** Can they take time off without losing their job or neglecting their children's needs?
- **Will they be able to be there every time you need help?** In the middle of the night – 24 hours a day, seven days a week, 365 days a year?
- If they do have the time, patience, and training that is necessary to care for you now, **will they be able to continue giving you care for one year, two years, three years or more?** Will it cause stress on themselves or their marriage?

In truth, even among the most well-intentioned families, **care giving usually ends up being a combination of professional services and family help.** Your family cannot usually provide the care that might be required from a licensed doctor, registered nurse, or therapist or the 24 hour care that an assisted living facility or nursing home provides..

WHAT'S THE NEXT STEP?

I have given you some very compelling reasons why it is important for you to consider planning for your future long-term care needs. I have talked about risk and how you can reduce that risk through a comprehensive insurance plan.

One final point, long-term care may represent the last remaining financial risk for which you do not have insurance protection. If this makes sense for you, I urge you to do something about it now. Please do not delay. Your long-term care needs are much too important to put off or leave to chance. ***Most people wouldn't risk a chance on a slot machine with their life savings. However, that is exactly what you are doing without coverage. The reality is that there is nothing to "win" by gambling and the odds are stacked heavily against you.***

FOR FURTHER INFORMATION OR A NO-OBLIGATION QUOTE, PLEASE CONTACT:

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