

Need for Long-Term Care Insurance

While few people are prepared to handle the financial burden of long-term health care, many people have a false sense of security when it comes to long-term care.

<i>FICTION</i>	<i>FACT</i>
<p>“Medicare and my Medicare supplement policy will cover it.”</p>	<p>In fact, Medicare and “Medigap” insurance were never intended to pay for ongoing, long-term care:</p> <ul style="list-style-type: none"> ■ Medicare will pay for up to 100 days in a skilled nursing facility, but only after a 3-day minimum inpatient hospital stay for a related illness or injury. Medicare will pay all of the costs for the first 20 days, but you must pay a co-payment amount for days 21 – 100 during each benefit period. Medicare doesn’t cover long-term care or custodial care in a skilled nursing facility. (Source: 2024 Medicare & You, Centers for Medicare & Medicaid Services) ■ Only about 12% of nursing home costs are paid by Medicare, for short-term skilled nursing home care following hospitalization of at least three days. (Source: Guide to Long-Term Care Insurance, AHIP, 2014) ■ Medicare and most health insurance plans, including Medicare supplement policies, do not pay for long-term custodial care. (Source: 2024 Medicare & You, Centers for Medicare & Medicaid Services)
<p>“I can afford it.”</p>	<ul style="list-style-type: none"> ■ As a national average, a year in a nursing home is currently estimated to cost over \$108,000 for a private room. In some areas, it can cost considerably more. (Source: A Place for Mom, September 2023) ■ The average length of a nursing home stay is 835 days. (Source: Centers for Disease Control and Prevention, Nursing Home Care FastStats, last reviewed March 2021) ■ The national average cost of a one bedroom in an assisted living facility in the U.S. was almost \$56,000 per year in 2023. The cost for assisted living facilities that provide Alzheimer’s and dementia care can be \$80,000 to \$90,000 or more annually. (Source: A Place for Mom, September 2023) ■ Home health care is less expensive, but it still adds up. In 2023, the national average hourly rate for licensed home health aides was \$27. Bringing an aide into your home for 20 hours a week can easily cost over \$2,300 each month, or over \$28,000 a year. (Source: A Place for Mom, September 2023)

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"It won't happen to me."

- Almost 70% of people turning age 65 will need long term care services and supports at some point in their lives. (Source: LongTermCare.gov, February 2020)
- About 67% of nursing home residents and 70% of assisted living residents are women. (Source: Long-Term Care Providers and Services Users in the United States, February 2016, National Center for Health Statistics)

"If I can't afford it and need it, I'll go on Medicaid."

Medicaid is a joint Federal and state program that helps with medical costs for some people with low incomes and limited assets. Certain services must be included by the states in order to receive federal Medicaid funds. For example, people who qualify for Medicaid may get coverage for costs, such as nursing home care and outpatient prescription drugs, that are not covered by Medicare. Nursing home care must take place in a Medicaid-approved facility in order to qualify for Medicaid reimbursement. Other services are optional and may or may not be included on a state-by-state basis.

To qualify for Medicaid, federal poverty guidelines for income and assets must be met. In addition, there are state requirements for Medicaid eligibility. While Medicaid recipients must have low incomes and few financial assets in order to qualify, their homes and cars are not included in determining Medicaid eligibility. There is, however, a federal estate-recovery law that requires each state to recoup assets from the estates of Medicaid recipients. As a result, children set to inherit the family home may find that, instead, the home must be sold and the proceeds used to pay for the care their parents received.

Medicaid is essentially a safety net for those who didn't adequately plan for their financial needs in retirement, or who encountered unexpectedly large expenses that depleted their financial resources.

Whether purchased for yourself, your spouse or for an aging parent, long-term care insurance can help protect the assets you have accumulated over a lifetime from the ravages of long-term care costs.