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Long-term care could break you

Without the right insurance, you might exhaust your assets -- and your family's -- and lose control of where you're treated.

by Gene Walden

If you live beyond age 65, there's about a 70 percent chance that you'll need some type of long-term medical care at some point in your life, according to the U.S. Department of Health and Human Services (HHS).

Yet only about 10 percent of Americans have a long-term care insurance policy.

The other 90 percent risk spending down a significant share of their assets to cover their medical costs while putting the decisions on where and how they receive their care in the hands of the government.

But that's not the primary reason you should consider signing up for a long-term care policy, according to Deb Newman, president of Bloomington-based Newman Long Term Care. "You'll probably get the care you need," she said. "That's not the problem. The problem is the toll it would have on your family."

Long-term care insurance pays for treatment of ailing individuals who need medical care over an extended period. It can help you cover the cost of in-home assistance, adult day care, assisted living services, or nursing home care.

Without long-term care insurance, you'll likely receive the care you need, but it may cost you much of your net worth. And once your savings run out and the state takes over the cost of your care, you may be reassigned to a care facility chosen for you by government health care officials.

About 10 million people will need long-term care this year, according to HHS. While Medicaid typically covers medical costs for shorter-term treatment, individuals are responsible for longer stays -- either through their insurance or by spending down their savings until they qualify for government assistance.

As a result, many families try to handle as much of the care for their aging parents as possible. "Without long-term care insurance, you're putting your kids in a very difficult position," said Newman. "About 83 percent of caregivers are family members, and those family members are often providing that care while working full time and trying to care for their own children. About one in five care providers spends 40 hours or more each week caring for one of their parents."

Relying on long-term care insurance would ease the load significantly for family members. "Long-term care insurance provides the assurance for your family that they can be in your life, but they don't have to provide the care," Newman said.

The younger you are when you sign up for a long-term care policy, the lower your annual premium. If you buy a policy when you're 50, for instance, you'll pay the rate for a 50-year-old for as long as you hold the policy. According to Newman, a 52-year-old married individual would pay about $1,600 a year for a policy that pays a benefit of up to $6,000 a month (which will rise with inflation) with a three-year benefit maximum of $216,000.

If you start that same policy at age 62, the annual rate would be about 50 percent higher at about $2,380.

There's one more advantage to starting a policy at a younger age: The older you get, the more likely you would be to experience medical problems that might disqualify you for coverage. "If you learn that you have Alzheimer's -- which can cost $100,000 a year for medical care -- you would no longer be able to buy long-term care insurance," Newman said. "So your problem becomes your kids' problem."

According to the HHS, the cost of nursing home care is about $187 per day for a semiprivate room, $209 a day for a private room, $3,000 a month for care in an assisted-living facility, and $30 an hour for a home health aide.

Preserving your assets

Minnesota is one of about 21 states offering another very enticing incentive for buying long-term care insurance: Policyholders are able to hold onto more of their assets while still receiving the care they need.

Without long-term care insurance, you would have to spend down your savings to the poverty level before the government would step in to cover the cost of your care. But under the recent legislation, known as the "Minnesota Long Term Care Insurance Partnership Plan," you would be able to hold onto assets equivalent to your total insurance benefit.

For instance, if your long-term care policy covers up to $400,000 in long-term care, and you exhaust that entire amount, you would only have to spend your assets down to the $400,000 level before state and federal assistance kick in to cover 100 percent of your long-term care costs.

The law is designed to allow policyholders and their families to hold onto a significant share of their assets while still receiving the care that they need. Minnesota also offers a long-term health care insurance tax credit of up to $100 per person (or $200 for a couple) annually for taxpayers who own qualifying policies.

Although it is possible that you will never be among the 70 percent of Americans who will need long-term care, if you do, a long- term care policy will allow you to receive the care you need from the professional provider of your choice at the care facility of your choice while preserving assets for your spouse and family.

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Newman Long Term Care
8200 Humboldt Ave. S., Suite 218
Bloomington, MN 55431
(800) 625-9267
www.NewmanLTC.com

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