



Cornell University Cooperative Extension Ontario County

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CONSIDER LONG-TERM CARE INSURANCE IN YOUR RETIREMENT PLANNING

Long-term care insurance is an idea whose time has come. At least, it's an idea that most of us need to consider as we plan for retirement.

It is estimated that approximately 40 percent of U.S. residents 65 years-of-age and older will need long-term care assistance at some point. Such assistance is expensive: nursing home rates vary from state to state but the average cost in upstate New York is \$96,000 a year and home care can cost almost as much, depending upon the services required.

Because the average nursing home stay lasts 2 ½ years, it is not unreasonable for a New York State resident to eventually face the prospect of spending \$240,000 (in today's dollars) in nursing home expenses. Given that the average age of requiring skilled nursing care is 83 and that long-term care costs are increasing approximately five percent per year, it is conceivable that this type of care could cost over \$250,000/year in 20 years. Long-term care provided at home rather than in a skilled nursing facility typically costs half as much so that during an extended illness of a year or two, one may spend \$96,000 on long-term care today, even if they stay in their own home.

Most health insurance plans do not provide for any long-term care coverage. However, long-term care insurance can help meet those expenses. Long-term care insurance shares the cost-risk of future nursing home or community/home-health care services. You buy the insurance, risking that you will need long-term care that will eventually cost more than the premiums you pay into it. The insurance company sells you insurance risking that you will not need long-term care, but will remain healthy and independent. If you, the consumer, win the gamble and care is needed, long-term care insurance helps pay for a broad range of medical, personal, and social services for those unable to care for themselves for extended periods of time. The problem is that long-term care insurance can be expensive.

What's the probability that you will need long term care? One way to assess your future need is to review your personal and family health history. What disabilities, including physical and mental functional losses, have occurred? Might they happen to you? At what age? What is your expected income stream and asset level at retirement? Do you have an estate that you want to protect for heirs? Will your retirement income be able to pay for ongoing insurance premiums? Who do you have that would/could care for you if you can't care for yourself?

Many elderly now finance long-term care by using up their assets (exclusive of their home) and then relying on state subsidies. Once they have exhausted their assets, Medicaid covers the expense of long-term care for them. If you are willing to deplete your assets to pay for your care rather than leaving money to your heirs, then long-term care insurance probably isn't a good choice for you.

Consumers with sizable estates who can afford the premium, however, might find the insurance a good bet for themselves. For them, the insurance will help preserve assets for their heirs.

New York State, recognizing the hardship that long-term care can provide both to individuals and the state budget, has come up with another alternative that state residents should consider. In some cases, a NYS Partnership Policy provides long-term care insurance for less expensive premiums and without requiring a consumer to use up all of his or her assets before becoming eligible for Medicaid assistance. In effect, the Partnership Policy lowers costs for the state by encouraging consumers to be financially responsible for their long-term health care, and keeps long-term care costs reasonable for consumers by subsidizing part of the costs once they are eligible for Medicaid Extended Coverage. The Partnership Policies have specific requirements, however, including that the insured be in New York State to receive Medicaid Extended Coverage if their long-term care needs extend beyond the period covered by their private insurance policy.

So far, there's no panacea for the long-term care problem. Insurance is a step in the right direction, and New York State at least is recognizing that the insurance must be affordable for most consumers, not just the wealthy.

For more information about long-term care insurance, contact the Long-Term Care Insurance Education Center located at 480 North Main Street in Canandaigua. The phone number there is (585) 394-3977 or e-mail me at pwc5@cornell.edu

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