



Wealth Resources Network
The Wealth Achievement Center of CNY

DISABILITY & LONG TERM CARE STATISTICS

In most age groups, the likelihood of disability - being incapacitated due to illness or accident - is greater than the likelihood of death. For younger people, disability insurance is used to protect their greatest asset: the ability to earn an income.

For a retiree, Long Term Care Insurance is the equivalent to disability insurance for someone who is still working. The cost of a stay in a nursing home is very expensive, and an extended stay can put your financial assets in jeopardy. That is, you may need to deplete your capital to pay for a stay in a nursing home, or have extended home health care services. Consider the following facts:

According to the U.S. Department of Health and Human Services, 43% of those turning age 65 (more than 50% of women, and nearly 33% of men) will require long term care in a nursing home during their life. Seventy percent of all couples can expect at least one partner to use a nursing home after age 65. The average cost of a one-year nursing home stay is more than \$60,000.

Medicare covers only about 3.6% of all long term care costs, because it provides limited coverage for SKILLED nursing care only. Unfortunately, more than 90% of individuals currently in nursing facilities are receiving CUSTODIAL care, for which Medicare pays nothing.

Over 70 percent of single individuals and 50 percent of couples with one partner in a nursing home are impoverished within a year.

Forty percent of people over age 65 risk entering a long term care facility, half of whom will stay six months or less, and the other half of whom will stay an average of 2.5 years.

Clearly, the risk of a long term confinement in a nursing facility is one of the greatest hazards faced by today's retiree. These facts explain the growing popularity of long term care and home health care insurance policies.

WHAT A LONG TERM CARE POLICY PAYS FOR

Levels of Care

This is a crucial factor in choosing coverage. There are actually four categories: "skilled care," "intermediate care," "custodial care," and "home health services." When affordable, coverage should be obtained that provides for all levels of care.

Benefit Amount and Duration

The benefit amount should be evaluated according to the projected need, and the ability to pay for the care from other sources. The length of time the policy pays benefits can range from a number of months to life. The benefit period should cover a majority of likely admissions. With the average nursing home stay exceeding 2.5 years, a benefit period of 4 years is currently recommended.



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Inflation Protection

Many companies offer benefit levels that increase by the rate of inflation or some cost index factor. With medical costs rising at nearly twice the rate of inflation, such options may prove valuable.

Waiting Period and Prior Hospitalization

The length of time from the onset of disability until the time when the insurance company begins to pay is an important factor in premium cost. For example, a one-month waiting period will have a high premium; and a period of 3 to 6 months will have a correspondingly lower premium.

Waiting periods should be reasonably short, 30, 60 or 90 days depending upon the individual's ability to pay for a short stay and the added premium costs of a short waiting period. Do not buy a policy that requires a hospital stay to be eligible for benefits. You should be able to collect even if you directly entered the nursing home.

Coverage Limitations and Qualifications

Benefits should be paid for all medically necessary confinements and use reasonable definitions, or ADL's (activities of daily living) to qualify for coverage. Alzheimer's and other organic conditions that are not medically "verifiable" should specifically be covered and written in the policy wording.

Guaranteed Renewable, Non-Cancelable Level Premiums

Make sure you can renew your policy for as long as you need it, and that the insurance company guarantees this provision. Many better policies contain a non-cancellation provision. We recommend that you obtain a policy with this provision, as well as those that provide adequate guarantees against future premium increases.

Waiver of Premium

Better policies waive the necessity to pay premiums while you are receiving benefits. Look for policies with this provision.

Pre-Existing Conditions and Eligible Facilities

Most policies delay coverage for medical conditions that occur before, or are present at the time of application. Look for the shortest delay possible.

Make sure the policy pays for confinement in a State Licensed Facility and that it does not require a Medicare approved facility.

Sources: www.ahca.org. GE Financial, Long Term Care Division, GE Long Term Care Insurance Nursing Home Survey, March 2002.