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Long-term care insurance

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Seniors are living longer and the cost of elder care is rising. There are long-term care policies that lower the costs of nursing homes and assisted living centers.

But are they worth the price? Nancy Farghalli reports.

TEXT OF STORY

TESS VIGELAND: Here's the good news: Grandma and grandpa are living longer. The bad news? The price of caring for them is soaring. The average cost of a room at an assisted living center can top \$34,000 a year. A private nursing home room is double that. And getting that care at home? Upwards of \$23,000 a year. You can buy long-term care insurance policies, but are they worth the price? Marketplace's Nancy Farghalli reports.

NANCY FARGHALLI: Twelve bottles of pills sit on Jean Rosenfield's kitchen counter. Next to the pills is a list of prescriptions. The handwriting is neat and easy to follow, unlike the complex names of the medications.

JEAN ROSENFELD: Before I breakfast, I have . . .

Jean is 78 years old. In March, she underwent quadruple bypass surgery. She's recovering at home thanks to Delia, her home health aide.

Delia hands Jean two pills and a glass of water.

Jean's long-term care insurance policy covers Delia. That's because Jean can no longer bathe or dress by herself. Jean calls her insurance policy a lifeline.

ROSENFELD: I think it is the most important and necessary thing for all people, because they always say about life insurance and that is when you die, but what about the living?

Most people don't buy long-term care policies.

Steve Moses is the President of the Center for Long-term Care Reform. He says older people rely on federal programs such as Medicaid and Medicare. But those programs don't always cover long-term home health care or assisted living facilities.

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STEVE MOSES: People don't take the risk seriously and they don't

plan for it. And they don't insure for it in any greater numbers than they do, which is five to 10 percent of the general population.

Once those people have the policies, they don't want to give them up.

MOSES: It turns out once somebody has a long-term care policy, once they have it, you can't tear it out of their cold dead fingers. I mean they stick with it and with so few policies lapsing companies have ended up with more claims to pay

For that reason, some companies have hiked premiums. That's led to some proposed changes in the insurance industry-like penalties for unexpected rate increases.

Long-term care expert and author Phyllis Shelton:

PHYLLIS SHELTON: The policies today are what's called guaranteed renewable and in insurance lingo that just means that the company can't cancel you as long as the company is in business and as long as you pay your premium. There can be a class rate increase, which means on an entire group of people but never on a person, alone.

Shelton says if you buy a policy at age 60 the premiums will be much higher. For example, let's say you want a three year policy that pays two thirds of a nursing home bill and 100 percent of the home care costs.

SHELTON: So a 40-year-old couple, and let me stress two people OK, the premium annually is \$1,800. 50-year-old couple \$2,200. 60-year-old couple \$3,100 and 70-year-old couple \$6,100. So you can see the advantage of shopping younger right?

[TOUR: This is the dining room, breakfast is open seating. People come down anytime. Lunch and dinner are assigned seats so people have an assigned seat where they sit every time.]

It's almost lunch time at the Beverly Hills Carmel. A lunch tray rattles by Estelle Marco as she gives a tour of this assisted living center in Los Angeles.

Marco is the director of this private-pay facility where monthly rents range from \$2,500 to \$6,800. About 10 percent of the residents have some form of long-term care insurance. Marco says many people who tour the facility want policies.

ESTELLE MARCO: Out of 10 tours, maybe two have it. Out of 10 tours, nine wish they had it.

That wish takes work.

Stacey Brooks runs Heart Light. That's an elder care placement and referral agency in Los Angeles. She says, go to three different insurance carriers and compare their policies.

Look for items like inflation protection that means the policy pay out will keep pace with inflation.

STACEY BROOKS: Present these notes to the next one you speak with and have them basically resolve it like a court case, like why do you offer this and they offer that and have them explain themselves, because kinda your life depends on it if you will and definitely your financial life.

But it's a tough sell when your financial life is already full. Steve Moses has a solution: Just cover the basics. He bought a policy for \$400 a year.

MOSES: When I bought long-term care insurance and still had house payments, car payments, and a kid to put through college and retirement to save for, I opted to cover the catastrophic risk of a long-term institutional stay. I keep the premiums very low, at less at what we spend at Starbucks.

Moses says look for companies with good financials, companies that haven't raised rates. And make sure they have a long track record in the long-term care business.

A cheaper price won't do you any good if the company folds.

I'm Nancy Farghalli for Marketplace Money.

Resources

[Long-Term Care: Your Financial Planning Guide](#)

[Consumer Law: Avoiding Fraud When Buying Long-Term Care Insurance](#)

[Center for Long-Term Care Reform](#)

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