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ASSISTANCE WHEN YOU NEED IT MOST

Few seek long-term care insurance

Odds high that many will need help, but policy holders in minority

PAM KELLEY PKELLEY@CHARLOTTEOBSERVER.COM

When Amy Peacock's mom bought herself a long-term care insurance policy in her early 50s, her daughter didn't even know about it.

But the purchase proved crucial. Peacock's mother developed amyotrophic lateral sclerosis -- Lou Gehrig's disease -- just a few years later. Her policy paid for round-the-clock home care.

"It was a godsend," says Peacock, of Charlotte. "It gave Mom a certain amount of independence and dignity."

The experience made Peacock a passionate long-term care insurance advocate. At 36, she already has a policy.

But today -- a couple decades after long-term care policies were introduced -- Peacock remains in the minority. Nearly half of Americans will need long-term care at some point, according to the American Health Care Association. But among people not on Medicaid, only about 15 percent 65 and older have policies. Among younger people, the percentage is much smaller.

Long-term care policies can cover extended care in nursing homes, assisted living facilities, adult day cares and beneficiaries' homes. Such care, which can run \$70,000 or more a year, typically isn't covered by health insurance or Medicare. Consumers can buy the coverage from insurance agents or brokers, who sell policies from a variety of companies. A growing number of employers also offer group policies to employees.

Costs vary widely, depending on policy features and the buyer's age and health. Peacock, who bought her policy a couple of years ago, pays less than \$600 a year. People who wait until age 65 may pay \$1,500 to more than \$3,000.

Many eldercare experts recommend the insurance for those who can afford it.

"I think of it as financial planning for living a long life," says Joy Loverde, author of "The Compete Eldercare Planner: Where to Start, Questions to Ask, How to Find Help" (Random House, \$19.95). "If something were to happen to me right now, whether it's a stroke or a car accident, I have an interest in protecting my assets and income." She also wants to avoid saddling family members with overwhelming caregiving responsibilities.

So far, the industry has struggled to increase sales. Some companies have found it difficult to price policies accurately, and they've had to raise policy holders' premiums. Others have pulled out of the long-term care insurance market.

One reason demand remains weak: Many people believe, erroneously, that Medicare pays for long-term care, or that they can qualify for Medicaid. In fact, Medicare pays only in very limited circumstances, such as short-term care following a hospital stay. And you can't qualify for Medicaid until you've spent most of your assets. If you're on Medicaid, you're also more likely to end up in a nursing home, because it often won't pay for assisted living or home care.

Long-term care insurance is also complicated. The AARP Public Policy Institute reported in a May study that consumers face "bewildering choices" with long-term care policies, such as different benefit amounts and varying waiting periods before the benefit kicks in. The institute has called for standardized features to make it easier to compare policies.

Then there's the denial factor. Many people don't want to think about needing long-term care. "As long as people think of this as nursing home insurance for old folks, they won't buy it," says Phyllis Shelton, author of "Long-Term Care: Your Financial Planning Guide," (Kensington Books, \$16.)

Shelton, who heads a company that offers long-term care insurance training, points out that the product allows people to avoid nursing homes because it pays for other options, such as home care.

At age 65, people face a 40 percent risk of entering a nursing home in their lifetime, according to a government study. About 22 percent of people 85 and older are in a nursing home.

But, as Amy Peacock knows, younger people may need long-term care, too. Peacock's mom was 59 when she got ALS. She was 63 when she died.

Pam Kelley: (704) 358-5271.

Long-term Care Insurance Basics

- Many experts recommend buying policies in your 40s or 50s. • Insurers can raise premiums.
- Free advice is available from the Seniors' Health Insurance Information Program, 800-443-9354, or the Better Business Bureau Consumer Foundation, 704-927-8625.
- You can find agents or brokers who've received certification from the Corporation for Long-Term Care Certification Inc. at www.ltc-cltc.com. Click on "our graduates."

LOOK FOR:

- Comprehensive policies that cover a range of care settings, including home care. But if you know you'd prefer a specific type of care, such as an assisted living facility, you can save money by buying a facility-only plan.
- Companies with good financial ratings. Look for an A- or better on the A.M. Best rating scale. www.ambest.com.
- A policy with compounding inflation protection.
- A federally tax-qualified policy, which offers federal tax advantages.
- Plans with provisions that can allow payment for services not defined in the contract. Such a provision could allow payment for a new service that becomes available after the policy is issued. Some plans also pay cash benefits, which allow you to hire informal caregivers, such as family or friends.

YOU SHOULDN'T BUY IF:

- You've got limited assets and you're not sure you'll be able to afford the premiums.
- Numerous complaints have been filed against a company. Check with the N.C. Department of Insurance, 800-546-5664.

Pam Kelley