

Why you need long-term care insurance and tips on buying it



Jesse Slome, executive director of the American Assn. for Long-Term Care Insurance, in his Westlake Village office. He says he advocates "what I call what he calls "a good-better-best approach to long-term care planning." (Al Seib / Los Angeles Times)

By **LISA ZAMOSKY**

JUNE 21, 2014, 9:00 AM

Maria Mascone's mom had dementia, and she spent her final six years in an assisted living facility.

The cost of the facility ran about \$3,000 a month. Mascone says her dad left behind a sizable nest egg, and eventually the sale of her parents' home helped cover the cost of her mother's care.

Now that her mother has passed away, Mascone, a 62-year-old working in the medical field, says she can't help but think about her own future.

"It made me open my eyes that my husband and I are at this age where we need to think of the long term," says the Laguna Niguel resident. "We need some kind of a plan."

Long-term care insurance helps pay for the kind of care that Mascone's mother had — mostly help with daily activities that aren't specifically medical in nature. Mascone and her husband don't have that type of coverage. And they're not alone.

According to a 2010 poll by the SCAN Foundation and the UCLA Center for Health Policy Research, most Californians age 40 and older don't have long-term care insurance, which typically covers extended care provided at home, in an assisted living facility or in a nursing home. Commonly included are services for people who need help getting dressed, bathing, driving and managing medications.

Many Americans tend to think that with Medicare they're covered. But far from it.

"When you ask them, 'Does Medicare cover long-term custodial care?' only a third know that the answer is no," says Steven Wallace, associate director of the UCLA Center for Health Policy Research.

The majority of those polled said they couldn't pay for more than three months of nursing home or part-time in-home care if they needed it. That's not surprising, given the cost of such care. According to the California Healthcare Foundation, a semiprivate room in a nursing facility will cost Californians, on average, about \$82,000 a year. Home health aide services run just more than \$51,000 annually.

Medicaid — the government program for people with low incomes — pays for care for about 7 of 10 nursing home residents. But to qualify, in most cases, you'll need to spend down the majority of your assets.

Experts say many people are hopeful that they won't need insurance to help pay for care in their later years, despite the statistics that suggest otherwise. The U.S. Department of Health and Human Services estimates that roughly 70% of Americans over 65 will require some type of long-term care.

Here are some suggestions from experts about what to consider when buying long-term care insurance.

•**Age and health matter.** The younger you are when you buy long-term care coverage, the less expensive it will be on a monthly basis, and the better your chances of being approved for a policy.

"Once you hit your mid-50s or 60s is really the time to consider buying coverage," says Craig Gussin, principal of San Diego-based Auerbach & Gussin Insurance and Financial Services.

Unlike health insurance under the Affordable Care Act, long-term care insurance is not

guaranteed. If you already have a chronic condition, such as diabetes or heart disease, you're likely to be turned down.

•**Some coverage is better than none.** Can't afford the best policy? Don't let that stop you. "I advocate what I call a good-better-best approach to long-term care planning," says Jesse Slome, executive director of the American Assn. for Long-Term Care Insurance in Westlake Village.

A "good" approach is to buy a policy when you're healthy and guaranteed some coverage, even if it won't pay for all your needs. For example, for just shy of \$2,000 a year, a 60-year-old couple could buy a policy that covers \$150 per day for three years, but offers no growth to keep up with inflation.

A single person, age 55, could buy the same policy for an average cost of \$1,010 a year.

"Better" is to buy a plan while you're healthy that gives you the option to add benefits for better coverage later on. For an average annual cost of \$1,080, a 55-year-old could buy a policy covering \$150 per day for three years that offers additional future protection — that's just \$70 more a year than the "good" plan.

The "best" plan, Slome says, is to buy a policy that keeps up with inflation — 3% compounded annual growth is common these days. This type of policy is likely to run that same 55-year-old \$2,110 a year, on average.

Also look into other ways of reducing your premium. For example, some insurers sell a "shared benefit plan" in which a couple shares a pool of six years of coverage that can be used as needed between spouses.

•**Know what your insurance pays for and what it doesn't.** All insurance policies will require proof of how many activities of daily living you need help with — bathing, dressing, eating or using the toilet — before agreeing to cover your costs.

"That's the No. 1 detail to look for," Gussin says. He suggests you buy a policy that kicks in once you need help with one or two activities of daily living.

•**Know when coverage starts.** Most policies have a waiting period during which you must pay for long-term care services on your own before insurance begins to pay. "Is that 30 days? 60 days? 90 days? The longer the period, the more you're privately paying, so the cheaper the premium," says Ruth A. Phelps, a Pasadena elder care attorney.

Also check for how the policy pays benefits. Some will pay you a lump sum for the allowed monthly benefit, while others require you to submit expenses and then reimburse you. "It's not

that one is better than the other," Gussin says. He says you just need to know what to expect.

And, although there are exceptions, dropping your policy often means that you lose all the money you've already paid into it. You can expect it to be canceled if you're about 45 days late on your payment, Gussin says.

•If you buy with an agent, pick a good one. Long-term care insurance is a complicated product. Help from an experienced agent is important. There are three questions to ask an agent before agreeing to work with him or her, Slome says.

First, how many years have they been selling long-term care insurance? "It takes at least three years" for people to really understand the industry, he says.

Second, how many people has the agent sold long-term care insurance to? Fewer than 100 policies isn't enough. "People think insurance is insurance, but this is like brain surgery. I don't want to go to a brain surgeon if I'm his second patient," Slome says.

Third, find out how many insurers the agent works with. "Agents are only going to recommend the companies with which they can earn a commission," he says. Look for an agent working with a minimum of three or four companies.

Slome says he understands how difficult and confusing long-term care insurance can be. He says he founded his organization to help consumers wade through the details of what he acknowledges is a very complex product.

The bottom line, Slome says, is that if you live into your 80s, 90s or beyond, "the chance that you're going to need extended care increases enormously."

And then at that late date, he says, "the question is: What are you going to do about it?"

Resources

To find an insurance agent and more information about long-term care insurance:

American Assn. of Long-Term Care Insurance: AALTCI.org

California Assn. of Health Underwriters: CAHU.org

National Assn. of Health Underwriters: NAHU.org

healthcare@latimes.com

Zamosky is the author of "Healthcare, Insurance, and You: The Savvy Consumer's Guide."

