WHAT IS LONG TERM CARE?
Long term care is the type of help you may need when you are not able to perform daily activities such as eating, bathing and dressing by yourself due to a lengthy illness, disability, or cognitive disorder. Typically, it’s not provided by doctors or skilled nursing professionals and its goal isn’t to cure an illness. You might receive care at home, in your community, in a nursing home, or in another residential setting.

WHAT TYPE OF LONG TERM CARE INSURANCE IS AVAILABLE?
The rationale for purchasing long term care insurance is similar to that for most insurance: you pay an affordable premium that helps offset the risk of a much larger out-of-pocket expense. There are different approaches available to accomplish this. We’ll look at a few of them.

Many traditional long term care policies available are reimbursement policies. This means that they reimburse you for your long term care expenses, up to the Daily Benefit amount you choose, for each day you receive specified care based on your policy limitations.

Another type of traditional long term care policy many companies offer is an indemnity policy or rider, which would pay a fixed dollar amount on any given day of service up to your policy limits, regardless of the cost of your care.

WHAT FEATURES SHOULD I CONSIDER WHEN PURCHASING LONG TERM CARE INSURANCE?
When you are considering long term care insurance, there are several choices you need to make and several options you should weigh. We’ve listed several here to help you design a policy that’s right for you.

Daily Benefit: This is the amount a policy will (continued)
pay out per day. Be sure to check the average costs for nursing home and home care in your area or for the area in which you think you will use the benefits before deciding on an appropriate daily benefit amount.

**Waiting Period:** You can compare this feature to the deductible on your health insurance policy. You’ll need to decide how long you’re willing or able to pay for your care out-of-pocket before the policy starts paying. Most insurance companies offer a variety of waiting periods.

**Benefit Period:** This is how long the insurance company will pay for your care. Again, most insurance companies offer a range of choices from a year or two up to lifetime, or unlimited, care. If you choose a three year benefit period, for example, your policy will pay for three years of care, after which you’ll start using your own money. The benefit maximum is actually determined by multiplying the number of days you need care (1095 days in a three year plan, for example) times the daily benefit. A three year plan with a $100 daily benefit creates a benefit maximum of $109,500 for example. If your daily charge is ever less than the daily benefit, the remainder stays in the pool of dollars and can extend your benefit period past the three years.

**Home Health Care:** Many people who need long term care would prefer to receive it in the comfort of their home. This feature provides benefits for a home health aide or for licensed health care professionals to help you at home. It may also pay for adult day care. This benefit can actually help you avoid a nursing home.

**Inflation Coverage:** Inflation affects costs in all areas of our lives, and long term care is no exception. This feature is critical if your coverage is to keep pace with rising costs. The average cost of care in 2005 was $74,095,1 and assuming a 5% increase, ten years from now, the same care could cost over $120,692. The inflation benefit assures you that your policy will hold its value over time.

**HOW DO I CHOOSE A LONG TERM CARE INSURANCE POLICY?**

When choosing long term care insurance coverage, be sure to take all the time you need. Ask questions and make sure you understand all the provisions. Marketing or sales literature is helpful, but ask to see the actual policy for a summary of benefits or an outline of coverage and read it before you buy. Also ask about the insurance company’s financial ratings. Even after you purchase a policy, you have 30 days to read through it and decide if you made the right choice. If not, you may return your policy within the 30 days and get your money back. Policy features can vary dramatically from one company to another. Be sure you carefully compare like features and decide which benefits are most important to your situation. It is equally important to carefully evaluate the company that is offering the policy itself. A licensed insurance agent who has experience with long term care insurance can help you decide what is best for you.

**FICTION AND FACT ABOUT LONG TERM CARE**

**Fiction:** Benefits received from long term care insurance policies are taxable.

**FACT:** Benefits received from tax-qualified long term care policies are generally excluded from one’s taxable income. The Health Insurance Portability and Accountability Act of 1996 states that federally-qualified long term care insurance policies be treated the same as major medical coverage.

**Fiction:** I don’t need long term care insurance because I can rely on my spouse and/or children to take care of me.

**FACT:** Fewer and fewer people may be able to rely on their loved ones to provide their care. Geography plays a part, with those in need of care often far away from children who might offer it. But boomers in general don’t foresee their spouse (or partner) and children playing a major hands-on role if they need long term care because many of them are working full time and/or taking care of their own children.

1. MetLife Mature Market Institute, Market Survey of Nursing Home and Home Care Costs, September 2005

The information provided here is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel.