

## Why You Need Long-Term Care Insurance

The long-term care crisis is upon us -- don't say you weren't warned.

The government is already having trouble paying the cost of long-term care for the indigent elderly.

Recently, the Wall Street Journal wrote a front-page article slamming states for joining in a partnership to encourage the purchase of long-term care insurance to offset the rising strain on their budgets. It cited concerns about rising policy premiums and the difficulty of collecting benefits from some insurers.

Well, those are issues that can be addressed with regulation.

The very real concern about the cost burden to the government didn't make the headlines in the Wall Street Journal. For that, you'd have to turn to the local newspaper in the small town of East Troy, Wis.

A recent headline there: "Local Nursing Home Launches 'Save the Manor' Campaign."

"The 30 year old Kiwanis Manor nursing home there is looking for the community's help to financially keep it afloat," says the article, going on to note that the well-regarded, AAA-rated facility has "at least \$400,000 in bills greater than its accounts receivable."

Bad planning? Maybe.

But it appears the big issue creating the losses is a cutback in government reimbursements. "In 2006, Medicaid payment for the care of these residents was approximately \$25 per day less than the actual cost of providing the services. In 2007, funding was cut by an additional \$3 per day," reports the paper.

Even more burdensome, explains the article, the state demanded that the nursing home add one certified nursing assistant to every shift -- an additional payroll cost of more than \$100,000 per year, while at the same time cutting its reimbursements to the nursing home by \$40,000 per year.

The baby boomers haven't even started retiring yet!

Here's a recent story from another small town Wisconsin paper, The Week, on a similar topic: "Resolution asks county to stop reducing the number of beds for Medicaid patients."

That story goes on to note that "to save taxpayer dollars, the county has gradually increased the number of beds available for patients who can pay privately ... and that means fewer beds are available for indigent patients covered by government-subsidized Medicaid."

Now, are you still counting on the government to pay for your long-term care?

Think again.

## **The Long-Term Care Issue**

This is definitely not an issue just for older people. In fact, once you face the issue of needing care, it's too late to plan.

No one likes thinking about needing help to do basic activities of daily living, such as dressing, or bathing, toileting or feeding yourself. Or thinking about meeting those needs for your parents. But this is no time for denial.

The good news is that we are living longer. The bad news is that it costs more. If you need daily personal care, today it costs about \$7,000 a month. And the cost is sure to rise faster than the rate of inflation as demand for care soars. (Not to mention the problem of finding help at any cost, if legal immigration is restricted.)

How will you pay for this care for yourself down the road, or for your parents, in the coming years? If your aging parents can't care for themselves, they may be occupying the bedroom just vacated by your child who has gone off to college!

Shocking, to be sure -- but it will look like a far better alternative for care than a ward in a Medicaid-funded nursing home. Medicaid is the program that promises to pay for care, and it does so primarily in nursing homes. Many people figure they'll spend all their assets and then let the state take over. What will that care look like in 15 or 20 years?

OK, I got your attention. Now what should you be doing?

### **What to Do?**

If you can pay for your care, there will be alternatives ranging from home care to assisted living to nursing homes that accept only privately paid patients. But typically this cost can devastate a family's retirement savings and leave a surviving spouse without any assets.

The first step is to consider the purchase of long-term care insurance. It may be too expensive for many people, but those who can afford at least some coverage will ensure that they do not spend their last years in an underfunded, overcrowded nursing home. Since these policies come with "concierge" services to find appropriate caregivers, this is a must-do for women who are alone.

The time to buy is in your late 50s or early 60s, when costs are lower and you're healthy enough to qualify. Look for a policy that offers three years of coverage, with at least a simple inflation increase. You'll likely have a 90-day deductible -- three months of care that you must cover before the insurance kicks in. Optimally, you'd like to purchase \$200 per day in coverage, but even \$150 will be a help.

Purchase your policy from a major, reputable company. Independent agents sell policies from the likes of John HancockMFC, GenworthGNW and MetLifeMET so they can compare coverages and costs.

What if you never use your policy?

Congratulations. I hope you never need to use it, or your homeowner's insurance in case of a fire. But the chances are 10 times as great after age 65 that you'll need some form of care than that your house will burn down.

Insurance is always a bet against the odds. But you can't collect if you don't bet. And that's The Savage Truth.