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## Long-Term Care Insurance

Is it worth it?

By **FRED BROCK\***

**EVERYONE** thinks that health insurance is a necessity. But a lot of people are confused, with good reason, about whether they need long-term care insurance.

The answer is not easy and does not come "one size fits all." Long-term care insurance comes with several caveats. Deena Katz, an independent financial adviser and the president of Evensky & Katz in Coral Gables, Fla., is an advocate for such protection in certain circumstances.

But she points out that it hasn't been around that long.

"Insurance companies have been in and out of these policies," she said. "At one time there were 150 companies offering them; now there are very few. So the commitment is a little wobbly."

In addition, such insurance is getting more expensive and covering less, and many state regulations governing policies and premiums are inconsistent. Policyholders can face big premium increases, especially for policies that were under-

priced as insurers tried to gain market share in recent years.

The AARP Web site ([aarp.org](http://aarp.org)) cites the case of an Ohio couple who saw the annual premiums on their eight-year-old policy jump to \$4,862 from \$3,255, about a 50 percent increase.

A bright spot is that despite inconsistencies in state regulations, some policy features have become

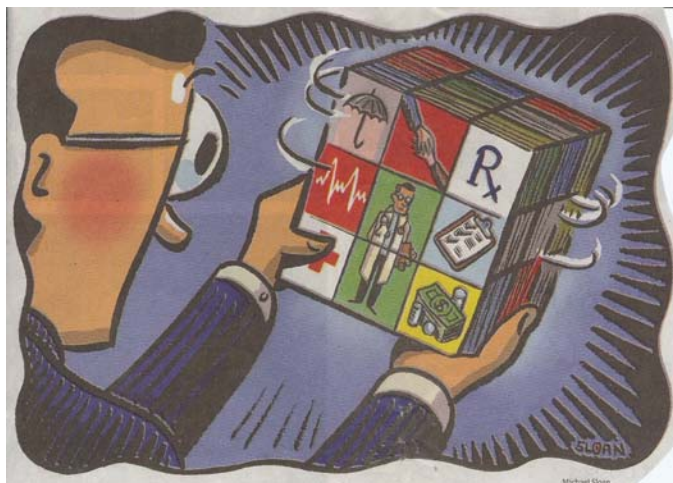
more standard. This is important, Ms. Katz says, when it comes to the definitions of conditions and health events that setoff benefit payments.

Long-term care is not age-specific: you don't

have to be old and in a nursing home for it to kick in.

Mary Lou Odle, a Kansas State University extension agent in Salina, often helps people who are trying to understand long-term-care insurance. "In addition to nursing home care," she said, "long-term policies may cover home health care, assisted living and adult day care."

Ms. Katz addressed the complexity of long-term-care insurance. "It is hard to understand, it varies with



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every state, and it is not the panacea we would like it to be," she said.

"On the other hand, there are good uses for it. The reasons people should buy long-term care are for **asset protection, estate preservation** and what I call **the fear factor**: if someone lives far away from family members and there is no one to take care of them, it is certainly a lot easier to go into a long-term care facility as a paying patient than to have to go broke and accept Medicaid.

"The insurance is expensive, but you may be willing to accept a lesser quality of life today - in other words, bear the cost of buying the insurance - for the promise of tomorrow. The younger you are when you buy long-term care insurance, of course, the less the premiums are."

Most experts agree that the **two groups** of people who should not buy such insurance are those with high assets - enough money to afford care on their own - and those with low assets - too little money to worry about protecting it.

The latter group should just count on Medicaid taking over after they have exhausted their resources. (The only problem is that in many states, relying on Medicaid can adversely affect the assets of the spouse who doesn't need long-term care. Advice on this topic is available from county and state agencies for the aging.)

The real puzzle, of course, is figuring out how high or low your assets must be to opt out of long-term care. Ms. Katz sets \$200,000 as the

asset level, including equity in your home; below that, you probably can't afford long-term-care insurance.

But, she concedes, "there are disagreements about this all the time," and "some advisers say \$100,000." Those with higher levels of assets must make decisions based on their cash flow and what they feel they can afford.

Ms. Katz offered some sample costs: "The average nursing home stay runs close to \$4,000 a month. The average stay is about 90 days." That's \$12,000. But, Ms. Katz said: "Those that stay longer than that stay about three years. At the tail end of those statistics are people who are in nursing homes for many years."

What about those whose assets fall in the middle range? If you are single, aren't concerned about leaving an estate or do not live far from people who can help you, you may not need long-term-care insurance. Ms. Katz advises that you review your family medical background when making a decision.

For instance, if a long-term incapacitating illness, like Alzheimer's disease, runs in your family, the prospect of being responsible for living for years in a nursing home may push you to buy a long-term-care policy.

You have to decide how long you can pay for long-term care on your own, Ms. Katz said, adding that such care should be viewed as strictly catastrophic coverage. "If you can afford a short stay in a

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nursing home for a broken hip, you don't need the insurance for that," she said. "You want it for a five year stay because you have Alzheimer's."

Ms. Katz warned that many people do not investigate the odds and the averages, and don't really know how to buy long-term care insurance. "Too many people are `sold' this insurance," she said.

She urges her clients to buy only as much insurance as they need, she said. "You may not need insurance to cover all your costs, or you may not be able to afford full coverage," she said. "Whatever you can afford to buy is going to defray some of the expense. If a nursing home is charging \$150 a day and you have a \$60-a-day policy, that's \$60 a day you don't have to spend."

Ms. Katz also cautioned against the pitch from many insurance companies that you need lifetime coverage. You really need only four to five years of coverage, she said, pointing out that the three-year average for longer nursing home stays reflects the average life expectancy for people with serious, long-term illnesses.

Not surprisingly, Ms. Katz recommended consulting a financial planner about long-term-care insurance. "Health care is getting harder," she said, "and we are living longer and longer."

Some states offer tax incentives for buying long-term-care insurance. And don't forget to check with your employer's benefits department, where you might find more favorable group rates.

Even if you decide that the insurance is for you, you can be turned down for having pre-existing medical conditions. "This is a big issue," Ms. Katz said, "and another reason than price for getting these policies earlier. You're less likely to have health problems at 50 than at 70."

If a company turns you down, don't despair. Try another. That's the lesson Mary H. Parsons of Manhattan, Kan., learned when she tried to buy a policy after her husband died in March 2005, when she was 73. One company, which required a physical exam, turned her down twice because of a relatively minor case of osteoarthritis in her right knee.

But Mrs. Parsons, who is known as Jody, applied to another company and was accepted based simply on her medical records and a telephone interview. She bought a policy that will pay \$70 a day for up to two years, or a bit over \$51,000. Her premium is \$111.16 a month, or \$1,333.92 a year.

"Who knows if I'll need this or not," she said. "It's a crapshoot, but I think it's worth the gamble. I mainly wanted to protect my estate. I don't want to have to spend all my money on health care. I thought about buying life insurance instead, but that would have been too expensive."

*Fred Broth is the author of "Health Care on Less Than You Think."*