

## HANDLING THE COSTS OF GETTING OLDER

**L**ike it or not, you are getting older, and there may come a time when you find handling the day-to-day activities of life difficult. If not you, then perhaps your parents, older relatives, or even, your life partner will need to consider assisted living or moving into a nursing home. Almost a quarter of Americans age 75 or older reside in nursing homes. And with Baby Boomers nearing retirement age, more and more Americans will need to decide how they want to live and be cared for in their golden years.

Making a decision regarding the care of older parents, relatives, your life partner, or yourself often can be a difficult and emotional one—but there are steps you can take to make your life (and theirs) a little easier.

*Talk to Those Concerned.* Ask them about their wishes and expectations. Discuss long-term care insurance, living arrangements, decisions regarding medical care, financial planning and estate planning.

*Prepare a Personal Data Record.* Collect into one document all the information that would be needed if you, your partner, or your parents were to become incapacitated or die. This includes financial information, legal documents, medical information and accounts, insurance policies, and funeral and burial plans. Know who would have power of attorney for the incapacitated individual and how that person's assets will be transferred.

*Get Support and Advice.* If you are concerned about the mental or physical capacities of your parents or your partner, ask a doctor for a geriatric assessment. If you can't care for the individual yourself, seek guidance from a geriatric manager. If you do care for an incapacitated individual yourself, there are support groups, adult day care and caregiver training available to assist you.

### HOUSING OPTIONS

When and if you are no longer able to care for a partner or your parents at home, or the services of a paid in-home caregiver become inadequate, other options include:

*Assisted Living*—These facilities usually offer rental rooms, housekeeping services, meals, social activities and transportation. The primary focus is social, not medical. They are often state licensed and serve seniors who need more help than independent living

*Nursing Home*—These are always state-licensed facilities that offer 24-hour access to medical care at three levels—skilled nursing, intermediate care and custodial care. Nursing homes are expensive, so explore payment options—including personal savings or retirement plans, long-term care insurance and Medicaid.

### LONG-TERM CARE INSURANCE

Regardless of the decisions you make, they involve costs. Caring for an incapacitated individual can be expensive, and much of those costs are not covered by private health insurance or Medicare. An alternative is to purchase long-term care insurance to help cover the costs for in-home care or assisted living facilities.

Generally, long-term care insurance helps pay for the care of an individual who can no longer independently perform the basic activities of daily living, such as bathing, dressing, eating and using the bathroom.

Cost and coverage vary with each plan and depend on many factors, including the age and health of the individual. Here are some hints for keeping long-term care costs under control:

- *Think Ahead and Buy While You're Young.* Before age 60, if possible.
- *Choose A Shorter Benefit Period.* In other words, limit the number of years your policy pays benefits.
- *Go With a Longer Elimination Period.* The higher the number of days you must receive long-term care services before the policy kicks in, the cheaper the premium.
- *Accept a Limited Benefit Amount.* Basically, you'll pay higher out-of-pocket costs to keep premiums low.



- *Let Uncle Sam Share the Cost.* Part of the insurance premium may be tax deductible as a medical expense, so be sure to check.
- *Buy Group Coverage.* Some employers offer this less expensive coverage.
- *Ask About Spousal Discounts.* Some insurers discount prices if both you and your spouse (or both of your parents) buy coverage.
- *Match the Age with the Need for Inflation Protection.* You can purchase an inflation rider to ensure your coverage keeps pace with rising costs.

Additionally, asking the following questions will help you evaluate the terms of a policy and select the one that's best for you or your parents.

#### **WHAT CONDITIONS MUST BE MET TO BE ELIGIBLE FOR BENEFITS?**

These days, nearly all long-term care policies base benefits on a person's ability to perform so-called activities of daily living. These activities include eating, using the toilet, bathing, dressing and moving about. Most policies provide coverage upon certification by a doctor that the insured person is unable to perform two or three activities associated with daily living.

#### **WHAT SPECIFIC SERVICES ARE COVERED UNDER THE POLICY?**

Generally, the more comprehensive and flexible the coverage, the better it is. The best policies cover a continuum of care including home health care, personal care, community-based adult day care, assisted living facilities, and skilled care in a nursing home.

#### **WHAT DAILY BENEFIT AMOUNT IS RIGHT?**

You should base the daily benefit amount on the going rate in the insured's area for nursing home care. If you prefer, you can lower the premium by purchasing a benefit amount slightly lower than the daily cost of nursing home care and paying the difference out of pocket. For example, if the going rate in the insured's area is \$150 a day, you might consider insuring for up to \$125 a day and paying the rest out of pocket.

#### **WHAT IS THE ELIMINATION PERIOD?**

The elimination period refers to the length of time between when a person's long-term care needs begin and when the long-term care benefits become payable. The elimination period can be anywhere from 0 days to a year. The longer the insured waits and pays for care out-of-pocket, the lower the premium. Some policies apply the elimination period to each admission; with others you need to satisfy it once.

#### **DO I HAVE TO BE HOSPITALIZED BEFORE BENEFITS BEGIN?**

In some cases, yes. However, it's best to avoid policies that require prior hospitalization to receive benefits.

#### **HOW LONG WILL BENEFITS BE PAID?**

You can get coverage that will pay out for as little as a year, but for most people that is not worth the cost of the coverage. On the other hand, you can get unlimited coverage, which is extremely expensive. Statistically, typical nursing home care lasts between three to five years. So consider coverage for three, four, or five years. You might consider the medical history of close relatives to get a general idea of how long the insured individual will likely need coverage.

#### **DOES THE POLICY INCLUDE AN INITIATION CLAUSE?**

Given the rising cost of health care, a benefit amount that seems reasonable today could quickly become inadequate. An inflation protection provision is the only way to ensure that the benefits payable under the policy will rise each year to keep pace with inflation.

#### **DOES THE POLICY HAVE A WAIVER OF PREMIUM PROVISIONS?**

This provision means that the insured does not have to continue to pay the premiums once benefit collections begin. Some policies waive premiums starting on the first day benefits become payable; others require that benefits be paid for a certain number of days before premiums are waived.

#### **CAN THE COMPANY CANCEL THIS POLICY?**

Look for a policy that is guaranteed renewable. This means the company cannot cancel your policy as a person gets older or his or her health deteriorates. However, premiums can go up.





While an insurer cannot single out one person for a rate increase, insurance companies can, and do, raise premiums for a class of policyholders, subject to approval from the State Insurance Department.

**HOW LONG HAS THE COMPANY BEEN SELLING LONG-TERM CARE INSURANCE?**

Be sure to examine the financial strength and stability of the insurer. After all, what if you or your relative needs coverage 15-20 years from now? A quick trip to the library or a search on the Internet can provide you with the company's rating by agencies such as Standard & Poor's or A.M. Best.

**MAY I HAVE A SAMPLE COPY OF THE EXACT POLICY I WOULD BE PURCHASING FROM YOUR COMPANY?**

Before you sign up for long-term care insurance, get copies of contracts from several insurance companies and read the fine print in advance of selecting the policy that best fits your needs.

Under current law, a portion of the premium on your long-term care policy may be deductible as a medical expense on your tax return. A CPA can help you select a policy that qualifies for the deduction.

NOTE: Be very careful. Nationwide very few people actually collect on these policies. A large number of policies are cancelled or allowed to lapse before any benefits are received due, in part, to the increase in premiums. Check with your insurance carrier for their benefit payout rate. 



