

Long-Term Care Insurance: Is It for You?

Long-term care insurance (called "LTCI") provides a way to pay nursing home and home care costs. LTCI provides a way for people to come together and "pool" their individual, unpredictable risks of incurring significant long-term care costs. The improvement in LTCI policy provisions over the past few years has made LTCI worth considering when planning for costs of long-term care.

But, *LTCI is not for everyone*. For one person, LTCI can be a valuable, useful, appropriate product. For another person, LTCI can be an inappropriate, ill-advised expenditure of money.

Background for Making Decisions

In our classes on this subject, we use a 16-page workbook that helps each student to better understand the odds of needing nursing home care, to project future care costs (considering inflation's impact), to review different levels and settings for care, and to better understand the impact of the Medi-Cal program.

Do the "Two-Step"

We believe that considering the purchase of LTCI should be a two-step process:

- ▶ Step One is deciding whether *you* should purchase LTCI. That is, does it make sense for *you*?
- ▶ Whether you should purchase LTCI depends on your personal financial situation, goals and views.
- ▶ Step Two is investigating and comparing coverages and features of available policies, and selecting and purchasing a policy.

At times, people get involved in Step Two too soon - and when they become involved in comparing coverages and features, they can lose focus on the basic issue: is LTCI right for them? To make the best use of your time, take on Step One first.

Step One

At our classes, students examine several important financial and other considerations, from their individual viewpoints, based on their own particular situations, and reflecting what is important to them.

We've outlined the considerations below:

- ▶ Would you be able to afford the LTCI premiums - today and in the future?
- ▶ Would you or your spouse qualify to use the Medi-Cal program for nursing home care - today and in the future?
- ▶ Would using the Medi-Cal program for nursing home care be acceptable to you or your spouse?
- ▶ Would your financial reserves be adequate to cover your care costs - today and in the future?
- ▶ How do you feel about using your financial reserves for care costs - would you rather preserve them for other uses (spouse, other heirs, etc.)?
- ▶ Would you feel more comfortable having LTCI to cover an unpredictable risk?

Based on the answers to these questions, you can decide whether or not LTCI is appropriate for you. In class, we use a "decision tree" approach to help make the decision.

Once the decision to buy or not buy LTCI is made, you have completed Step One.

Step Two

In Step Two (evaluating and comparing policies), areas to examine include:

- ▶ What services are covered by the policy (nursing care, personal care, etc.)
- ▶ What settings are covered (home, adult day care, assisted living, board and care, nursing home)?
- ▶ What triggers coverage?
- ▶ What dollar amount (daily benefit) should you select?
- ▶ If only part of the daily benefit is used, what happens to the remainder?
- ▶ Would a "pool of money" approach work best?
- ▶ What about inflation protection?
- ▶ What is the financial strength of the insurance company?

More Resources on LTCI

- ▶ Attend one of H.E.L.P.'s popular classes on this subject. We suggest attending our Medi-Cal class first, as background. See page 7 for a list of several upcoming classes.
- ▶ Read the *Consumer Reports* October 1997 special report on LTCI titled "How will you pay for your old age?" It's available at many libraries. Reprints are available for \$3 through CU/Reports, 101 Truman Ave., Yonkers, N.Y. 10703-1057.
- ▶ Read "A Shopper's Guide to Long-Term Care Insurance" distributed by the National Association of Insurance Commissioners (NAIC). Call NAIC for a copy at (816) 842-3600.
- ▶ Several rating agencies grade the ability of insurance companies to meet their financial obligations (A.M. Best Company, Fitch Ratings, Moody's Investor Service, Standard & Poor's and Weiss Research, Inc.). Check the financial or reference section at your library.