

Should I buy long-term care insurance?

Financial Planning

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If you need long-term care services and have to pay to obtain them, what financial resources could you call on? Do you have enough to pay for four or more years in a nursing home, an assisted living facility, or home health care?

If you're over 65, don't rely on Medicare or private health insurance. Medicare doesn't pay for custodial care, and private health insurance rarely pays any of the cost of long-term care.

If you expect to have very little money when you need long-term care services, you might qualify for Medicaid, a government program that pays the medical and long-term care expenses of poor people. If you expect to be in that situation, you probably shouldn't buy long-term care insurance, because your state's Medicaid program will pay your long-term care expenses. Buying long-term care insurance would only save the state—not you—money. The exception is if you live in **California, Connecticut, Indiana, or New York**, states that have a Partnership for Long-Term Care program. For residents of these four states, buying long-term care insurance does offer an additional benefit.

If you expect to have a lot of money when you need long-term care services, you also probably shouldn't buy long-term care insurance. Instead, you should plan to pay for the care "out of pocket"—that is, as a regular expense. One financial advisor suggested in a newspaper interview that if your net worth is in the \$1.5 million range, not including the value of your home, you could safely skip buying long-term care insurance and treat long-term care expenses, if they arise, as you do your other bills.

If you fall in-between these two categories, owning long-term care insurance, like all other insurance coverages, offers peace-of-mind benefits as well as financial ones. For example, a recent survey of people age 50 and over asked how confident they were that they could pay for long-term care services if they needed them. Among those with long-term care policies, 52 percent said they were very confident and another 40 percent said they were somewhat confident. Among those who didn't own a long-term care policy, only 8 percent were very confident and only 27 percent were somewhat confident.

But if you're under 85—and especially if you're under 65—that doesn't mean you should ignore the topic of long-term care insurance because

- You might already be unable to buy long-term care insurance. Wakely Consulting Group, an actuarial firm, studied applicants for long-term care insurance in 2003-2004; the findings: 11 percent of applicants in their 50s, 19 percent in their 60s and 43 percent in their 70s were rejected.
- A Milliman & Robertson actuary estimated that 15 to 25 percent of the over-65 age group are uninsurable for long-term care.
- A report from the Henry J. Kaiser Foundation indicates that over five million people ages 18-64 need some type of long-term care.
- The latest data from the National Center for Health Statistics (for 1999) reported that roughly 160,000 of the people living in nursing homes were under age 65 (nearly 10 percent of the total). Of those receiving home health care services, roughly 400,000 were under 65 (about 30 percent of the total).

So, unless you have so little money that you will qualify for Medicaid, or so much money that you can pay the bills out of your own pocket, you should consider buying long-term care insurance.

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