Long-Term Care Insurance: Benefits, Costs, Options

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Nobody likes to think about anything but a bright future. The good news is that people are living longer, healthier lives. However, 7 out of every 10 individuals who are now age 65 or older will, at some point in their lives, need long-term care. Long-term care needs are best met with advance planning.

Now, more than ever, in these demanding financial times, it is vital that people plan ahead to secure the financial resources needed to enjoy all that they have worked and saved for in their later years. Having a long-term care plan does not have to preclude enjoying the type of retirement living people dream of or mean giving up the desire to leave an estate for loved ones.

It Can Happen to You

Chances are, many of us will need long-term care. Seventy percent of people currently over age 65 will need some type of long-term care in their lifetime (Kemper, Komisar, & Alexihi, 2005) — and, although most people think about being older when long-term care needs emerge, younger people can also need care. Their needs may arise from an accident or an illness — such as early-onset Alzheimer’s, Parkinson’s, or stroke — or other disabling conditions. Of the nearly 10 million people who currently need long-term care, just less than 40 percent are under age 65 (see Figure 1). This percentage includes individuals who need care due to a congenital or development disability, such as cerebral palsy, as well as young people who have become disabled as a result of an injury, adult-onset illness, or accident. Although many people will need long-term care for only a relatively short period of time, others can require care for many years.

Factors that affect long-term care needs are as follows:

- **Age.** The risk of requiring long-term care generally increases as people get older.
- **Marital status.** Single people are more likely to need care from a paid provider.
- **Gender.** Women are at higher risk than men, primarily because they tend to live longer.
- **Lifestyle.** Poor diet and exercise habits can increase risk.
- **Health and family history.** Chronic health issues can increase the likelihood of needing long-term care.

**Long-Term Care Is Expensive**

Most people learn about long-term care the hard way — when they or their loved ones need care. That is usually when they realize they are not covered and that care is expensive.

How expensive? Currently, the average lifetime cost of long-term care for someone who has reached age 65 and needs care is just over $162,000 for males and $240,000 for females (in 2012 dollars). This calculation includes the
typical combination of paid care from nurses or home health aides, care in a nursing home or assisted living facility, and the many hours of care provided by unpaid family members or friends. About 20 percent of those who need long-term care can expect to need care for 5 years or more.

For most individuals, paying for long-term care costs out of pocket would be financially and emotionally draining. Most people do not have the assets and income to cover the cost of long-term care, or they may want to preserve their assets and income to maintain a quality lifestyle for themselves and their loved ones. That is why it is important to plan for these needs in advance.

Without coverage, paying for long-term care can quickly deplete even sizable savings.

Why People Do Not Plan Ahead for Long-Term Care Needs

People have a natural tendency to avoid thinking about becoming dependent on others for care. Most people do not like to think about getting older, developing a disability, becoming less independent, or needing help with personal care. Many people do not realize that there is a very good chance they will need long-term care at some point in their lives.

In addition, people commonly misunderstand how expensive long-term care is, and how its costs are covered. Consumer surveys show that many individuals do not realize that health insurance, Medicare, and disability coverage do not pay for most long-term care services. Many people do not realize that Medicaid pays for long-term care services only for people with limited income and financial resources.

People often find it difficult to raise these subjects with their loved ones, thus making it hard to explore and define a plan for long-term care. Adult children may feel like they are patronizing their parents if they raise the subject or may be afraid of giving the impression that they do not want to provide care if it is needed. Parents often fear making adult children uncomfortable with such a discussion or would rather not discuss details of their finances with their children.

Finally, some people realize that planning for long-term care is important, but they do not know how to go about it.

When Is Long-Term Care Needed?

Long-term care needs occur when people need help with one or more of the six basic activities of daily living—bathing, dressing, using the toilet, walking or transferring from a bed to a chair, feeding oneself, and dealing with incontinence. People perform these activities independently on a daily basis when they are healthy, but as they get older, become ill, or have an accident or injury, their ability to perform even these simple, everyday tasks can be limited or lost.

People may also need long-term care due to severe cognitive impairment—which refers to the confusion, disorientation, or memory loss that can result from such conditions as Alzheimer's disease. Individuals with these disorders need supervision to ensure their safety and may also need help performing their activities of daily living.

What Is Long-Term Care Insurance?

Long-term care insurance is a type of insurance developed specifically to cover the costs of long-term care services, most of which are not covered by traditional health insurance or Medicare. These include services in one's home, such as assistance with activities of daily living, as well as care in a variety of facility and community settings.

Long-term care insurance policies offer a great deal of choice and flexibility. People can select a range of care options and benefits that allow them to get the services they need in the settings that suit them best. The cost of long-term care insurance is based on the type and amount of services people want covered, how old they are when they buy the policy, and any optional benefits they choose, such as inflation protection. Individuals who are in poor health or already receiving long-term care services may not qualify for long-term care insurance, may only be able to buy a more limited amount of coverage, or may need to buy coverage at a higher nonstandard rate. Not all insurance companies offer coverage at different rates based on health.

Long-term care insurance policies have a benefit period or lifetime benefit maximum, which is the total amount of time or total amount of dollars up to which benefits will be paid. Common benefit periods for long-term care policies are 2, 3, 4, and 5 years, as well as lifetime or unlimited coverage. Many companies also offer options between 5 years and lifetime or unlimited coverage. Most policies translate these time periods into dollar amounts and so do not actually limit the number of days for which they will pay for care—just the overall dollar amount. Fewer companies today are willing to offer an unlimited or lifetime policy, although some have a high-coverage option, such as a 10-year plan or a $500,000 or $1 million lifetime limit.

With long-term care insurance, people pay premiums in amounts they know in advance and can budget for, and the policy pays—up to its coverage limits—for the
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long-term care people need when they need it. Typically, premiums are waived while people are receiving benefits. Although long-term care coverage is guaranteed renewable—which means that the insurance company cannot cancel coverage for any reason other than failure to pay premiums or exhaustion of benefits—the insurer can raise premiums on a class (or group) basis when actuarially justified and with approval from the state's insurance department (when required).

Coverage and Benefit Choices

The following list summarizes the prevailing policy and benefit choices available from most long-term care insurance plans:

- People select a daily benefit amount (e.g., $100 per day), which is the maximum daily cost of care expenses the policy will cover. Most policies offer choices from $50 per day to as much as $500 per day. Some policies have maximum monthly limits, allowing greater flexibility when people are receiving intermittent home care.
- Policies often let people choose whether they want the policy to pay the same daily or monthly benefit amount for care in all settings, or whether they want the policy to pay less for care in less costly settings, such as at home. Common choices include a home care benefit of 50 percent or 75 percent of the daily or monthly nursing home benefit amount.
- People decide on a maximum lifetime benefit or total lifetime amount they want the policy to provide. Policies typically offer a choice of lifetime dollar amounts—for example, $100,000 or $300,000—which may correspond to a period of time. For example, a 3-year policy at $100 per day of benefits would provide a total of $109,500 for care. Some insurers also sell lifetime or unlimited coverage that has no dollar limit; people receive benefits as long as they continue to need long-term care and use covered services.
- People select the type of coverage they prefer—comprehensive, or facility care only. Comprehensive policies cover a wider range of care settings and services, including both care at home and in various types of facilities, such as an adult day care center, an assisted living community, or a nursing home.
- Most of today's policies are comprehensive, but some people prefer to buy facility-care-only policies. These policies pay for care in a nursing home or assisted living facility and may still include hospice or respite care, but do not cover care at home or in the community. Facility-care-only policies cost less than comprehensive policies. People who prefer to stay at home and who have family or friends to provide care may choose this policy, which covers only paid care in a facility, if and when they need it.
- Many policies offer additional, optional benefits or riders allowing people to further customize their coverage. One important option is inflation protection, which helps protect people from the rising cost of care over time. This option works the same way as an inflation clause on homeowner's insurance: As the cost of replacing the home increases, so does the amount of insurance coverage. Most people who buy long-term care insurance opt for an inflation protection rider, which builds the cost in to the starting premium so that the price of the policy does not increase simply because the value of the coverage increases with inflation. But long-term care insurance can have a number of different types of inflation protection, so it is wise to find out more about the inflation protection options of any particular policy.

Many policies may also pay for services or devices to support people living at home:

- Equipment, such as in-home electronic monitoring systems
- Home modification, such as grab bars and ramps
- Transportation to medical appointments
- Training a friend or relative to provide personal care safely and appropriately

Certain policies may provide some payment for family members or friends to help provide care, but they may do so either on a limited basis or only in relation to the costs that the family member incurs. Many policies provide the services of a care coordinator, usually a nurse or social worker in the person's community. Care coordinators meet with people to discuss their specific personal situation and help arrange for and monitor their care. A care coordinator's help is usually optional—people use it if they need and want it—and they are not limited to the providers that the care coordinator may recommend.

What Is a Typical Comprehensive Long-Term Care Insurance Benefit?

The majority of today's policies cover care and services in a variety of long-term care settings, including adult day health care centers, assisted living facilities (also called residential care facilities or alternate care facilities), Alzheimer's special care facilities, and nursing homes. In
addition, these comprehensive policies typically cover hospice care and respite care, as well as home care—including skilled nursing care; occupational, speech, physical and rehabilitation therapy; and help with personal care, such as bathing and dressing. Many policies also cover some homemaker services, such as meal preparation or housekeeping, when provided in conjunction with personal care services.

What Is Not Covered?
Like all insurance, long-term care policies have exclusions, which are listed both in the outline of coverage people receive before they apply and in the policy or certificate people receive after they have purchased coverage. These exclusions often follow federal guidelines and, where applicable, state regulations with regard to what exclusions are allowed. Long-term care policies typically exclude the following (even if people meet all the other requirements of the policy):

- Care or services provided by a family member, unless the family member is a regular employee of an organization that is providing the treatment, service, or care. In addition, the organization must receive the payment for the treatment, service, or care and the family member must receive no compensation other than what is the norm for employees in that job category.
- Care or services for which no charge is made in the absence of insurance.
- Care or services provided outside the United States and its territories or possessions. However, note that a growing number of policies now have an international care benefit that can provide coverage for care outside of the United States.
- Care or services that result from war or an act of war, whether declared or not.
- Care or services that result from a suicide attempt (while sane or insane) or an intentionally self-inflicted injury.
- Care or services for alcoholism or drug addiction (except for an addiction to a prescription medication when it has been administered in accordance with the advice of a physician).
- Treatment provided in a government facility (unless otherwise required by law).
- Services for which benefits are available under Medicare or another governmental program (except Medicaid), any state or federal worker's compensation, an employer's liability or occupational disease law, or any motor vehicle no-fault law.

Although most policies do not pay for care people receive from a family member, friend, or other individual who is not paid to provide their care, some policies provide, as an alternative to regular benefits, a small cash payment for each day that a person receives care from anyone, even a family member or friend. These policies cost more (about 25% to 40% more) but allow people more flexibility in using their benefit dollars. Most policies routinely cover training and support for family and friends who provide care (called informal caregiver training), as well as time off for family caregivers (respite care).

Most policies require that the facility, agency, or individual providing care meet certain minimum standards with respect to quality, safety, and training. For example, care in a nursing home that is not licensed but operates in a state requiring licensure would not be covered. In states that do not require certification or licensure of long-term care facilities or programs, the insurance policy would typically describe the staffing, safety, and other features that should be present to ensure that people receive appropriate and safe care.

Long-term care policies focus on paying for the types of services and providers that people need when they cannot perform activities of daily living on their own or when they have a cognitive impairment. These policies do not pay for care or services unrelated to these needs, such as hospital stays, ambulance care, prescription medications, and the like. However, some policies may cover prescription drugs provided while a person is in a care facility (but not at home), and some policies pay for transportation costs to medical appointments for people who have physical or cognitive impairments.

Some policies provide coverage for care related to everyday household needs, such as housekeeping, laundry, meals, and managing medications—the so-called instrumental activities of daily living—but only when people receive these services as part of a paid care provider's assistance with activities of daily living. Thus, most policies do not pay for in-home help if all people need is assistance with such services as housekeeping, meals, laundry, and transportation.
Finally, long-term care policies do not pay for items provided solely for people’s comfort or convenience, such as a television in the nursing home room or a visit to the facility’s hair care salon.

**What Does Long-Term Care Insurance Cost?**
Policy costs vary greatly based on people’s age at the time of purchase, the company from which they buy their coverage, and the specific benefit options they select. The average annual premium cost for a policy purchased in 2010, across all ages of buyers and all the types of policies they bought, was just under $2,300 (America’s Health Insurance Plans, 2012). This price represents a comprehensive policy (covering both facility and at-home care) that provides an average of close to at least 5 years’ worth of benefits, with a daily benefit amount of $153. Most policies purchased in 2010 also included some form of automatic inflation protection. When people buy at a younger age, premiums are lower. Table 1 shows the average annual premium amounts paid for long-term care insurance in 2010 overall, and for specific age groups.

### Table 1. Average Annual Premiums Paid for Long-Term Care Insurance in 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>All ages</td>
<td>$2,283</td>
</tr>
<tr>
<td>Younger than 55</td>
<td>$1,831</td>
</tr>
<tr>
<td>55 to 64</td>
<td>$2,261</td>
</tr>
<tr>
<td>65 to 69</td>
<td>$2,781</td>
</tr>
<tr>
<td>70 to 74</td>
<td>$3,421</td>
</tr>
<tr>
<td>75 and older</td>
<td>$4,123</td>
</tr>
</tbody>
</table>

*Source: America’s Health Insurance Plans (2012).*

**Payment Options for Long-Term Care Insurance Premiums**
Different long-term care insurance policies offer different payment options. With most policies, people pay premiums according to a schedule they select—monthly, quarterly, semiannually, or annually. Premiums can be automatically withdrawn from a bank account, pension check, or paycheck (for people who obtain coverage through their employer or retirement system). Typically, people pay premiums until they begin to receive benefits, at which point the premiums are waived as long as they continue to receive benefits.

With most policies, people pay premiums as long as they are not receiving benefits. However, some policies require payment only for a specified period—most often 10, 15, or 20 years. For example, with the 20-year option, people pay a monthly premium for 20 years, at which point their coverage is fully paid. If they begin to receive benefits before the 20-year pay period is over, they stop paying premiums while they are receiving benefits. If they recover and have not yet paid for all 20 years, they resume payments. With some policies, people pay premiums only until age 65. These types of accelerated-payment policies are significantly more expensive than the ones in which premiums are paid over the life of the policy or (until they need benefits).

Furthermore, these types of accelerated-premium policies are not being offered as often as they once were. A few companies offer a single-pay option, in which people pay for the insurance in one lump sum payment. Although such policies are much more expensive than traditional long-term care insurance, their advantage is that the single lump sum payment is the only premium required. These policies typically pay for long-term care expenses and also offer people the option to include a death benefit for their heirs. Note that some states do not allow single-pay policies.

**When Are Long-Term Care Benefits Paid?**
When benefits are paid is based on the benefit trigger of the policy, the length of the elimination period chosen, and, sometimes, the date when people start receiving paid care.

Policies use objective measures, called benefit triggers, to determine when people need long-term care. For most policies, activities of daily living and cognitive impairment are triggers for benefits, which are paid when people need help with two or more of the six activities of daily living or when they have a severe cognitive impairment.

Benefits begin to be paid after the lapse of an elimination period—the number of days between when a benefit trigger occurs and when a person begins to receive payment for services. An elimination period is like the deductible on car insurance, except it is usually specified as a period of time rather than as a dollar amount. Most policies allow people to choose the length of the elimination period—generally 30, 60, or 90 days. During the elimination period, people are responsible for the cost of any services they receive. Policies differ with regard to whether people are required to receive paid care and pay for services in order to satisfy an elimination period before benefits start. Some policies require only that people satisfy the functional or cognitive disability triggers of the policy in order to start the elimination period.

Once people are eligible for benefits, most policies reimburse the costs they incur for covered services up to a preset limit. A few policies simply pay a preset benefit
amount regardless of the costs of the care received, whereas other plans pay a cash amount for each day that people meet the benefit trigger, whether or not they receive paid long-term care services.

Can Everyone Buy Long-Term Care Insurance?

People who have certain conditions will not qualify for long-term care insurance. However, insurance companies have different standards, so although some individuals may be denied coverage by one company, another might accept them. People probably will not be approved to purchase a policy if any of the following conditions apply:

- They currently use long-term care services.
- They already need help with activities of daily living.
- They have AIDS or AIDS-related complex.
- They have Alzheimer’s disease or any form of dementia or cognitive dysfunction.
- They have a progressive neurological condition, such as multiple sclerosis or Parkinson’s disease.
- They have had a stroke within the past 12 to 24 months or a history of strokes or multiple transient ischemic attacks.
- They have metastatic cancer (cancer that has spread beyond its original site).

Other health conditions are evaluated in deciding whether an individual can obtain long-term care insurance, but the aforementioned conditions are the primary ones that can disqualify people.

Once a person is accepted for coverage, that coverage cannot be canceled for any reason other than nonpayment of premiums or receipt of the maximum benefits of the policy. People who develop one of the aforementioned health conditions after obtaining coverage would still be covered for the care they need for that condition. Although almost all policies review people’s health in order to decide if they are insurable, few of today’s long-term care policies have preexisting condition exclusions once a person is accepted for coverage.

Consumer Protections

Several consumer protections are built into long-term care insurance coverage. The following apply to all long-term care insurance policies:

- Coverage cannot be canceled or not renewed as long as people continue to pay premiums as they are due and have not used up the maximum policy benefits.
- People are allowed 30 days after receiving the policy to return it for a full refund.
- People can designate another person (third-party designee) to receive notice of premiums due and payments missed so they will not accidentally miss a payment.
- People have up to 65 days after the date a premium payment is due to make payment. Coverage cannot be canceled for nonpayment until after the grace period and until the third-party designee has also been notified.
- If coverage lapses for nonpayment because a person was disabled at the time it was due, the coverage can be restored within 5 months of the missed premium due date.
- People who have a group policy through their employer or other association can continue that coverage unchanged if they leave the group but want to maintain the policy.
- A spouse insured through an employer group plan may maintain coverage even after a divorce.
- Premiums are designed to remain level over the lifetime of coverage, and are based on people’s age when they first buy the policy. The insurer can change rates on a group (or class) basis, but has only a limited right to do so, and the change must apply to an entire group or class. An individual cannot be singled out for a rate increase.
- People typically have the right to decrease their coverage, without underwriting, if they find in the future that the current premium costs are beyond their financial means.

Things to Consider Before Buying Long-Term Care Insurance

People who are interested in buying long-term care insurance should think about the following:

- Do not buy out of fear or emotion.
- Do not buy more coverage than you think you may need. You may have enough income to pay a portion of your care costs and may need only a small policy for the remainder. You may have family willing and able to supplement your care needs.
- Do not buy too little coverage, which would only delay the use of your own assets or income to pay for care. Think about how you feel about incurring care costs that will not be covered. Although you can usually decrease your coverage, it is more difficult to increase coverage, especially if your health has declined.
- Look carefully at the policy you are considering. No one policy is right for everyone.
- Does the policy pay only for room and board in a facility? If so, plan for other expenses, such as supplies, medications, linens, and other things that may not be covered.
## Long-Term Care Insurance: Benefits, Costs, Options

### Table 2. Reasons for Buying Long-Term Care Insurance

<table>
<thead>
<tr>
<th>Category</th>
<th>Very important reason</th>
<th>Percent citing this reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimize financial exposure</td>
<td>The government will not pay for long-term care</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>Preserve savings and income; protect assets</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Guarantee affordability of needed care</td>
<td>71%</td>
</tr>
<tr>
<td>Protect family resources</td>
<td>Preserve income for a spouse</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Leave estate</td>
<td>36%</td>
</tr>
<tr>
<td>Choice and independence</td>
<td>Freedom to choose where and how to receive care</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Not have to depend on others</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>Avoid relying on Medicaid</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: America's Health Insurance Plans (2012).

- Coverage costs less to buy at a younger age.
  Currently, the average age of people who buy long-term care insurance is about 59. For those who purchase policies offered at work, the average age at which they buy is about 50.
- Make sure that buying a long-term care insurance policy is a sound financial decision that is affordable for you.
- Look at different options and talk with a professional before making a decision.

### To Buy or Not to Buy?

Long-term care insurance is not right for everyone. Individuals who already need long-term care will probably not qualify for insurance. In addition, long-term care insurance may not be appropriate for individuals with little income or few assets.

No easy rule of thumb can guide people in deciding whether long-term care insurance is right for them. Although some facts are important to consider—such as income, assets, age, and health—the following intangibles are also important to the decision:

- How important is it that you receive care at home?
- Are you certain you have family or friends upon whom you can rely to provide care even at some unknown date in the future? Are you comfortable doing so?
- Do you have assets to protect and preserve for heirs or do you want to ensure the quality of life for a spouse should one of you need care?
- How important is it to be able to choose the type and amount of care you receive?
- How risk averse are you?

Generally, individuals should consider buying long-term care insurance if any of the following apply:

- **They have assets to protect.** Although there is no hard and fast number, some financial experts recommend that people who have $50,000 or more in nonhousing assets consider insurance. Even people with significant wealth, who could afford to pay for care on their own, often choose to buy insurance to protect those assets.
- **They are not eligible or close to qualifying for Medicaid.**
- **They can afford the premiums for the type and amount of coverage they believe best suits their needs.** Affordability is in part a relative concept and depends on how important the protection and peace of mind is to the individual. Some financial experts recommend that premium costs not exceed 7 percent of a person's income. Individuals should take into account whether their current income is expected to increase, decrease, or remain the same. Also, some people use the interest from assets, rather than other income, to pay the premium, so it is important to think about other ways to make the premium affordable.
- **They are in reasonably good health to qualify for insurance.**
- **They are concerned with the possibility of someday needing long-term care.** Someone with a family history of longevity or chronic health conditions may feel more at risk of needing long-term care in the future. Similarly, someone who does not want to or cannot rely on family or friends for care may believe it is more important to have insurance to cover the costs of paid care.
## Table 3. Reasons for Not Buying Long-Term Care Insurance

<table>
<thead>
<tr>
<th>Category</th>
<th>Very important reason</th>
<th>Percent citing this reason</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy cost</strong></td>
<td>Long-term care insurance costs too much</td>
<td>58%</td>
</tr>
<tr>
<td></td>
<td>Concerned with possible premium increases</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Coverage features</strong></td>
<td>Concerned that the policy will not cover type of care needed in future</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Confidence</strong></td>
<td>Do not believe the promises insurers make</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>Choosing a policy is too confusing</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Waiting for better policies</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Knowledge of risks and costs</strong></td>
<td>Medicare or Medicaid will pay</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>I will not ever need long-term care</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: America’s Health Insurance Plans (2012).

Understand that affordability means different things to different people. People are willing to spend varying amounts on long-term care insurance, based on how important the purchase is to them. Currently, about two thirds of people who buy long-term care insurance use some portion of their savings to pay for insurance, so an affordability index based solely on income is not realistic.

Data on how much of their income people allocate to pay for long-term care insurance show a range from as little as 1 percent to 8 percent or more. In 2010, almost 16 percent of all people buying long-term care insurance spent more than 8 percent of their income on the purchase, whereas the majority (58%) spent between 1 percent and 3 percent of income on long-term care insurance.

### Why People Buy Long-Term Care Insurance

People buy insurance for a variety of reasons—to avoid relying on others, to help pay for needed care, to obtain peace of mind, and to preserve assets and protect their family’s quality of life. Specifically, in 2010, individuals buying long-term care insurance cited the reasons listed in Table 2 as being very important for the purchase.

### Why People Do Not Buy Long-Term Care Insurance

People cite different reasons for not buying long-term care insurance. In order to overcome the denial, confusion, or misinformation that may be a barrier to planning ahead for long-term care needs and considering insurance, it helps to understand the reasons people cite for why they do not buy long-term care insurance.

Cost and concerns with possible future rate increases are the most frequently cited reasons. Confusion about which coverage features or what type of policy to buy is another. Some consumers are waiting for better policies and others are uncertain whether they can trust insurance companies to provide the coverage they promise.

When consumers say that long-term care insurance costs too much, it may mean that they do not perceive the value of coverage relative to the price or that they are considering coverage options that cost more than what they believe they can afford (see Table 3). That is why it is important to understand the value of long-term care insurance and identify less costly coverage options that still provide adequate coverage appropriate to one's needs.

### What the Future May Hold

A large, untapped market potential remains for long-term care insurance, but many educational and attitudinal factors need to be overcome. Although long-term care insurance is neither feasible nor suitable for everyone, among those who have considered the purchase and chosen not to buy, the majority are still considering it as a viable option. Specifically, only 32 percent say they do not plan to buy at all, and the remaining 68 percent remain
undecided (53%) or specifically indicate that they plan to buy in the future (15%), most typically at or around the time of retirement (America’s Health Insurance Plans, 2012).

When asked about factors that might influence individuals who decided not to buy long-term care

Many states have launched long-term care awareness initiatives.

insurance to change their minds, more certainty about future needs relative to policy costs was cited as important. Specifically, 77 percent of nonbuyers said they would be more interested if they thought there was a good chance that either they or their spouse would need long-term care in the future. Similarly, 87 percent expressed that knowing they would not experience future rate hikes would also increase their interest in buying coverage. It is important to note on this last point, however, that those responses were given in absence of information about the cost of a policy with a truly level (never changing) premium. Such policies, called noncancelable, would cost at least twice as much as today’s typical policy. If affordability is perceived as a stumbling block at present, it is unlikely that a much more expensive price for the same product would truly increase interest.

In response to people’s concern about the possibility of not needing long-term care, insurance companies have developed combination products that both cover long-term care and provide either an annuity or life insurance. Although such products are somewhat more confusing, they have the advantage of being able to serve multiple purposes and thus can be potentially more appealing to some consumers. With a combination product, however, it is important for consumers to understand that, should they have extensive long-term care needs, the policy would likely not leave them with either a death benefit (in the case of a life insurance–long-term care combo) or an annuity payout (with a long-term care–annuity combo). They may be able to receive both types of benefits with the

combination product, but only to the extent that the maximum coverage amount purchased is able to provide that.

Addressing denial of risk is also very important. The federal government is continuing a public education and awareness campaign to help people understand the risks and costs of needing long-term care and the options available for planning ahead. A newly launched social marketing campaign and a soon-to-be updated public education Web site (www.longtermcare.gov) are key tools in this endeavor. Additionally, many states have launched long-term care awareness initiatives with federal support. Research has shown that this “Own Your Future” campaign can have a favorable impact on encouraging individuals to plan ahead for their long-term care needs (Tell & Cutler, 2011).

At the same time, recognizing that long-term care insurance is only one part of people’s financing dilemma and that options and enhancements to today’s products are clearly needed, policymakers and researchers continue to explore new ways to encourage planning, as well as development of new products, strategies, and programs to provide meaningful long-term care protection to those who will need it.

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