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The risks of buying limited long-term care insurance

Now that the Medicaid “look back” period for gifting of assets is approaching five years, many consumers are wondering if a three-year long term care insurance policy will be sufficient to meet their needs. Elder Law Answers (www.elderlawanswers.com) reports on a new consumer guide by the industry trade association, the American Association for Long-Term Care Insurance (www.aaltci.org) that indicates that the risk of running out of benefits on a three year policy is rather small. The consumer guide is only available to members, but can be viewed online. The May 2010 guide uses comprehensive claims-related data from various studies conducted over the past year by the trade group.

The guide reports that the risk of exhausting benefits on a three year policy is small, particularly for men. Men have 13.1 percent chance of having a long term care insurance claim that lasts longer than three years. For claims lasting longer than four years, the figure is 7.6 percent, and longer than five years, it drops to 4.5 percent. If a male with a three year policy, and has a claim that starts at age 82 years (a typical age), he has a 12.4 percent chance of exhausting his benefits; women face almost twice the risk at 23.5 percent.

The controlling factor in whether to choose a policy with a limited duration is cost. A policy that pays benefits for three years costs between 42 and 54 percent less than one with unlimited duration. A five year policy has a 30 percent to 39 percent savings over one with unlimited duration.

It is important to remember that planning for the risk of long term care is as sensible as planning for the risk of a house fire or an automobile accident. We all hope that we will never require long term care in a nursing home. However, long term care can be provided at home, or in an Assisted Living Facility for those who planned for those potential eventualities. Americans are living routinely into their 80's, 90's and 100's, when the risk of needing care increases exponentially. Waiting too long to obtain long term care insurance both increases the premium costs, and decreases one's chances of qualifying health-wise.

It is especially important for women to plan for long term care needs. According to the guide, women are 10 times more likely to live to age 85, and are twice as likely to be living alone at older ages. Women tend to be the caretakers for their spouses, and then will often need nursing home care in their older years.

The guide states that insuring for long term care is always a personal matter. Meeting with a qualified long term care insurance agent (or several if you wish to compare) is the first step in the process. Health, current and projected assets, and ability to afford premiums are just a few of the factors to consider. Families who have experienced the financial devastation that long term care causes, should especially be interested in insuring themselves, and preventing the same overwhelming financial burden for their loved ones.