

## Long Term Care Insurance Basics

People are living significantly longer these days as a result of tremendous advances in health care as well as increased health awareness leading to better diet and exercise. As a matter of fact, as a measure of longevity, there are currently more people aged one hundred or more alive today, than have ever lived to that age in the entire history of the world. What can, unfortunately, accompany this increased life expectancy is physical frailty and loss of cognition. While these conditions are not new to the human experience, what is new is that the extended family, unlike in our agrarian past, is no longer in place to provide the necessary care to the elderly that was available when generations either lived together or were in close proximity. Additionally, parents are increasingly loath to burden their children with additional caregiver duties beyond working and taking care of their own families. This has led to an eldercare industry providing homecare services, assisted living facilities, and nursing homes as alternatives to family care.

These providers do not come cheap. Currently, in the San Francisco Bay Area, the average cost for homecare is \$34.00 per hour and a one year stay in a semi-private room in a nursing home is \$77,000 per year. As these costs are accelerating at a compounded rate of about 5% per year it is easy to see that one could burn through a significant amount of capital to address these needs. Consider that the cost for an Alzheimer's patient in a facility for a period of eight years is about \$650,000 in today's dollars and it becomes evident that the potential for impoverishing the non-care spouse is significant.

Enter the insurance industry. In the old days (about twenty years ago) when these types of policies were in their infancy, they were simply called Nursing Home Policies. They were very restrictive, required qualifying hospital stays, and quite honestly, were not a very good deal. Fast forward to today and the offerings are quite a bit better. Policies now cover all levels of care from skilled nursing to custodial and provide benefits at home, in assisted living facilities, and in nursing homes. Additionally they have benefits that increase every year to keep pace with the real cost of care.

Many people have the mistaken impression that Medicare will cover this type of care. While it is true that there are very limited benefits for care in a Medicare-approved, skilled nursing facility, even in the best of cases, Medicare will only pay benefits for a maximum of 100 days. Thereafter, Medicare provides no benefits at all. No health insurance plan, Kaiser included, will provide this type of care either.

The cost for long term care policies varies greatly depending on the design of the policy, but the one constant is that the sooner it is implemented, the lower the cost. Also, younger applicants tend to have less issues getting through the underwriting process. Age 50 is not too soon.