

Your 2017 Guide to Long-Term Care and Long-Term Care Insurance

What You Need To Know To Help You Understand And Plan For Long-Term Care This Year.

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Healthcare innovation is increasing life expectancy, and as a result, the number of Americans who are the oldest old, or those age 85 and up, is growing much more quickly than the rest of the population. Living longer is generally good news, but it means we're increasingly at risk of requiring long-term care during our lifetimes. Unfortunately, that's a big problem because long-term care costs thousands of dollars per month, and it isn't covered by Medicare or health insurance.

Here's what you need to know about long-term care, including tips that can help you prepare for it.

MOST OF US WILL NEED LONG-TERM CARE

One of the biggest mistakes most people make is underestimating how likely it is that they'll require long-term care during their lifetime.



Image source: Getty Images.

The most common reasons for needing long-term care are stroke, Alzheimer's disease, and cancer, and those are usually diagnosed later in life. For instance, over one-third of cancer diagnoses occur in patients over age 75 and only about 5% of all Alzheimer's disease cases are diagnosed in people younger than 65.

Because baby boomers represent such a big portion of our population, and they're getting older and living longer, the prevalence of disease and illness requiring long-term care is climbing. It also means more patients will suffer injury that could reduce their independence, too. For instance, falls are a major cause of fatal and non-fatal injuries in people over 65, and they can lead to -- at a minimum -- admission to a skilled nursing facility.

According to the U.S. Department of Health and Human Services, about 70% of people turning 65 this year will require long-term care in the future. Can you beat those odds?

THE RISING COST OF LONG-TERM CARE

Make no mistake about it, the costs associated with long-term care are high, and they're growing.

Long-term care costs can be lower if care is provided in someone's home, however, that care can pose a big psychological and financial burden on the caregiver, including lost wages. According to Genworth, the typical caregiver spends \$10,000 out-of-pocket annually, and 77% of caregivers miss an average of 7 hours of work per week, or nearly 20% of their 40-hour work week. Importantly, the amount of missed work has increased by 23% since 2010, and that translates into an average 33% less in income.

In instances where home care isn't possible, and assisted living or nursing home care is required, the costs can run well into the tens of thousands of dollars per year. Genworth reports that the monthly cost of an assisted living facility and a semi-private room in a nursing home was \$3,628 and \$6,844 in 2016, respectively. If inflation increases 3% annually, these costs will grow to \$4,876 and \$9,198 per month in 2026, respectively.

While some patients won't require a long stay in long-term care, roughly half of long-term care patients will require a stay that's over one year, and out of those patients requiring more than a year of care, the average period of time requiring care is nearly four years.

WHO PAYS THE BILL?

It's a myth that long-term care will be covered by private health insurance or Medicare.

Health insurance will pay some healthcare services costs, but only under specific circumstances, and only for a limited time. For example, Medicare will pay for skilled services or rehabilitative care in a nursing home for a maximum of 100 days.

Importantly, private insurance and Medicare won't pay for custodial care or personal care services, and those services can represent a big proportion of long-term care expenses. Unfortunately, those costs will need to be paid out-of-pocket.

In some cases, Medicaid will pay for long-term care, including custodial services, however, most states only consider someone eligible for Medicaid if they have limited assets and income. Medicaid eligibility requirements include a five-year look-back period too, and that can result in penalties if individuals attempt to qualify for the program by [giving away money or assets improperly](#).

Given the costs associated with long-term care, and the likelihood of having to cover long-term care costs out-of-pocket, planning ahead for these expenses is critical. One option that may be available is long-term care insurance.

Annual premiums for long-term care insurance plans can vary, and they depend on age, health, and coverage. Premiums can be lower if you [buy a plan in your 50s](#), when you're healthier than in your 60s. Generally, premiums cost a few thousand dollars per year, and climb over time, depending on the plan. Spending a few thousand dollars per year on long-term care insurance might seem expensive, but the odds of requiring care, and the costs associated with that care, could make this insurance a bargain.

Another potential advantage (beyond the peace of mind associated with long-term care insurance) is that it allows you to plan ahead for your annual costs. For instance, if you know you're going to spend a certain amount per year on long-term care insurance, you can save more money, and if you plan correctly, returns on those additional savings could cover your premium payment.

Of course, everyone's situation is different, and returns aren't guaranteed, but setting aside extra savings specifically to pay long-term care insurance could help you avoid selling your home, getting a reverse mortgage, or wiping out your other savings because of mounting long-term care expenses.

FINDING THE RIGHT CARE

Deciding it's time for long-term care is an important and difficult decision, but keeping a few things in mind may make it easier to select the right facility for you or your loved one.

First, it can help to know that some facilities specialize in caring for patients with specific diseases or illnesses, such as dementia. These facilities usually cost more money, but they may be the best option because they're likely to have the resources necessary to make the transition to long-term care smooth and the time spent there meaningful.

Second, don't limit your search to one facility. Visiting multiple places in person is the best way to evaluate the quality of the buildings and caregivers, and the availability of programming that can make settling into a community easier. In addition to talking with friends and family about their own experiences, visit the Department of Health and Human Services [Eldercare locator](#) and Medicare's online nursing home [comparison tool](#). These sites can help you find facilities to consider, and they offer insight into quality, health or safety violations, and a facility's staff.

CREATE A STRATEGY

A plan to provide for long-term care is critical to any retirement strategy, yet millions of Americans don't spend enough time considering long-term care. Only about 8 million Americans have purchased long-term care insurance, and given the size of the baby boomer population, that suggests that many older Americans are rolling the dice hoping to avoid needing care. That's risky given that 20% of Americans will require long-term care that lasts more than five years.

It may be smart to visit with an elder law attorney, too. They can help you with retirement and long-term care planning strategies that may help protect your savings and home, or offer insight into how to manage Medicaid's rules, including their use of liens on homes to recoup expenses. A living will and healthcare power of attorney should be put in place ahead of time as well. And it may be wise to consider if a trust is a good decision -- especially if you have family members with special needs that need to be planned for.

FOOLISH BOTTOM LINE

Long-term care costs can easily wipe out all but the biggest retirement nest eggs, so having an open and thorough discussion with your loved ones about your long-term care plans is critical to your (and their) financial security. If you're getting older, now's the time to take steps to protect the assets you've spent your life accumulating.

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