

HEALTH

Patient Money

Getting Insurance for One's Frailest Years



Damon Winter/The New York Times

The author, Walecia Konrad, and her son Stephen, who holds a photograph of Ms. Konrad's father, now 92.

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IN our house, we talk a lot about long-term care. My dad is 92 and afflicted by dementia and failing eyesight.

Luckily, I'm blessed with three wonderful siblings who do the hard work of caring for my father and making sure he can stay in his own home in suburban Detroit. But my visits from Brooklyn to spell my siblings are becoming increasingly complex, as my father needs more care and loses track of exactly who I am.

Meanwhile, all four of us share the financial burden of the extras that his limited budget and health insurance don't cover: a part-time home care attendant, various prescription

drugs not covered by his insurance, physical therapy sessions and endless incidentals like a new jacket or sheets and towels. We're all happy to pitch in, but the costs add up quickly.

Like many people with elderly parents, I can't help thinking there must be some way I can make sure my 8-year-old son doesn't someday end up in the same situation when my husband and I need assistance. As one fellow boomer said recently, "I want someone to care about me when I'm older, but not necessarily care for me."

Long-term care insurance, something that wasn't so common back when my dad could have bought it, seems like one solution. These policies are offered as a way to pay for a nursing home, assisted living, home health care and other costs associated with growing older. But where to begin? The policies are expensive, complicated and have a severely flawed history. And let's face it, it's hard to shop for something I hope I won't need for another 30 or 40 years.

So I turned to experts, to answer some of the most pressing long-term care insurance questions.

Q. *Why should I buy this insurance? Don't Medicare and Medicaid cover long-term care?*

A. That's what many people think, said Russell Fox, a certified financial planner and managing director of Apex Wealth Management, a financial planning firm in Oxnard, Calif. But the reality is, Medicare pays for only short-term medical care at home or for a limited stay in a nursing home after a hospitalization.

Medicaid pays for long-term care — but not until people have already spent the majority of their financial assets.

"You can have a situation where a married couple spends down all their assets for the husband, which leaves the wife in a vulnerable financial situation should she outlive her spouse," Mr. Fox explained.

A good long-term care insurance can help protect assets, as well as pay for expenses.

Q. *I'm only in my 50s. I don't need to worry about this insurance yet, right?*

A. Actually that is a good age to start thinking about a policy, advises Marilee Kern Driscoll, author of a newsletter on long-term care insurance. LTC123.com If you wait until you are in your 60s and health problems have set in, you may not qualify for any policy. And premiums are slightly lower when you buy younger.

Typically people in their early 50s will pay \$2,000 a year, depending on the length and type of coverage, compared with an average of \$2,250 a year for someone age 60 to 64.

True, you'll be making those payments for a longer number of years. And premiums may go up as much as 10 percent a decade over the life of the policy, Ms. Driscoll notes.

Q. *What should I look for in a policy?*

A. Under almost all policies, coverage will kick in if you can't perform certain activities of daily living — like walking, eating or bathing — because of a physical or cognitive impairment.

Verify that the coverage will start if you can't perform any one of the above activities — not necessarily all three. For example, someone may well be able to eat after they are too frail to walk or bath unassisted.

Once a policyholder meets the definition of a triggering event, the kind of care that is covered varies widely. Make sure yours provides for the following:

¶**All types of care.** That includes nursing homes, assisted living centers and home health care attendants. Most policies do provide for all three types of care. But it's important to make sure your policy does.

Claims have also been denied because insurers say a particular nursing home or other long-term care facility doesn't qualify for coverage, leaving policyholders responsible for huge bills after they've already become a resident. Be sure to check that the policy you are considering doesn't include overly narrow restrictions.

¶**All types of caretakers.** Some policies cover only "skilled" home health care workers, like registered nurses. But you want to be able to pay for home health care attendants and the person who comes in to make meals and do light cleaning, too. Look for a policy that pays for "skilled, intermediate and custodial care," said Mr. Fox.

¶**A wide range of illnesses and injuries.** Not too long ago, policies routinely excluded coverage for Alzheimer's and dementia, two of what are now the most common reasons for seeking long-term care. In addition, several insurers came under fire a couple of years ago for denying claims for care that were clearly covered in their policies.

Increasing state regulation and rising demand from boomers has forced the \$8 billion industry to clean up some since then, "but there are still some policies out there that exclude far more than they cover," Mr. Fox said. Your best defense is this: Read your policy carefully for any health-related exclusions or other reasons to deny coverage.

¶**Inflation protection.** You want coverage, at the very least, that will increase the daily benefit amount enough to keep pace with inflation. Without this protection, 20 years out your benefits may not cover your expenses, and you'll have to make up the difference.

Q. *This insurance is expensive. What can I do to get more for my money?*

A. Unfortunately, long-term care insurance is more costly than ever. That's because insurers in past years did a poor job of anticipating how much they would be paying in nursing home and other long-term care costs. They also overestimated the number of people who would let their insurance lapse.

Now, the insurers are scrambling to make up for these actuarial shortcomings by charging higher rates for new policyholders. And as it turns out, insurers can raise rates on existing policyholders as long as state regulators approve the increase. (The states have often done this in the past, although some are now showing signs of resistance.)

To lessen the sting, try the following:

¶**Avoid lifetime benefits.** Opt instead for a policy that covers a set amount of time, like four or five years, suggests Ms. Driscoll. The average nursing home stay is two to three years, she points out, and only 12 percent of patients live longer than five years once they enter.

¶**Look for a policy that pays a monthly sum.** Most policies specify a daily benefit — anywhere from \$50 to \$500. Recently insurers have begun using a monthly amount so you have the flexibility to receive more care on some days, when no family member is available, for example, and less care on others.

¶**Consider a front-loaded policy.** With these, you pay the entire cost of the premiums before you retire. You'll pay more upfront, but payments will end just as your income decreases.

¶**Look into cash benefit policies.** Once benefit payments kick in, these policies will send you a regular cash payment, say \$200 a week. Instead of filing claims for specific care (with specific requirements to qualify for coverage) you are free to use the payout however you see fit.

You may still pay the nursing home or home health care attendant with the money when the need arises. But you can also use the cash to pay a family member for care, pay travel expenses for a visiting relative and take care of other expenses that would not be reimbursed under a traditional policy. You'll pay more for these policies, but some families find the extra flexibility is worth it.

¶**Find a good agent.** You'll need someone who is experienced in long-term care, Ms. Driscoll says. This might be the same insurance agent who sold you your life and auto policy, or you may need to find a specialist. Either way, make sure the person fully understands your needs and is active enough to be selling at least a dozen policies a year.