

## **InsuranceQuotes.com survey: Most Americans uninformed about long-term care insurance**

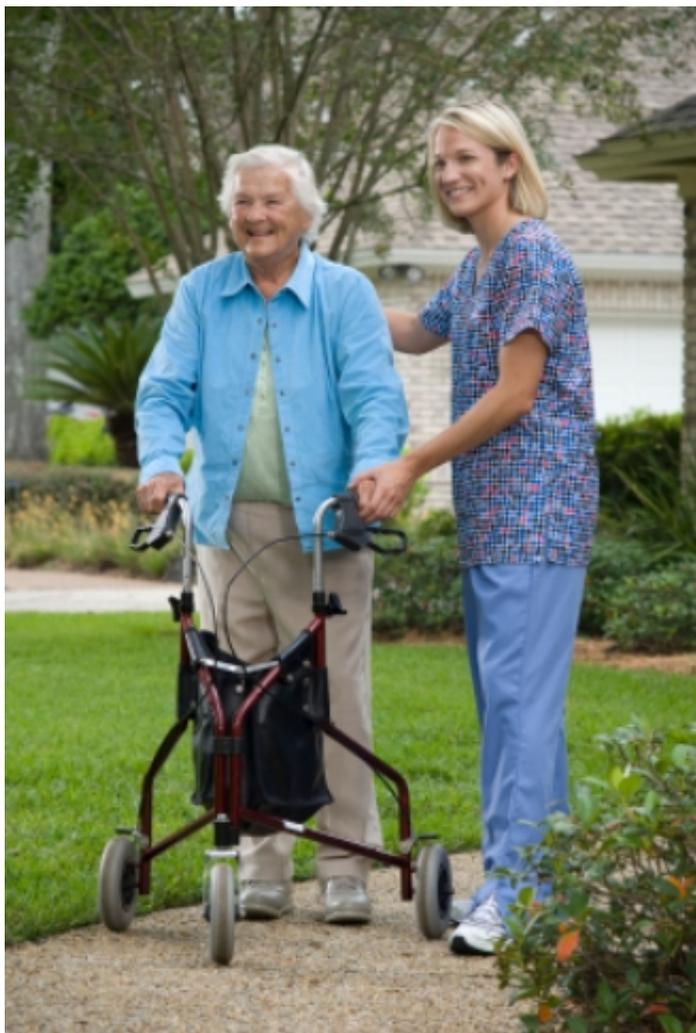
**Nick DiUlio**

Most Americans are in the dark about long-term care insurance. A new survey commissioned by InsuranceQuotes.com found the majority of American adults know very little about this type of coverage and think it costs considerably more than it actually does.

InsuranceQuotes.com asked U.S. adults to guess the average annual cost of a long-term care insurance premium for a healthy 55-year-old couple. The No. 1 response was \$7,000 a year or more. However, the right answer is \$2,700 a year, according to the American Association for Long-Term Care Insurance, a trade group.

The survey showed that 56 percent of Americans overestimated the cost of long-term care insurance. Meanwhile, 20 percent underestimated it and 16 percent placed it between \$2,000 and \$3,000 a year.

The InsuranceQuotes.com survey also showed 53 percent of Americans either are not too familiar (27 percent) or not familiar at all (26 percent) with long-term care insurance. Forty-seven percent of people surveyed said they'd consider buying long-term care insurance in the future, and 5 percent said they already had bought it.



“The reasons you buy long-term care insurance aren’t because you’ll be left out in the cold without it, but rather to protect your assets and make sure they aren’t drained by the cost of (long-term care),” says insurance expert Eli Lehrer, president of The R Street Institute, a nonprofit research group.

The survey was conducted for InsuranceQuotes.com in January 2013 by Princeton Survey Research Associates International.

### **Long-term needs**

Jesse Slome, executive director of the American Association for Long-Term Care Insurance, says more than half of Americans 65 and older will require long-term care at some point. That’s partly why more than 8 million U.S. consumers now have long-term care insurance. This insurance covers the cost of

long-term care at home, at an assisted living center, in a nursing home or in similar settings.

Slome says that not everyone who needs long-term care insurance actually has it.

“People are living long lives these days, and when you live a long life, the chances are enormously high that you will eventually need **long-term care**,” Slome says. “And when that happens, you have several options. Long-term care insurance is one of them.”

### **What is long-term care insurance?**

Long-term care insurance benefits people who are seriously ill and require constant medical attention. But it more often applies to people who simply no longer can perform the basic activities of daily living, such as dressing, bathing, using the toilet or getting in and out of bed.

Traditionally, elderly folks are the ones who most need long-term care. But they aren't the only ones. Slome says many younger people also may require long-term care, perhaps as a result of a car accident or a disease like multiple sclerosis.

"Don't think of long-term care as medical care, but rather as custodial care," Slome says. "That means providing individual assistance with daily activities or the supervision of someone who may be cognitively impaired, whether he's 95 or 45."

### **Paying for long-term care**

That assistance comes at a steep price.

A 2011 survey by MetLife found the average annual cost for a private room in a nursing home exceeded \$87,000.

Home care is equally taxing on the wallet. Slome says bringing a home health aide into your house every other day for a four-hour visit can easily cost \$1,800 a month. When that approaches eight-hour visits every day, the costs rise to \$7,200 a month.

Assisted living is expensive as well. According to MetLife, the annual cost surpassed \$41,700 in 2011.

Elizabeth Harris knows all too well how expensive long-term care is. Her mother-in-law, Lucille, lived alone in her Philadelphia home until age 91, when she began having trouble handling everyday tasks. She then moved in with Harris and her husband in New Jersey for about a year. But since they both were away at work for most of the day, Harris and her husband were unable to help Lucille during the workday. Eventually, they wound up moving her to an assisted living center.

"It was astronomically expensive," Harris says. "She had some money saved that paid for the place — which was really nice, by the way — but it wore away at her savings almost completely, money she wanted to leave to her children and family when she passed."



Harris says Lucille's assisted living setup cost about \$5,500 a month. Assisted living typically includes room and board, most meals, housekeeping and help with personal care. If Lucille had purchased long-term care insurance earlier in life, much of the money for her care would not have come from her bank account but from her long-term care coverage.

### How it works

When you buy a long-term care insurance policy, you'll need to estimate how much care you anticipate needing and for how long.

Tony Steuer is director of financial preparedness for United Policyholders, a nonprofit consumer education group. He says consumers should research the average amount of time most people need long-term care as well as the cost of nearby nursing homes, assisted living centers and at-home care providers.

"On average, people require about three years of long-term care," Steuer says. "So you need to weigh the cost of the premium you can pay versus what you expect to need from the policy."

In other words, you're going to pay a higher premium for a long-term care policy covering five years of care than you will for a policy that covers just three years.

Steuer says: "It's like **health insurance**. A higher deductible will mean lower premiums, and you need to seriously consider that balancing act before you purchase this type of

insurance. You don't want to be insurance rich and cash poor."

## What it covers

What's perhaps most remarkable about long-term care insurance is the array of coverage it offers. Depending on the type of policy you buy, this can include home care, assisted living, adult day care, hospice care, nursing homes and Alzheimer's centers. It also may cover the cost of a live-in caregiver, a housekeeper, a therapist or private nurse up to seven days a week for 24 hours a day.

"If you run out of money and need long-term care, **Medicare** will provide it for you," Lehrer says. "And the places that take Medicare are going to be decent, but not great. They're not terrible dungeons or anything, but they're certainly not top-shelf."

Long-term care insurance, on the other hand, will give you a much longer period of coverage and a higher daily benefit than Medicare.

## Not for everyone

While long-term care insurance can be attractive, it may not be the best bet for everybody.

Rodney Loesch, a certified financial planner with Waddell & Reed Inc., says that if your assets are north of \$2 million, you're not going to have any trouble paying for long-term care out of pocket. Likewise, if you don't have any assets to speak of, long-term care insurance may not be an affordable option – leaving you to rely on Medicare.

"It's really a product for the average middle-class American who has a good retirement plan and some money saved that they want to protect," Loesch says.

But if you're unhealthy or over age 65, long term-care insurance most likely will be more expensive than it's worth.

"If you're in great health, don't use tobacco products, take no medications, then every insurer will accept you," Slome says. "Each insurer sets its own health qualifications, and they change from time to time."

## Survey methodology

Princeton Survey Research Associates International obtained telephone interviews with a nationally representative sample of 1,001 adults living in the continental United States. Telephone interviews were conducted by landline (501) and cellphone (500, including 215 without a landline phone). Interviews were done in English by Princeton Data Source from Jan. 10-13, 2013. Statistical results are weighted to correct known demographic discrepancies. The margin of sampling error for the complete set of weighted data is plus or minus 3.7 percentage points.