Long-Term Care

Essential Facts To Protect You & Your Family
What is long-term care?
Long-term care is the assistance you need if you are unable to carry out the basic activities of everyday living — bathing, continence, dressing, toileting, eating, or transferring, such as from a chair or bed. It is also care that is needed due to a cognitive impairment such as Alzheimer's disease. This type of care is different from the skilled, short-term care you would receive in a hospital. It is extended care you would receive at your home, in an assisted living or nursing facility, adult day care center or hospice program.

Who needs long-term care?
The need for long-term care could arise for anyone, at any time, at any age. It can be needed due to an accident, injury, debilitating illness, or simply from becoming frail due to the natural aging process. While many people view long-term care as an issue for the elderly, nearly 40% of people receiving long-term care services are under the age of 65.¹

What are the chances I will need long-term care?
While we like to think that only others will need this kind of assistance, the reality is that 70% of people who reach age 65 will need some form of long-term care during their lifetime.²

Where can I receive long-term care services?
More and more people today choose to receive long-term care services in their own homes, and as a result, many more support services are available for home care today than there were several years ago. Depending on circumstances, family members can provide care, or you could hire a home health aide, or obtain homemaker services. Care can also be provided in a community setting such as an adult day care center. Assisted living facilities, which allow you to live in an apartment setting with your own furniture and many amenities, have become very popular for people who need a limited amount of daily assistance. When more intensive care is needed, nursing homes provide those services.
What do long-term care services cost?
The cost of long-term care services varies based on the type of care you need and desire, and the area of the country you reside. The chart below shows the average cost of services nationally based on a 2011 Cost of Care Survey.

### Cost of Long-Term Care Services

<table>
<thead>
<tr>
<th>Type of Care</th>
<th>Average Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Home (Private Room)</td>
<td>$239/Day</td>
</tr>
<tr>
<td></td>
<td>$87,235/Year</td>
</tr>
<tr>
<td>Nursing Home (Semi-Private Room)</td>
<td>$214/Day</td>
</tr>
<tr>
<td></td>
<td>$78,110/Year</td>
</tr>
<tr>
<td>Assisted Living Facility</td>
<td>$3,477/Month</td>
</tr>
<tr>
<td></td>
<td>$41,724/Year</td>
</tr>
<tr>
<td>Home Health Care</td>
<td>$20/Hour</td>
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<tr>
<td></td>
<td>$43,800/Year⁴</td>
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</tbody>
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4. Calculation based on six hours of care daily.

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Does my health or disability insurance pay for long-term care?

While the medical care you receive during a long-term care episode may be paid by your health insurance for a period of time while you continue to make medical progress, most long-term care services are not medical in nature and are not generally covered by health insurance. For example, help you may need with meal preparation or bathing is usually not covered, nor are the costs of institutional care in a nursing home or assisted living facility.

Disability income insurance is designed to replace part of your income to cover your every day living expenses should you become disabled. If you were to need long-term care services, there will be additional bills for the care you require.
How are long-term care services paid?
People pay for long-term care services in a variety of ways including self-funding, long-term care insurance, and assistance from Medicaid for those who have limited assets. Keep in mind that to qualify for Medicaid benefits, you must first impoverish yourself by spending down your assets.

Won’t medicare pay for long-term care services?
Medicare does have a limited skilled nursing facility benefit, but it will only pay in certain situations, and it does not cover most long-term care services. The skilled, nursing facility benefit is limited to paying skilled medically needed care provided in a nursing home or Medicare-certified skilled nursing facility as prescribed by a medical professional after you have been in the hospital for at least three days. Even if you meet this criteria, Medicare will only pay for up to 100 days of skilled nursing home care per benefit period, and after 20 days, you would have to pay a coinsurance fee.

What is the difference between Medicare & Medicaid?
Medicare does provide some help for long-term care, but generally only if you need skilled care, and only for a limited time period. It does not pay for supportive services, personal care or care at home. Medicaid, a welfare program, will pay for long-term care, but in order to qualify, you must spend down your assets according to the rules of your state. Once you qualify, your care choices are limited. While some home care services may be available through Medicaid, the vast majority of Medicaid assistance requires care be received in a nursing home.
What is long-term care insurance?
Like many other forms of insurance, long-term care insurance is a way you can transfer the risk of incurring costs to the insurance company by paying a premium. Long-term care insurance (LTCi) is designed to pay for or defray the additional costs that come with needing chronic care. Another feature of LTCi is that you are able to access the expertise of the insurance company to help you develop a plan of care that best suits your needs. The world of long-term care services is quite complex and expertise is needed to navigate through it.

How does LTCi work?
When a licensed health care practitioner certifies that you are expected to need assistance with two out of six activities of daily living (ADL's) such as continence, bathing, toileting, transferring, eating and dressing or cognitive impairment for at least 90 days, and you have met your elimination period or deductible, you can begin receiving policy benefits. While benefits may vary from policy to policy, in general, LTCi will cover institutional care and home care. Institutional care would include things like nursing homes, assisted living facilities, respite care, hospice care and bed reservation benefits. Home care services might include adult day care, home health care, or homemaker/personal care services such as housework and meal preparation if they are needed to assure that you are in a safe and clean environment. The type of policy you choose will dictate how benefits are paid and what services are covered so review your options carefully.
What is the difference between reimbursement, indemnity & cash policies?
A reimbursement policy will reimburse you for expenses incurred once you submit proof of services. With an indemnity policy, when you submit proof of services, you will be paid a flat dollar amount equal to the benefit purchased regardless of expenses incurred. This means that as long as you show proof of services, you will receive your full benefit, even if your expenses were less than the maximum daily or monthly benefit amount. The third type of policy is cash. A cash LTCi policy pays a monthly benefit in cash regardless of services incurred. With a cash policy, you receive your full benefit amount at the beginning of each month to use as you wish for the care you need.

What is the right age to purchase long-term care insurance?
While there’s no hard and fast rule as to what the “right age” is to purchase long-term care insurance, you should consider that a long-term care need can arise at any age. Long-term care insurance is medically underwritten, meaning you need to health-qualify to be issued a policy. The sooner you apply for coverage, the chance of pre-existing health issues developing or worsening is reduced, and age based premiums are the lowest they will be.

What determines the cost of LTCi?
The benefits you choose, your age, and health at time of purchase all impact the cost of long-term care insurance. For example, the more benefits you select, the more expensive your premium will be. The younger you are when you purchase, and the better your health, the lower your premium will be. The price to purchase LTCi does increase with age, and these increases can be substantial. However, once you purchase a policy, the rate is intended to remain level – meaning you lock in your premium rate at the age for which you applied for the policy. Your rate cannot be increased based on your age or health. Most policies also offer a discount if you are married or if you are applying for coverage as part of an employer group or association.
Can I protect myself against the cost of long-term care rising?

First it is important to understand what the costs are in the area where you may get services. Only with this information available can you make a prudent decision about benefit levels and the amount of premium you can afford. Most policies will allow you to purchase a rider that increases the benefits of your policy over time. These inflation protection riders can be used to design a plan that is just right for you.

Are there government incentives to purchase LTCi?

Yes, there are several Federal and state incentives for purchasing tax-qualified long-term care insurance policies. There are tax deductions for individuals and for companies who pay for or contribute to long-term care insurance premiums for employees. Company deductions vary based on their form of organization.

Deductibility for individuals is determined by combining premium payments for long-term care insurance, up to a maximum based on age, and itemized medical expenses. To the extent the total exceeds 7.5% of the taxpayers Adjusted Gross Income (AGI), the premium is deductible for taxpayers who itemize. (In 2013, the threshold rises to 10% of AGI for those under age 65. The threshold rises for those age 65-plus in 2017).

Employees who participate in a Health Savings Account (HSA) are able to pay qualified long-term care insurance premiums on a pre-tax basis under special rules with specified maximum caps based on the policyholders age. Several states have their own incentives as well.
AAA offers long-term care insurance through EM-Power Services, Inc.

For important information and insights on long-term care, visit www.EMPowerLTCi.com/AAA