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Long-Term-Care Strategies

FAMILY VALUES | By Kelly Greene

As long-term-care insurance becomes more expensive and harder to get, what are families who want it left to do?

Fewer carriers are offering the coverage, which helps pay for future nursing-home, assisted-living and home care. Those that still do are raising premiums on new and longtime policyholders.

For example, a 55-year-old single man buying long-term-care insurance can expect to pay $1,985 a year for $164,250 in total benefits, including a 3% annual inflation-protection rider, according to the **American Association for Long-Term Care Insurance**, a trade group. The annual cost is up 15% from two years ago.

Underwriting is getting stricter as well, with insurers that several years ago wouldn't even look at medical records for applicants in their 40s now requiring blood work, urinalysis, weigh-ins and cognitive tests as they search for signs of chronic illnesses or dementia, agents say.

That's resulting in higher application-rejection rates, says Rona Loshak, a long-term-care insurance specialist in Roslyn, N.Y.

Little has resulted so far from the federal Commission on Long-Term Care, appointed by Congress earlier this year as part of the fiscal-cliff legislation to tackle paying for the long-term-care needs of 78 million baby boomers who could overwhelm Medicaid. The program provides long-term care to people who have run out of money.

Previously, the Obama administration abandoned an effort to provide affordable long-term care as part of the health-care overhaul, concluding it was too expensive.

In 2011, Medicaid paid $131 billion for long-term care, or 62% of the country's $211 billion total long-term-care bill, according to the commission. That estimate doesn't even include privately paid assisted-living costs or unpaid help provided by families.

Family caregivers provided about $450 billion in unpaid care as of 2009, up from $375 billion in 2007, according to a recent estimate by AARP, the advocacy group for older Americans. Caregivers spend an average of $8,080 per year on out-of-pocket expenses, with one-third of caregivers providing 30 or more hours of care each week, according to Genworth Financial, the largest U.S. long-term-care insurer.

What choices do families have now as they search for ways to make sure they can pay future long-term-care expenses? Here are some of the latest tactics.

◆ **Protect your assets.** More than 30 states participate in a government-endorsed program called the Long-Term Care Partnership Program that generally allows people with long-term-care coverage to protect personal assets worth the same amount as their policy. So, for example, if you use up a policy's $100,000 in benefits, you can keep $100,000 in assets while qualifying to continue getting long-term-care coverage through Medicaid.

Yet such policies often require large inflation-protection riders that can put the coverage out of reach. Some states are starting to allow lower inflation-protection options. And in New York, a new, more-affordable partnership option called a "2-4-50" plan provides two years of facility care or four years of home care, which is covered at 50% of the facility-care benefit.

◆ **Consider "hybrid" coverage—but read the fine print.** Many financial planners and insurance agents have started steering clients to new hybrid policies, essentially "permanent" life insurance with a rider providing long-term-care benefits.

Like most permanent insurance, the policies generally carry high fees and commissions that typically aren't transparent to the buyer, and charge surrender fees. But policyholders can leave something to heirs if the long-term-care benefits don't get tapped. Buyers typically have to write one big check upfront to get the coverage, says Nancy Courser, a long-term-care insurance agent in Grand Rapids, Mich.

One other problem: If you add inflation protection to a hybrid policy, you might have to wait to use it. Some hybrid policies offer long-term-care protection for two years before the inflation-protection rider kicks in, which could leave people short of needed funds in 20 years, Ms. Loshak says. "The hybrids generally work much better for people in their 70s than their 50s," she adds.

A newer type of hybrid, a universal-life product with what's called a "life-access benefit," provides access to up to 2% of the policy's death benefit each month for long-term care, with a premium guaranteed for the life of the policy and no waiting period for benefits to start.

Universal-life policies provide permanent coverage throughout your lifetime, and the long-term-care benefits add 10% to 15% to the basic premium, says Byron Udell, chief executive of Accuquote, an online insurance brokerage based in Wheeling, Ill. One requirement: The policyholder's condition "has to be deemed likely to be permanent," he says.

◆ **Going through a divorce? Consider getting coverage now.** Until last year, insurers traditionally charged men and women the same premiums. But Genworth has been raising prices for single women around the country. Husbands and wives who are getting divorced but haven't completed the process can qualify for a marital discount that continues for the life of the policy, says Natalie Karp, Ms. Loshak's business partner.

Long-term-care coverage for divorced spouses "is a very big deal in blended families where adult children are left figuring out who's responsible for stepparents," Ms. Loshak says.

◆ **Do some research.** As you try to determine how much coverage you need, be sure to tap the growing number of online data resources. Genworth does an annual survey of different types of long-term-care costs at Genworth.com/costofcare that is broken down specifically by state and metro area. Northwestern Mutual provides cost-of-care research at media.nmfn.com/tnetwork/LTC_Calc/index.html.