# Long Term Care Insurance: An Essential Consideration in Retirement Planning

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As my clients plan for retirement and for the orderly distribution of their property upon death through estate planning, I advise them that they should also consider the impact potential long term care expenses may have on their retirement income and assets as well as on the assets they hope to pass on to their children and grandchildren.

The cost of long term care can easily overwhelm even moderately wealthy families. The average annual cost of private nursing home care in Massachusetts is in excess of $100,000. While most individuals would prefer to receive care at home, the cost of intensive home care can far exceed the cost of nursing home care. If one doesn't require skilled nursing care, assisted living facilities have become popular and have annual average cost of nearly $40,000. So, how does one actually plan to cover the potential cost of long-term care? Common strategies include self-funding, long-term care insurance (LTCI), Medicaid and a combination of all three.

There is increased interest in LTCI as a possible asset preservation strategy in the context of potential long term care expenses. The reasons for this increased interest are varied. There is a strong desire to stay at home as long as possible. Home care is now a covered benefit in most LTCI policies. Also, insurers now recognize that assisted living is a cheaper option than skilled nursing care and many LTCI policies have added assisted living as a benefit option. Also, Medicaid planning strategies were seriously limited when the Deficit Reduction Act went into effect February 8, 2006. Moreover, any assets and income a spouse living at home may be able to keep when the other spouse is on Medicaid will likely be subject to a spend-down if that community spouse needs assisted living or skilled nursing care. Finally, LTCI policies have begun to offer a death benefit rider which provides some economic benefit even if home care or skilled nursing benefits are not paid during the beneficiary's lifetime.

The cost of LTCI obviously varies with the range of benefits provided. Major determinants of the cost of a LTCI policy include the age of the insured at policy inception, the daily benefit, the length of coverage, the length of the elimination period and inflation protection. According to a 2005 study, the average age individuals first purchase LTCI is 61 years. Obviously, the longer one waits to purchase LTCI, the greater the cost. The daily benefit for skilled nursing care is normally sold in increments of $10/day or $50/day. According to a 2011 study, the national per day cost of skilled nursing care is $193 in a semi-private room and $213 in a private room. In the author's experience, the cost of such care in Massachusetts is approximately 35% higher than these national figures. If Medicaid eligibility is an option one may want to consider in the future, a five year coverage period may be advisable so as to coincide with the five year transfer of asset look back required in a Medicaid application. The elimination period is the term of days that must lapse while the insured is either disabled or institutionalized before the policy begins. In the author's experience, an elimination period of 30 to 60 days provides protection without dramatically increasing the cost of the policy. Inflation protection is critical since many policies may not pay out until some distant future date. While inflation coverage will increase the cost of the LTCI policy over time, the assurance that benefits will keep up with the rising cost of health care is valuable.

Evaluating the benefits and costs a LTCI policy should be a fundamental part of retirement planning and estate planning. There are a myriad of LTCI policies on the market making an "apples to apples" comparison challenging. An independent review of the cost, terms and conditions of a LTCI policy should be conducted before selecting a particular policy over another or, alternatively, rejecting the concept all together. In the final analysis, whether to purchase a LTCI policy or not should be made in the context of one's overall retirement and estate planning objectives.

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