



## **FAQs About Long-Term Care Insurance**

Our nation's population is aging at a faster rate than ever before, and collectively we are living much longer than in the past. In fact, by 2034, seniors (age 65 and older) will outnumber children under age 18 for the first time in U.S. history, according to Census Bureau projections. <https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html>

With the booming aging population, more and more seniors will require long-term healthcare services, whether at home, in an assisted living facility, or in a nursing home. However, such long-term care can be extremely expensive, especially when it's needed for extended periods of time.

Moreover, many people mistakenly believe that their health insurance or the government will pay for their long-term care needs. The fact is that traditional health insurance doesn't cover long-term care. Although Medicare does pay for some long-term care, it's typically limited (covering a maximum of 100 days), difficult to qualify for, and requires you to deplete nearly all of your assets before being eligible. That is, unless you use proactive planning to shield your assets, which we can support you with if that's important to you and your family.

To address this gap in healthcare coverage, long-term care insurance was created. Since such insurance is fairly new, here we'll answer some of the most frequently asked questions about these policies to help you determine whether you (or your loved ones) could benefit from investing in long-term care insurance coverage as part of your estate plan.

### **Q: What is long-term care?**

**A:** Long-term care is a general term that describes the type of care or support you need when you are no longer able to handle activities of daily living (ADLs) on your own. ADLs include things, such as getting dressed, bathing, eating, and using the bathroom.

In some cases, long-term care might simply mean that you have someone assist you in your own home with getting ready in the morning and before bed at night. In other cases, long-term care might mean you move into a nursing home to recover from surgery or manage a chronic medical condition.

Some common activities of daily living (ADLs) include:

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- Ambulating (walking or getting around)
- Feeding
- Bathing
- Dressing and grooming
- Using the restroom
- Continence management
- Getting in and out of bed or a chair

**Q: What are the different types of long-term care?**

**A:** Long-term care services typically fall into two categories: personal care and skilled care. Personal care, also known as custodial care, is for people who require assistance with non-medical activities, including the following:

- ADLs such as dressing, grooming, bathing, and eating.
- Instrumental activities of daily living (IADLs), such as grocery shopping, meal prep, and laundry
- Companionship
- Supervision
- Transportation

Skilled care, or skilled nursing care, is for people who require skilled medical care or rehabilitation services, including:

- Medication management
- Vital sign monitoring
- IV treatments or feedings
- Occupational, physical, and speech therapy
- Wound care
- Mobility assistance

**Q: What is long-term care insurance?**

**A:** First introduced as “nursing home insurance” in the 1980s, long-term care insurance is designed to cover the expenses related to your long-term care in the event you are no longer able to handle your own ADLs.

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These policies cover the cost of both personal care and skilled care services whenever and wherever you plan to receive care, whether in your own home, an assisted living facility, a nursing home, or a community care facility. Some policies even cover modifications to make your home more accessible, such as adding wheelchair ramps or grab bars to your bathroom.

## **Q: How does long-term care insurance work?**

**A:** Before your coverage kicks in, most policies require that you demonstrate you have lost the ability to engage in at least two or three ADLs. Most policies also have a deductible, or “elimination period,” which is a set number of days that must elapse between the time you become disabled (eligible for benefits) and the time your coverage kicks in.

Many policies offer a 90-day elimination period, but others can be longer, shorter, or even have no elimination period at all. Of course, the shorter the elimination period, the more expensive the premium. Additionally, long-term care policies typically come with a predetermined benefit period, which is the number of years of care it will pay for.

For example, a benefit period of three to five years is a quite common duration for such policies. Most policies also come with a cap on the dollar amount of coverage that will be paid for care on a daily basis, known as a Daily Benefit Amount.

## **Q: When should you purchase long-term care insurance?**

**A:** Obviously, the younger and healthier you are when you buy the policy, the cheaper the premiums will be, so the sooner you invest in coverage, the better. In fact, most policies exclude certain pre-existing conditions, so if you wait until you become ill, it can be impossible to find coverage.

For example, if you have any of the following conditions, it generally disqualifies you from obtaining coverage:

- You already need help with ADLs
- AIDS or AIDS-Related Complex (ARC)
- Alzheimer’s Disease or any form of dementia or cognitive dysfunction
- Neurological diseases such as multiple sclerosis or Parkinson’s Disease
- You’ve had a stroke within the past year to two years or have a history of strokes
- Metastatic cancer

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- Kidney failure

According to the American Association for Long-Term Care Insurance (AALTCI), the best age to apply for coverage is before you reach your mid-50s. Beyond that age, your health is unlikely to improve significantly, so waiting longer will typically increase your premiums, or you may even become ineligible before acquiring a policy.

**Q: How do I purchase coverage?**

**A:** If you are looking to purchase long-term care insurance, you should speak with multiple insurance providers and compare their benefits, care options, and premiums. Different companies may offer the same coverage and benefits, but they can vary dramatically in price. Always ask about the insurance company's history of rate increases, including the amount of the most recent increase.

For the best chances of success when shopping for a policy, get help from a fee-only planner, who is not compensated based on your choice of coverage. Or, if you are working with a commissioned agent, consult with your estate planning lawyer, who has experience in elder law, and we can review the policy terms to ensure it's a good fit for you before you sign on the dotted line.

**Q: What are the most important elements in a long-term care policy?**

**A:** When meeting with an insurance provider, you must get answers to the following three questions about your policy:

1. How long is the elimination period before the policy begins paying benefits?
2. What capacities, or ADLs, must you lose before coverage kicks in?
3. How many years of care are covered?

These are the most important elements in a long-term care policy, and as such, they will make the biggest difference in the quality of coverage and the amount of your premiums.

**Q: Can I buy coverage for my parents?**

**A:** Yes, you can buy long-term care insurance for your parents. You will pay for the policy, and then have your parent(s) listed as the beneficiary. If you know you are going to be the primary caregiver for your aging parents, investing in a policy for them can help offset the expenses related to their long-term care.

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Furthermore, buying long-term care insurance should always be a family affair. You are going to need your family members to advocate for you and file a claim for the policy when you need to use it. Given this, make sure your family knows what kind of policy you have, who your agent is, and how to make a claim.

You should pre-authorize the right person to speak to the insurance company on your behalf and not just rely on a medical power of attorney. That said, you should definitely have a well-drafted, updated, and regularly reviewed medical power of attorney on file as well.

**Q: Once I have a policy, how often should I review my coverage?**

**A:** Once you are in your 50s, your long-term care policy should be reviewed annually to evaluate new insurance products on the market and update your policy based on your changing needs. Whatever you do, once you have a policy in place, make sure you don't miss a premium payment. If you fail to pay, even for a short period of time, you'll lose all of the money you invested and will have no access to the benefits when you need them.

**A Key Component In Your Estate Plan**

Meet with your estate planning lawyer for guidance and support in finding the right long-term care insurance policy for your particular situation. A long-term care insurance policy is a key component in your estate plan. When combined with the right estate planning strategies, you can rest assured that your loved ones will be protected and provided for no matter what happens to you.

As your estate planning lawyers, we view estate planning as much more than just planning for death, which is why we call it life & legacy planning. Ultimately, it's all about your life and the legacy you are creating by the choices you make today. Contact us today to learn more.

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