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Who Needs Long-Term Care Insurance?

As America's population ages, more people are taking advantage of long-term care insurance, which covers part of the cost of long-term care. Although many people don't investigate long-term care insurance until later in life, the best time to purchase a policy is actually during middle age, because the cost of LTC insurance increases with age.

Unfortunately, it's difficult to decide if you need long-term care insurance and even harder to decide which policy is the right one. If you're looking into long-term care insurance, there are three major areas to consider.

Does LTC insurance make sense for my financial situation?

LTC insurance works best for people who have saved a good deal of money and don't want their financial stability threatened by nursing home costs. It's also a good option for those concerned about leaving money to a remaining spouse or children.

Can you afford this type of insurance?

LTC insurance generally isn't a good option for people with modest incomes or limited assets. If your assets will be spent down after nine to 12 months (at \$2,000-\$3,000 per month) in a nursing home, then LTC insurance probably isn't the right choice.

Can you meet the eligibility requirements?

Most individuals between 50-79 years old are eligible for LTC insurance, but some policies have restrictions on pre-existing conditions, including age or previous medical ailments.

If you or a loved one decides to purchase long-term care insurance, it's worth investigating multiple policies and state regulations. Find an expert in financial or insurance matters to advise you. Such assistance can be found through the local Area Agency on Aging.

Types of Policies

There are many different types of LTC policies, including:

- Indemnity policies, where individuals pay a fixed dollar amount for every day care is received.
- Policies that cover a fixed percentage of costs for care services.
- Policies that pay a dollar amount to cover actual charges for care.

Each of these types of policies has three basic options:

Daily Benefits are the amount of money received on a daily basis for care. Generally, this ranges from \$50-\$250 per day depending on location.

Benefit Periods are the length of time a policyholder receives payments once care begins. The most common options are two, three, four, or five years or a lifetime. (When considering benefit period options, remember that the average nursing home stay is two to three years.)

Elimination Periods (deductible) are the number of days a policyholder must pay for long-term care before the insurance company begins payments. While some policies feature one-time eliminations, many have periodic eliminations, which usually occur every 30-90 days.

Some policies include home health care coverage. While this allows more choices for receiving care, it also increases monthly premiums.

When deciding about LTC insurance, it's important to gather as much information as you can. Make a list of questions. Visit a licensed insurance or financial professional. Be sure to have your questions answered by a professional who isn't promoting the policy before purchasing LTC insurance.

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