



The Need For Long-Term Care Insurance

(NAPSA)—It's a fact—America is aging. Within a few years, the first baby boomers will reach retirement age. And Americans age 65 and over make up the fastest growing segment of the population based on percentage.¹

As the population ages, more people will need specialized care—provided by a family caregiver, a paid nurse or a nursing home. Unfortunately, such care can be very costly and beyond the typical financial resources of middle class families. For example, the average nursing home stay costs about \$56,000 a year.²

Long term care (LTC) is commonly defined as the type of care received when someone needs help with two or more activities of daily living, which include dressing, bathing, eating, toileting, transferring and continence, or when someone has a cognitive impairment. As more families are faced with caring for an older adult, it is not surprising that LTC insurance is growing into an increasingly popular benefit for employees who enjoy the option of purchasing coverage at the work-site.

"Baby boomers who provide care to an elderly parent are realizing first-hand the costs of LTC," said Guy Bertsch, vice president, Market Strategy at UnumProvident Corporation. UnumProvident is one of the nation's leading providers of LTC insurance. "They see how the costs of LTC can threaten the assets they've worked hard to accumulate over the years if there is no insurance coverage to help cover the costs."

Five Myths About LTC Insurance

1. I'm too young for LTC. Actually, two out of five Americans receiving LTC today are under age 65—which means out of seven million people receiving LTC, about 2.8 million of them are under age 65.³ The families of these individuals in many cases must pay out of their own pockets for the LTC their loved ones receive.

2. I'll never enter a nursing home. People who reach age 65 face at least a 40 percent lifetime risk of entering a nursing home, with about a 10 percent chance of remaining there five years or longer.⁴ However, a person does not have to enter a nursing home to receive LTC. A growing proportion of LTC recipients receives their care outside of the nursing home; for many, the



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preferable option.

3. We have enough in savings. Today, the average nursing home stay costs close to \$56,000 a year.⁵ By 2030, the national average cost is estimated to be \$190,600 a year.⁶ Not many families can afford such potential long term expenditures without going into debt. That's why purchasing LTC insurance is increasingly seen as an essential part of every family's financial plan.

4. Medicare/Medicaid will be available. Medicare does not cover extended stays in nursing homes, and not everyone qualifies for Medicaid. While about one-third of all nursing home costs are paid out of pocket by individuals and their families, Medicare pays about 12 percent. While most of the balance of the nation's LTC bill is picked up by Medicaid, in most states you must deplete almost all of your savings before qualifying for Medicaid.

5. It's too expensive. In 1995 alone, 68 percent of new private LTC insurance purchasers had incomes below \$35,000; these same purchasers had average assets valued at \$63,000.⁷ Typically, the younger you are when you purchase the coverage, the less expensive the rates will be.

Fortunately, a growing number of employers are beginning to realize the value of LTC insurance as an employee benefit. Growth in employer-based plans was increasing at a 40 percent annual rate in the late 1990s.⁸ Offering LTC insurance to employees can also provide employers with other advantages.

"Purchasing LTC insurance has tax advantages for employers and employees," Bertsch said. "Businesses that offer LTC insurance to their employees may capitalize on these advantages while offering their employees a benefit that will only continue to grow in value."

¹ Conning Research & Consulting, Inc., "Conning's Industry Insight: Long Term Care Insurance," June 2002.

² "Most Americans Unprepared for Long Term Care Costs," AARP News Release, December 20, 2001.

³ HIAA, "Guide to Long Term Care Insurance," 2002.

⁴ United Seniors Health Council, Long-Term Care Planning: A Dollar and Sense Guide, "What Are Your Chances of Needing LTC in Your Lifetime," Washington, D.C., January 2001.

⁵ "Most Americans Unprepared for Long-Term Care Costs," AARP News Release, December 20, 2001.

⁶ "Who Buys Long Term Care Insurance in 2000," prepared for Health Insurance Association of America by LifePlans, Inc. October 2000.

⁷ Marc A. Cohen, Ph.D. and Maurice Weinrobe, Ph.D., Tax Deductibility of Long-Term Care Insurance Premiums, "Medicaid Savings Would Offset the Cost of Full Deductibility for LTC Insurance," March 2000.

⁸ "Survey: LTC Policy Sales Have Doubled in Five Years," Best's Review, June 2000.