Consumer Tips from Your Community Banker

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Long-Term Care Insurance: To Buy or Not to Buy?

At first glance, long-term care insurance sounds like a good idea. You consider your Aunt Millie, who spent the last decade of her 101 years in a Wisconsin nursing home, leaving her children without any estate at all. But then you recall the case of a friend's mother, who passed away after only a few months in a care facility—following years of long-term care insurance premium payments. What to do?

There's no getting around it: Long-term care is expensive. A monthly care facility invoice can easily top $5,000, depending on the services needed. A resident who is unable to perform half a dozen Activities of Daily Living—such as eating, dressing, or bathing—will require a higher level of care. A resident who is mentally foggy or disoriented may also incur higher costs. Whether caused by Alzheimer's or another type of dementia, cognitive impairment can require increased oversight, personal assistance, and medication provision. Prescriptions, wheelchairs, and transportation to medical appointments are among the typical additional costs.

Long-term care insurance policies cover care at a nursing home or other facility, beginning with coverage of $60 a day for one year. These policies come with a range of premium costs, depending on the level of benefits and the age at which you purchase the policy.

While many Wisconsinites are interested in long-term care insurance, it is not right for everyone. Generally, consumers with high income and asset levels would often do best to simply pay for their own care as the need arises. Consumers with lower income and asset levels would often do best to consider other options, including available community services and their eventual eligibility for Medicaid—a federal- and state-supported program that can assist with long-term care.

In many cases the cost of long-term care insurance is too high for the benefits received. Paying for premiums should never cause a financial hardship. Financial experts suggest that a consumer should not spend more than 7 percent of their annual income for long-term care insurance.

Some consumers will find that they are ineligible for long-term care insurance due to preexisting conditions. If you have been diagnosed with early-onset Alzheimer's disease, you are unlikely to qualify for a policy.

The Wisconsin Insurance Commissioner's Office (http://oci.wi.gov) offers a Guide to Long-Term Care, which includes a worksheet to help you decide if long-term care insurance is the right choice for you. The guidebook also provides a checklist to help you compare different policies according to cost, benefits, and limitations.

Policies designated as "tax-qualified" or "qualified" under the federal Health Insurance Portability and Accountability Act (HIPAA) enable you to deduct part of the premium you pay. If you itemize your federal income tax deductions, you can include the premiums with other uncompensated medical expenses in excess of 7.5 percent of your adjusted gross income.

One more resource is the Wisconsin Board on Aging and Long-Term Care (http://longtermcare.wi.gov), which operates the Long Term Care Ombudsman and Medigap Helpline Services.

455 S. Junction Road, Ste. 101 • Madison, WI 53719 • Ph: (608) 833-4229 • Fax: (608) 833-8114
E-mail: info@communitybankers.org • www.communitybankers.org