

Long-Term Care Insurance

Long-term care insurance is sometimes referred to as nursing home insurance. It provides services for people with prolonged physical illness, disability, or cognitive disorders, such as Alzheimer's disease. Long-term care is not just one service, but many different services aimed at helping people compensate for their limitations to function independently. Long-term care differs from traditional medical insurance in that it's designed to help an individual maintain their level of functioning while medical insurance is designed to rehabilitate medical problems.

The Type of Care

Skilled Care: For constant care assistance, skilled care is available in a nursing home or the patient's home.

Personal Care: Also known as custodial care, personal care is available as assistance in the normal daily living activities and can be provided in either a nursing home or in the home.

Who should buy long-term care insurance?

Not everyone should buy a long-term care insurance policy. Individuals who can afford to cover the annual cost through current retirement income may not need this coverage. However, some couples are concerned that if they both need care the financial burden would be too great. Others are concerned about the effect the substantial cost would have on their assets and decide to shift the risk of long-term care to an insurance company. Statistics show that approximately 44% of people reaching age 65 are expected to enter a nursing home at least once in their lifetime, and of those, approximately 53% will stay for one year or more¹ at an average annual cost of \$72,000.²

The Type of Policy

The traditional "pay as you go" premium

Life Insurance

Contracts: This option allows long-term care benefits to be paid by reducing the amount of the policy's death benefit. It also allows an individual's estate to benefit should long-term care coverage not be needed.

How can you find out more about long-term care?

Stifel has made available to our clients a brochure published by the National Association of Insurance Commissioners (NAIC) titled "A Shopper's Guide to Long-Term Care Insurance." The NAIC is a group consisting of state regulators whose primary responsibility is to protect the interests of insurance consumers.

¹Stillman and Lubitz, "Medical Care" 40 (10): 965-967 (2002)

²MetLife Mature Market Institute, Market Survey of Long-Term Care Costs (October 2009)