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## Americans are getting older and how to pay for long-term care must be addressed

### The insurance industry and government offer solutions

By Eileen Ambrose, The Baltimore Sun

December 5, 2010

We've all heard a lot about the nation graying, which is what makes the recent news about long-term care insurance even more troubling.

MetLife, citing "financial challenges" facing the industry, said it would soon stop selling insurance to cover nursing homes and other long-term care costs, although it promised to honor existing policies.

Meanwhile, other players that vowed to stay in the market are seeking stiff premium increases from insurance regulators across the country. The most eye-popping: John Hancock wants to raise premiums an average of 40 percent on most of its long-term care policies.

Long-term care insurance already can be a hard sell because of the price tag, and the latest trends suggest that the cost is headed much higher. This comes as millions of baby boomers have reached their 50s, the age when people typically buy the insurance.

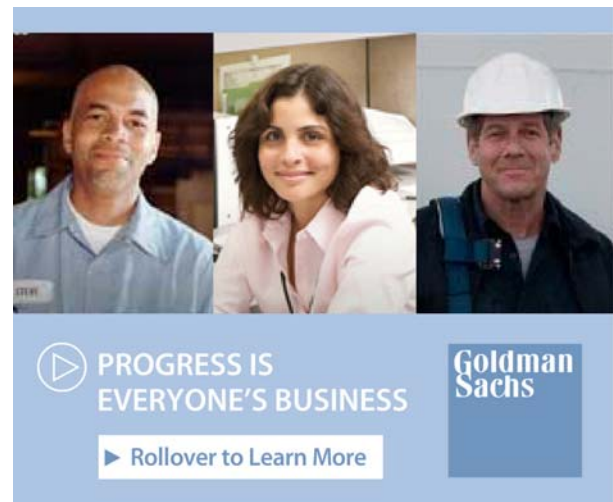
Not everyone needs long-term care insurance, but older consumers should at least think about how they will pay for care if they need it someday. And despite problems in the industry, there are new state and federal programs to address insurance needs, and companies have been introducing new life policies with a long-term care twist.

Long-term care costs are steep and rising fast. In Maryland, the median annual rate for assisted living is \$38,100, and \$83,585 for a private room in a nursing home, according to a survey this year by insurer Genworth Financial.

In turn, insurers have been feeling their own financial pressures.

Many didn't predict today's exceptionally low interest rates, which have eroded investment returns needed to pay claims. Also, more customers are holding onto policies than expected, which means insurers will be paying out higher claims than they figured, says Deb Newman, a board member with the LIFE Foundation, an industry-supported education group.

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The advertisement features three individuals: a man in a light blue shirt, a woman in a pink jacket, and a man in a dark jacket and white hard hat. Below them is a blue banner with a play button icon, the text "PROGRESS IS EVERYONE'S BUSINESS", a "Rollover to Learn More" button, and the Goldman Sachs logo.

That's why they are asking to raise premiums, she says. (Maryland law prohibits premiums from rising more than 15 percent a year.)

This affects all of us differently. The affluent will be able to pay out of pocket for care, if necessary. Those with little means can rely on Medicaid. But those in between face harder choices.

Here are some things to consider:

**Buying a policy** Even with the exit of MetLife, other insurers remain. Marylanders can find a list of insurers approved to sell policies here from the Maryland Insurance Administration at 800-492-6116 or online at <http://www.mdinsurance.state.md.us>.

Price depends on the benefit and your age. The younger you are, the lower the premium. And if you wait too long — over age 65 — you run a greater risk of being turned down for a policy because of health issues, says Tom Riekse Jr., managing principal at LTIC Partners, an insurance broker.

The annual premium for an inflation-protected policy that pays up to \$6,000 a month for three years or until you exhaust the benefit would be \$1,594 for a 45-year-old Marylander and \$3,404 for a 65-year-old, according to LTIC Partners.

Long-term care policies typically cover care at home, in assisted living or in a nursing home, says Bel Air financial planner Douglas Robinson. You don't have to buy a policy for the entire cost of care if you have Social Security, a pension or savings to offset some of the expenses, he says.

Never buy a policy if you won't be able to keep up with the premiums and any increases. Otherwise, that's money down the drain if you end up canceling.

**Partnership Policies** Medicaid will pay for long-term care for those who have depleted most of their assets. A single person in Maryland can't have more than \$2,500 in assets to qualify.

Several years ago, though, Congress created a program so that people can retain more assets and still receive Medicaid — provided they buy a long-term care policy. More than 30 states, including Maryland, participate.

Under the program, you must buy a policy from a participating insurer that includes an inflation feature so the benefit rises over time. The policy will pay for care until benefits run out. Then you can apply for Medicaid. You will be allowed to keep assets equal to the amount of benefits paid out under the policy.

Contact the Maryland Insurance Administration for more details on the Long-Term Care Partnership Program and a list of participating insurers.

**CLASS Act** The new federal health care law contains a long-term care insurance program that's expected to launch in fall 2012, if not earlier.

The Community Living Assistance Services and Support Act is a voluntary program that would provide at least \$50 a day to cover long-term care expenses. Not enough to foot the entire bill, but it can complement other insurance, says Connie Garner, executive director of Advance CLASS, a nonprofit advocacy group.

The federally administered program is not an entitlement, and taxpayer money won't be involved,

Garner says. Benefits would be paid from premiums and investment returns on that money.

You would have to pay premiums for at least five years before you can tap benefits, and you must work for at least three of those five years. And you must continue paying premiums while receiving benefits. Government figures estimate that a 50-year-old would pay \$123 a month for a \$75-a-day benefit. Premiums can't be easily raised.

You can't be denied coverage because of poor health, unlike private insurance. Insurance experts predict the program will attract the most sickly. But Garner disagrees, saying it should appeal to the young healthy people — and their parents. Premiums for full-time students will be \$5 a month.

**New products** More insurers are offering life insurance policies with a long-term-care feature, moving away from traditional model.

Hartford Financial Services Group, for example, has introduced a whole life policy that comes with a long-term care feature, the LifeAccess Rider. You can tap the death benefit if you need to pay for care. If not, the money will go to your heirs at your death.

Premiums are fixed. The annual premium on a \$250,000 policy, the most popular, would be \$2,637 for a man who was 50 at the time of purchase and \$2,274 for a woman.

Robinson, the Bel Air planner, says these policies will appeal to people who don't like the idea of paying long-term care premiums for decades and possibly never reaping any benefit.

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