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Business

Long-term care coverage seems like an expensive hassle to many people—until they need it

By Jeff Bell

Posted May 20, 2019 at 1:24 PM

The ultimate consequence for not having it is entering into poverty.

Financial planner Eric Bishoff has heard it all when it comes to the reasons that people are reluctant to talk about long-term care planning.

“There’s every excuse under the sun,” says the CEO of Bishoff Financial Group in Worthington. “They may say, ‘I don’t have enough money (for long-term care insurance),’ or ‘I’m too young or too old for that.’ A lot of it is a lack of understanding and, quite frankly, a desire to spend their money on other things.”

He is convinced that long-term care planning isn’t a priority until people start to understand the substantial cost of home-health aides, assisted living facilities and nursing homes. There is also the havoc that not having a plan can create for them and their family members.

“The consequences can be dire,” Bishoff says. “You hear stories of people being put into poverty.”

That can be the case when an individual or couple burns through their savings and lacks the retirement income to pay for long-term care not covered by Medicare or other forms of health insurance.

Such care is expensive. A 2018 survey by Genworth Financial found the cost of a private room in a nursing home totaled $102,565 a year in the Columbus metropolitan area. A year-long stay in an assisted living facility came to $50,040, and a home-health aide working 44 hours a week cost $50,336.

Even individuals in the high-net-worth category are reluctant to create a long-term care plan, according to a 2018 poll of nearly 150 financial advisers conducted by Cleveland-based Key Private Bank.

Some 60 percent of the advisers said less than a quarter of their clients have long-term care plans. Additionally, about half of the advisers felt convincing clients to put such a plan in place is the biggest challenge they face on the long-term care front.

So what's the aversion to even discussing the topic?

Part of it is a reluctance to picture yourself needing long-term help to deal with medical and personal care issues, says Jerry Lint, the Central Ohio market manager for Key Private Bank, the wealth management arm of Cleveland-based KeyCorp.

"There are things that some generations don't like to talk about, and that's one of them," he says.

Lint's team of advisers tries to weave the long-term care topic into their broader financial discussions with clients. A big part of that conversation is encouraging them to share their long-term care plans with family members or other potential future caregivers.

Such a discussion shouldn't just focus on what type of long-term care insurance coverage is in place. It also should address preferences for where the care will take place, how it will be paid for and the location of other financial and legal documents.

Lint and Bishoff agree the long-term care planning process involves a lot more than long-term care insurance. It includes having wills, trusts and medical and financial power-of-attorney documents in place and everything being integrated into a comprehensive financial plan.

"If you just try to piecemeal it," Bishoff says, "you'll miss the boat on what you really need."

Financial advisers say long-term care insurance is often part of that big picture since it will pay for all or some of the cost of home-health aides, assisted living facilities and nursing homes, which can be enormous.

Columbus resident Linda Miely had that in mind when she recently bought a policy at the recommendation of the financial planning firm Budros Ruhlin & Roe, which advises her and her husband, Bill.

“It’s gotten so expensive to care for someone in the home or a facility,” she says. “All things considered we thought we would rather pay the (insurance) premium than to take it out of our estate.”

Miely, who is in her 60s, thought her age would make such coverage cost-prohibitive, but that was not the case. An insurance broker, Natalie Murch, owner of LTC Choices in Blacklick, helped her find a policy that is affordable and will provide long-term care benefits that should meet her needs if they ever arise.

“I thought the value was good,” Miely says. “It’s worth the peace of mind even if I don’t ever have to use it. We want to leave our money to our kids, and we don’t want to run out of money (because of health issues).”

Murch, who represents multiple insurers, says experience has taught her that those most interested in long-term care insurance tend to have seen first-hand what can happen when such coverage is not in place and expenses devastate the finances of a friend or family member.

She says many people think they can’t afford the premiums, will be denied coverage because of their age or pre-existing medical conditions, or don’t want to pay for insurance they may never need to use.

“People have in their minds a very overstated premium number they would be dealing with,” Murch says.

For 2019, the American Association of Long-Term Care Insurance projects that the average annual premium for a 55-year-old male is $2,050 for an initial pool of benefits of $164,000. The value of those benefits would rise to $333,000 by age 80 and $386,500 by age 65.

The trade group noted there are significant discounts for couples who buy policies at the same time. It also said prices for identical policies can vary widely from insurer to insurer, citing spreads as high as 243 percent in some instances.

Part of the pricing-perception problem derives from some long-term care insurers seeking double-digit premium increases on older policies in recent years to cover losses on those blocks of business.

Murch says that happened because those insurers initially assumed 10 percent to 15 percent of policyholders would drop coverage before collecting benefits, but less than 2 percent have actually done that. Insurers also overestimated the amount of interest they would collect on premium revenue on those older policies.

Insurers have addressed those issues in newer policies to minimize future premium increases. And Murch has helped clients with older policies stabilize their premiums by opting for a modest reduction in benefits while maintaining sufficient coverage.

As for paying premiums for long-term care benefits that one may never need, the insurance industry sells hybrid products that attach long-term care riders to life insurance policies. If the long-term care benefit is not used, or is only partially used, the unused portion is paid to an individual's heirs as a death benefit.

Whether it's a traditional plan or hybrid, a person's age and health are the key factors in the underwriting process, says Jesse Slome, executive director of the American Association of Long-Term Care Insurance.

"Costs increase every year you wait (to buy coverage)," he says, "but health is the most important thing."

Given that, he says it is wise to start thinking about applying for long-term care coverage at age 55 and definitely by age 65. After that, serious health issues often arise, lowering a person's chances of being approved for coverage.

Slome recommends that consumers looking for long-term care coverage work with experienced brokers who represent multiple insurance companies. Premiums, discounts and acceptable health conditions vary from insurer to insurer, he says, and a knowledgeable broker can quickly assess the options.

Miely agrees, saying the advice Murch provided was essential to her finding the best policy at an affordable price.

“I would never have wanted to do it on my own,” Miely says. “You need to find a reputable broker.”

Jeff Bell is freelance writer.