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Don't say you weren't warned. The long-term care crisis is upon us. The rumblings have already started in small towns around the country. The government is already having trouble paying the cost of long-term care for the indigent elderly.

Recently, the Wall Street Journal wrote a front-page article, slamming states for joining in a partnership to encourage the purchase of long-term care insurance to offset the rising strain on their budgets. The article cited concerns about rising policy premiums and difficulty collecting benefits from some insurers.

Well, those are issues that can be addressed with regulation. The very real concern about the cost burden to government didn't make the headlines in the *Wall Street Journal*. But it did make headlines the very same week in the East Troy, Wis., newspaper: “Local Nursing Home Launches ‘Save the Manor’ Campaign.”

The 30-year-old Kiwanis Manor nursing home there is “looking for the community's help to financially keep it afloat,” says the article. The well-regarded, AAA-rated facility has “at least $400,000 in bills greater than its accounts receivable.”

Bad planning? Maybe. But it appears the big issue is a cutback in government reimbursements. In 2006, Medicaid payments for these residents was about $25 a day less than the cost of providing services, the article said, adding that in 2007, the reimbursement was cut by $3 a day.

Even more burdensome, explains the article, the state demanded the nursing home add one certified nursing assistant to every shift – an additional payroll cost of more than $100,000 a year – while at the same time cutting its reimbursements to the nursing home by $40,000 a year!

And the baby boomers haven't even started retiring yet!

Another headline from a small-town Wisconsin paper, *The Week*, said: “Resolution asks county to stop reducing the number of beds for Medicaid patients.”

“To save taxpayer dollars, the county has gradually increased the number of beds available for patients who can pay privately,” the paper reported, “ . . . and that means fewer beds are available for indigent patients covered by government-subsidized Medicaid.”

Now, are you still counting on the government to pay for your long-term care? Think again.

This is definitely NOT an issue just for older people. In fact, once you face the issue of needing care, it's too late to plan.

No one likes thinking about needing help to do basic activities of daily living – things such as dressing, or bathing, toileting or feeding yourself. Or your parents. But this is no time for denial.

The good news is we are living longer. The bad news is, it costs more. And if you need daily personal care, today it costs about $7,000 a month. And the cost is sure to rise faster than the rate of inflation as demand for care soars. (Not to mention the problem of finding help at any cost, if immigration is restricted.)

How will you pay for this care for yourself down the road – or your parents in the coming years? If your aging parents can't care for themselves, they may be occupying the bedroom vacated by your child who just graduated from college!

Shocking – but it will look like a far better alternative for care than a ward in a Medicaid-funded nursing home. Medicaid is the program that promises to pay for care – and it does so primarily in nursing homes. Many people figure they'll spend all of their assets and then let the state take over. What will that care look like in 15 or 20 years?

OK, I got your attention.

If you can pay for your care, there will be many alternatives ranging from home care to assisted living to nursing homes that accept only privately paying patients. But typically this cost can devastate a family's retirement savings – and leave a surviving spouse without any assets.

The first step is to consider the purchase of long-term care insurance. It may be too expensive for everyone, but those who can afford at least some coverage will ensure that they do not spend their last years in an under-funded, overcrowded nursing home.

The time to buy is in your late 50s or early 60s, when costs are lower and you're healthy enough to qualify. Look for a policy that offers three years of coverage, with at least a simple inflation increase. You'll likely have a 90-day deductible before the insurance kicks in. Optimally, you'd like to purchase $200 a day in coverage, but even $150 will help.

Purchase your policy from a major, reputable company. Independent agents sell policies from John Hancock, Genworth, Mass Mutual and MetLife so they can compare coverages and costs.

And what if you never use your policy? Congratulations. I hope you never need it – or your homeowner's insurance in case of a fire. But the chances are 10 times as great after age 65 that you'll need some form of care than that your house will burn down.

Insurance is always a bet against the odds. But you can't collect if you don't bet.

And that's The Savage Truth.

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