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Long Term Care Insurance Rates Rise...
A Conundrum for the Middle Class

A Note from Ellen Makofsky...

I purchased long-term care insurance 13 years ago from John Hancock. My September statement now reflects an annual premium that is almost double the initial premium paid in 2007. The premium increases continue even though, several years ago, I reduced the original inflation rider by half to reduce the annual premiums. I am not alone. *The New York Times* recently reported that long-term care insurers have been imposing significant rate increases for nearly a decade and that state regulators continually approve these increases because they are concerned that the carriers remain solvent and are able to pay claims into the future.

Long-term care insurance is important for the middle class. It covers what Medicare generally does not pay for: nursing home care, home health care aides, adult day care, and in some instances, assisted living. Those who have little in assets can access this care from the Medicaid program and wealthy individuals can afford to pay for the care from their own pockets. Advice to the middle class has generally been to purchase long term care insurance to insulate their nest eggs from long-term care costs.

However, paying for long-term care has become a real middle-class issue. Statistics show about one half of the over 65 population will require long-term care services within their lifetimes. Long-term care is an expensive proposition. Why have the premiums increased at such a rapid rate? It seems that the insurance companies underestimated how long policyholders would live and overestimated how many people would let their policies lapse so that the insurer would not have to pay claims. The result is that the rapidly rising insurance premiums will price many out of their long-term care policies.

Current holders of long-term care policies have hard choices to make. They can bite the bullet and pay the higher rate if they can still afford it and if it makes sense. In the New York metropolitan area, the cost for one month in a nursing home ranges from $15,000-$19,000, far more than one year of insurance premium. For those who cannot or do not choose to pay a higher premium, the next choice is to reduce the benefits by either reducing the daily amount of benefit or the overall term of the coverage. A third choice is to reduce the amount of the inflation rider attached to the policy.

What everyone concerned about long-term care should do NOW is to make sure they have a plan in place to access Medicaid benefits without paying down all of their monies on long-term care costs. Documents such as powers of attorney with modifications which allow for Medicaid planning and asset protection are essential. Some might consider creating trusts to insulate assets. Others might want to embark upon a gifting plan.

Give us a call and together we can discuss your options.

At Makofsky & Associates, P.C. we help our clients prepare for the future, protect their assets and meet tomorrow's challenges with proper planning today.

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