

# Critical Conversations about Financing Long Term Care: Common Myths & Facts

**There are many common myths about financing long term care (LTC). Learn how to recognize them! It is important to learn the facts to help you make more informed decisions and protect your financial security. Studies suggest that many people think they know about LTC, but really do not. What about you?**

*Myth:* Most people who need LTC require skilled nursing care in a nursing home.

- **FACT:** The reality of LTC is often much different than the nursing home setting that most often comes to mind. LTC involves help with “activities of daily living,” such as eating, bathing, dressing, walking, toileting, or taking medications. Typical users of LTC have multiple chronic health problems (e.g., hypertension, arthritis, heart disease, diabetes), mental disabilities (e.g., Alzheimer’s disease or other dementias), or injuries from accidents that limit their ability to perform personal daily living activities. LTC can include a wide range of medical, personal, and social services provided in a variety of settings (home, community, assisted living facilities, or skilled nursing facilities), with the goal of remaining as independent as possible. The vast majority of those who need LTC receive care in their own home or in a community setting—*not* in a skilled nursing facility. Approximately 80 percent of individuals who need LTC receive the care in their own home provided by unpaid family caregivers.

*Myth:* There is less risk associated with LTC than with other life events that can impact an individual’s financial security.

- **FACT:** There is a greater risk of needing LTC than many other life events. About 70 percent of people over age 65 will require some type of long-term care services during their lifetime. In comparison, insurance professionals cite that the probability of losing your home to a fire is 1 in 1,200, and that the chance of having a car accident is 1 in 240. Although most people have car, homeowners, and health insurance, few have planned to protect themselves against the much more likely risk of needing LTC.

*Myth:* The risk of needing LTC is greatest when a person turns 65 years of age.

- **FACT:** Indeed, the oldest old—that is, individuals who reach 85 years and older—are most at risk of needing help with activities of daily living, not 65 year olds. As shown in Table 1, the risk of needing LTC clearly increases with age, in both community and institutional LTC settings. For example, the average age of an assisted living resident is 86.9 years old. Keep in mind that there are big differences within the 65-plus group. Beware of relying on statistics that groups everyone over 65 years of age together.

Table 1: Prevalence of LTC Needs by Age

|                    | <b>Ages</b>  |              |            |
|--------------------|--------------|--------------|------------|
| <b>LTC setting</b> | <b>65–74</b> | <b>75–84</b> | <b>85+</b> |
| In the community   | 11%          | 22%          | 49%        |
| In institutions    | 1%           | 3.5%         | 13%        |

*Myth:* Men and women are equally at risk for needing LTC.

- **FACT:** Women face a greater likelihood than men of needing LTC. Longer life expectancies for women increase the chances of them reaching the 85-plus age group. This means that women are more likely not only to need LTC but also to outlive husbands and caregivers. For example, 65 percent of all care recipients and 66 percent of the residents in nursing homes are female.

*Myth:* Most individuals who need LTC require services for very long periods of time (5-8 years of more).

- **FACT:** On average, someone who is 65 today will need some type of LTC services for three years. Most individuals overestimate the length of time LTC may be needed. Estimates suggest that only 20 percent of individuals will need LTC for more than five years. The median length of stay in assisted living is just over two years (25.6 months). Of individuals who spend some time in a nursing home, 67 percent (two-thirds) will need care for three months or less; 24 percent will need care for more than a year; and only 9 percent will require five or more years of care. Individuals with lengthier LTC needs are more likely to have severe cognitive impairment due to Alzheimer's or other dementias.

*Myth:* Most individuals can easily afford to pay out of pocket for one year of LTC.

- **FACT:** Regardless of whether the care is received in one's own home or in a facility, LTC can be extremely expensive and can easily put a strain on a family's finances. Help with daily living activities can average from \$31,200 per year for 200 visits of home care to \$87,235 for a private room and \$78,000 for a semiprivate room in a nursing home. Assisted living facilities average \$41,724 per year (one bedroom). Monthly costs for assisted living can range from \$3,088 for basic services to \$3,775 for 10 or more services. If the work of family caregivers were replaced by paid home care providers, estimates indicate that this care would cost \$257 billion annually. Working family caregivers spend an average of 20 hours a week providing care—and often at the cost of lost wages, Social Security benefits, and pension contributions. LTC costs are distributed unevenly. Some elders will not have any LTC expenditures, while about 5 percent are projected to spend at least \$100,000 as a result of more intense and longer care needs

*Myth:* Home care will be less expensive than skilled nursing care.

- **FACT:** The costs of LTC depend on the type and amount, the duration, and the setting of care needed. Depending on the type and amount of services used, receiving home care may or may not be less expensive than being in a nursing home. In many cases, home care is a cost-effective alternative greatly preferred by individuals who want to stay in their own home. But 24/7 highly skilled, in-home nursing care can be extremely expensive. For example, costs in the United States average \$46 per hour for a visiting nurse and \$21 per hour for a home health aide.

*Myth:* LTC costs are the same regardless of where one lives.

- **FACT:** LTC costs vary considerably from state to state, and from rural to urban settings. For example, the average cost for a home health aide in 2011 was \$21 per hour, but prices ranged from \$14 per hour in Shreveport, Louisiana, to \$34 per hour in Rochester, Minnesota. In 2011, the U.S. average cost of a private room in a nursing home was \$229 per day. The highest rates were in Alaska at \$655 per day, and the lowest rates were in Louisiana at \$141 per day. To make an informed decision, individuals should explore the range of costs for specific services in local LTC options. Visiting [www.longtermcare.gov](http://www.longtermcare.gov) and examining state-specific costs can be a good start.

*Myth:* Most LTC costs are paid by Medicare, the federal health insurance program for individuals 65 years or older.

- **FACT:** Because Medicare is health insurance for those over 65, many assume LTC is included in the coverage; however, Medicare does not pay for LTC. Medicare coverage focuses on treating acute, short-term illnesses. Although it does include nursing home and home care, it is for a limited time (less than three months). For more information visit <http://www.medicare.gov>.

*Myth:* Most individuals with existing health or disability insurance policies/plans will have coverage for long term care.

- **FACT:** Studies suggest that almost one-third of consumers think they are covered by an existing insurance of some type, but they are not. It is a myth that health insurance policies will cover LTC costs; even Medicare supplement policies are not designed to do so. Disability insurance typically protects against the loss of income due to a disability. But this type of insurance does not pay for the supportive services or the daily living help a person may need to remain independent.

*Myth:* Adult children will be held liable for their parents' LTC costs.

- **FACT:** Although 30 states have filial responsibilities statutes (establishing a duty for adult children to care for their indigent elderly parents), to-date these laws have been rarely enforced. However, a 2012 state appeals court ruling in Pennsylvania required an adult son of a nursing home resident to pay his mom's \$93,000 bill.

*Myth:* Medicaid is a government program that will pay for a range of LTC services.

- **FACT:** Medicaid or Medical Assistance is a federal and state government program that serves as the safety net for individuals who need LTC and meet the low income and asset eligibility criteria. Homemaker services, adult day care, transportation, and respite care are examples of services potentially available under Medicaid Waiver programs. The services covered by Medicaid, and the levels of spending, vary dramatically across the 50 U.S. states. This can affect consumer choices.

*Myth:* Most individuals can give away assets at any time to make themselves poor enough to qualify for Medicaid.

- **FACT:** To qualify for Medicaid, a person must meet low income and asset criteria. Individuals are asked to report asset transfers within the “look back” periods (typically the past five years) and may be ineligible for a certain period or be penalized if illegal transfers have occurred. The goal of Medicaid is to help those with low income and assets, not those who choose to become “voluntarily” poor to qualify. Asset transfer rules and interpretations are constantly changing. To adequately understand what is legally allowed, individuals should consult knowledgeable attorneys and County Social Service professionals.

*Myth:* Husbands and wives must both live in poverty for either one to receive Medicaid coverage for LTC.

- **FACT:** A spouse living at home may keep a certain level of income and assets, including a home. This typically helps protect the healthier spouse’s financial security; however, a spouse may still not feel sufficiently protected.

*Myth:* Individuals can access the equity or value in their home but only if they are willing and able to sell and move.

- **FACT:** A reverse mortgage is a loan against the equity or value in a senior’s home that does not have to be paid back as long as the senior lives in the home. The money is repaid, plus interest, when the senior dies, sells the home, or permanently moves out of the home. In certain situations, reverse mortgages can work well to help individuals stay in their own home and receive care. But they are not for everyone and involve complex features. Recent changes in home values and the current real estate market are critical factors to consider.

*Myth:* Most people are buying LTC insurance to protect their financial security

- **FACT:** While the number of people purchasing LTC insurance has grown in the last decade, current estimates suggest about 10–13 percent of Americans over age 55 have LTC insurance coverage. Private and public employers are increasingly offering group LTC insurance coverage as a benefit option for their employees.

*Myth:* LTC insurance should be purchased by most individuals to protect against the costs of LTC.

- **FACT:** Whether or not LTC insurance is a wise decision should depend on a person's financial situation as well as their financial goals. Good candidates for LTC insurance are those who have adequate income to pay premiums (now and in the future) and adequate financial resources to pay deductibles and co-payments. [\*A Shopper's Guide to Long-Term Care Insurance\*](#) (National Association of Insurance Commissioners, 2010) is a valuable resource for consumers when comparing financing alternatives and making decisions about policy features.

*Myth:* LTC insurance policies will typically protect an individual against all possible costs associated with LTC.

- **FACT:** There are no LTC policies on the market that will guarantee that all costs for LTC will be covered during one's lifetime. Policies often limit coverage to specific settings, for specific lengths of time, and to specific dollar amounts per day. Compare exclusions and limits carefully when shopping. Keep in mind that LTC insurance can complement other financing alternatives, such as self-insuring.

*Myth:* The cost of a LTC insurance premium purchased at age 50 would be the same as one first purchased at age 65.

- **FACT:** The younger a person is when first purchasing LTC insurance, the lower the annual premium will be. Because the risk of needing care increases with age, LTC insurance is more expensive to purchase as a person ages. The risk of becoming uninsurable due to one's existing health status also increases with age. In 2010, the average age of individual LTC insurance buyers was 59 years.

*Myth:* LTC insurance cannot protect your assets in the event you need to qualify for Medicaid.

- **FACT:** A majority of states now offer a LTC Partnership Program. Partnership programs are designed to protect consumers from having to become impoverished to qualify for Medicaid—thereby saving the state's limited Medicaid resources. If a consumer takes personal responsibility and purchases an approved LTC insurance policy, then the State guarantees that if benefits from the LTC policy do not cover the cost of LTC, the consumer may qualify for Medicaid while retaining a pre-determined amount of assets.

*Myth:* All states have the same policies and practices regarding LTC financing options and services.

- **FACT:** There are fairly dramatic differences across the 50 U.S. states in policies and options. LTC programs and services are regulated by each state, resulting in different terms for LTC settings, requirements, and practices. Medicaid or Medical Assistance policies differ significantly from state to state. LTC insurance is regulated by each state with differences in consumer protection options and state-specific information.