



# ADVANCED MARKETS INSIGHT

## Paying for Long Term Care

*M Financial Group's  
Advanced Markets Insights  
are designed to help clients  
understand sophisticated  
planning strategies and  
their applications.*

*M Financial Group  
continues to lead the  
industry in insurance due  
care and client advocacy,  
providing valuable insight  
and analysis that delivers  
significant value to clients.*

### What is Long Term Care (LTC)?

Long Term Care is a specialized set of services required when an individual suffers from a chronic illness or an accident renders them physically or mentally unable to care for themselves for an extended period.

These services may involve assistance with activities in the home—such as preparing meals, bathing, or personal hygiene needs. Long Term Care may also include more advanced services such as skilled nursing care.

In addition to care in the home, Long Term Care assistance may be provided at a variety of locations, including hospitals, adult day care programs, and at hospice facilities.

### The Cost of Long Term Care

Long Term Care costs are significant, and vary widely depending on where care is received. A survey in 2010 determined nursing home and home health care costs were very high, and increasing rapidly each year:

Location	Average Annual Long Term Care Cost	Average Annual Long Term Care Cost in 20 Years*
Chicago, IL	\$63,875	\$161,409
Los Angeles, CA	\$67,525	\$170,632
Miami, FL	\$80,300	\$202,914
New York, NY	\$118,625	\$299,759

\*Assumes 5% annual inflation each year.

Source: GenWorth Cost of Care Survey, April 2010 (Nursing Home Daily Rates—Semi-Private Room).

### Not Covered by Health Insurance

Most health insurance will not pay the majority of costs associated with the chronic conditions that require Long Term Care, and only cover acute, skilled medical care. An acute medical condition is one that is normally brief with sudden onset, whereas a chronic condition lasts for an extended period of time.

## Disability Insurance

The intent of disability insurance is to protect an individual's ability to earn income, and to replace earnings lost due to an extended period of illness or injury. Disability insurance policies may provide funds to pay for certain long term care expenses but this may be at the cost of funds intended to help pay everyday living expenses such as utilities, rent/mortgage, and groceries. For this reason, many people view potential Long Term Care costs as a separate and distinct risk.

## Medicare and Medicaid

Similar to health insurance, Medicare is designed to cover acute medical care—not chronic care. In most cases, Medicare will only pay a portion of expenses for the first 100 days of care, and only if care is received in a hospital setting.

Medicaid programs are generally designed to provide care for those who would otherwise not be able to afford it. Medicaid requires participants to dispose of most of their assets to qualify for assistance.

## Long Term Care Insurance

Long Term Care Insurance policies offer tax-free benefits for the care of chronic conditions. In addition, Long Term Care insurance protects assets that would otherwise be severely reduced by the costs of Long Term Care.

The advantages of Long Term Care Insurance include:

- Added certainty as to the quality of care received.
- More options on the location in which it is obtained (including care in the home).
- Reduced stress on relatives who would otherwise be burdened with providing care.
- Tax-deductible premiums and tax-free benefits for most policyowners.

## For More Information

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