

# Your 2018 Guide to Long-Term Care Insurance

In-home care services and nursing homes are costly and aren't covered by Medicare.



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Did you know that Medicare typically [doesn't cover](#) nursing home stays or in-home health services? And did you know that nursing home stays can cost more than \$100,000 per year in many parts of the U.S.? If you end up needing long-term care services, costs like these can drain your retirement savings quickly.

Long-term care, or LTC, insurance can help protect against these expenses if you or your spouse can no longer perform daily living activities such as bathing, dressing, and eating on your own. However, LTC insurance can be rather costly and isn't right for everybody. Here's a quick introduction to LTC insurance, what it covers and costs, and how you could keep your LTC insurance costs in line.



IMAGE SOURCE: GETTY IMAGES.

### **What is long-term care insurance?**

Most health insurance covers things like hospital stays, medical procedures, doctors' office visits, and prescription drugs. However, the cost of long-term services such as nursing home stays is generally not covered. Even Medicare will only cover short stays in nursing homes, or some in-home care, but only under specific conditions.

Long-term care insurance is designed to cover these types of expenses. In addition to nursing home stays, long-term care insurance can cover things like a home health aide to assist with bathing, dressing, or eating. Covered services vary by policy,

### **What does long-term care insurance cover?**

I already mentioned nursing home stays as one of the common expenses covered by LTC insurance policies. In addition, LTC policies generally cover the following:

- Care in your home, such as skilled nursing care, occupational and physical therapy, and help with personal care.
- Alzheimer's care facilities
- Assisted living facilities
- Hospice and respite care services
- Adult day care centers
- Home modification -- some policies cover things such as wheelchair ramps and grab bars to make your home more accessible



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defined in terms of Activities of Daily Living (ADLs) and most policies start paying once you need help with two or more of these, which include things like bathing, dressing, and eating.

### **Why long-term care insurance could be a smart idea**

Simply put, long-term care services are expensive, and as I mentioned, are unlikely to be covered by other forms of medical insurance.

As an example, in my state (South Carolina), a home health aide costs \$21.85 per hour, or \$49,993 per year, on average. In-home services of a registered nurse average \$73.40 per hour. A one-bedroom unit in an assisted living facility costs \$49,969 per year, and a private room in a nursing home can be expected to cost \$231 per day, or \$84,279 per year.

Furthermore, South Carolina is a relatively low cost-of-living state. In New York, for example, a private room in a nursing home averages nearly \$143,000 per year.

It's also worth noting that individuals in poor health may not qualify for LTC insurance, especially if you are currently or have previously received long-term services.

### **Long-term care insurance isn't cheap**

The biggest downside to long-term care insurance is its cost. Sure, it's most likely cheaper than the benefits you'll get if you actually have to use it, but LTC insurance policies tend to have hefty premiums.

There are several variables that determine your cost of LTC coverage, such as:

- Your age when you buy the policy -- generally the younger you are and the better health you're in, the lower your premiums will be.
- The maximum benefit the policy will pay per day. Some policies can pay different amounts for different services, while others have a flat-rate benefit no matter the long-term service being received.
- The maximum length of time the policy will pay out benefits -- note that this time (in days) times the daily maximum is the policy's lifetime maximum benefit. Two to five years of benefits is a common time frame.
- A waiting period (also known as the "elimination period"), or lack thereof. For example, a policy that doesn't kick in until you've been eligible for benefits for 90 days will cost significantly less than one that starts immediately -- 40% less, according to James Glickman, president of LifeCare Assurance. This is the LTC equivalent of a "deductible," and 30-, 60-, and 90-day waiting periods are common.



Just to give you an idea of how much LTC insurance costs, the average annual premium for a 60-year-old couple is \$3,490 for a plan with an initial benefit of \$150 per day for up to three years and a 90-day elimination period, according to the 2018 Long-Term Care Insurance Price Index, prepared by the American Association for Long-Term Care Insurance.

### **Things that can help keep LTC costs low**

Perhaps the best way to keep your costs down is to get your policy early. Obtaining LTC insurance at age 55 can be significantly cheaper than obtaining the same coverage at age 65. I mentioned earlier that the average premium for a 60-year-old couple is \$3,490 in 2018. Waiting until age 65 results in a 34% increase, on average, to \$4,675.

I already mentioned that a longer elimination period can help you save money. As long as you have enough savings to realistically cover long-term care costs until the elimination period is over, choosing a longer elimination period can reduce your costs dramatically.

Speaking of savings, it's also a good idea not to overbuy LTC insurance. It isn't necessary to obtain coverage that will pay for 100% of your long-term care costs -- just the portion that your income ([Social Security](#), pensions, income from savings) may not be sufficient to cover. This is one of the most important things to keep in mind. Buying only the amount of coverage you need can save you a tremendous amount of money.

Finally, it's worth checking to see if your employer offers LTC insurance plans. Employer-sponsored plans are often offered at discounted group rates, and you can generally keep the policy even if you leave employment.

### **The Foolish bottom line**

For many retirees, long-term care insurance makes sense as a way to safeguard against the high potential costs of nursing homes, assisted living, and in-home health services. If you feel that a few thousand dollars per year is a fair price to pay for the peace of mind of knowing you'll be able to afford the proper care, LTC insurance could be a smart move for you.

### **The \$16,146 Social Security bonus most retirees completely overlook**

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "Social Security secrets" could help ensure a boost in your retirement income. For example: one easy trick could pay you as much as \$16,146 more... each year! Once you learn how to maximize your Social Security benefits, we think you could retire confidently with the peace of mind we're all after. [Simply click here to discover how to learn more about these strategies.](#)

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Matt brought his love of teaching and investing to the Fool in 2012 in order to help people invest better. Matt specializes in writing about the best opportunities in bank stocks, REITs, and personal finance, but loves any investment at the right price. Follow me on Twitter to keep up with all of the best financial coverage!

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