

Consider long-term care insurance now

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BY **TERRY SAVAGE** Sun-Times Columnist

Q. Do I really need to think about long-term care insurance?

A. Headline: Last week, the Centers for Medicare and Medicaid Services reduced Medicare funding for nursing homes by an estimated \$16 billion over the next 10 years. Twenty-four states already have reduced Medicaid funding this year. And \$313 billion of additional cuts have been proposed by the administration to fund health care reform.



Message: Don't count on the government to take care of you in your old age! They're already running out of money -- long before the boomers begin to retire. Remember when boomers hit school age and were squashed into modular classrooms? As boomers age, you'll see crowded, modular nursing home rooms -- perhaps a final use for those old FEMA trailers! This is serious, a real warning.

Answer: Consider long-term care insurance *now!*

The cost of long-term custodial care is the most devastating thing that could happen to your retirement plans -- even worse than a bear market. Yet it is the thing we least want to think about. And boomers haven't been forced to confront this reality, because our parents are living longer, with new hips, knees and heart valves. But eventually, we will all wear out!

This kind of "custodial care" is not covered by Medicare or supplements, although they do cover a limited amount of "skilled" nursing home care after a period of hospitalization. But custodial care means help doing basic activities, such as bathing, dressing, feeding, toileting. This year it costs nearly \$80,000 on average to provide full-time custodial care, at home or in a nursing facility.

What is long-term care insurance?

Long-term care insurance is *not* necessarily about nursing homes. In fact, if you have either enough money -- or insurance against the cost of care -- you could get care at home, or in your choice of an assisted living facility.

But if you cannot pay for your care, the alternative that Medicaid offers is becoming less and less appealing. Most government-funded care is provided in nursing facilities, not in your home. Those are the places where funding is being cut.

Claude Thau is a long-term care insurance expert, who helped create policies offered by some major insurance companies, and now helps insurance brokers understand the products. Thau says: "Nursing homes are extremely anxious because of recent reductions in Medicare and Medicaid payments to them, along with the administration's stated intent to squeeze them further to finance health care reform. We can expect nursing homes to lay off staff, cut services, convert to nongovernment funding sources and/or close their doors."

This is reality, not just a "pitch" for long-term care insurance sales. Notes Thau: "LTC insurance is increasingly valuable to be able to cover the cost of quality home care and quality facility care from providers that do not rely upon government subsidies."

In other words, if you want choice of care, you must be able to pay for it!

Learn more about LTC insurance

While full coverage for long-term care is expensive, there are newer policies that will at least contribute to the cost of your care, perhaps for only two or three years of coverage. There are discounts for spouses, or policies that cover both spouses, designed to lower the premiums. It's worth investigating.

There are so many details to this kind of insurance that I devoted an entire section of my latest book -- *The NEW Savage Number* -- to the subject. You can find it now in paperback at bookstores, the library or on my Web site, TerrySavage.com.

This is not about selling books, or insurance! It is about protecting my readers against the devastating costs of long-term care. The message is aimed not only at older boomers, but the younger ones who won't want to place Mom or Dad in a Medicaid-funded nursing home.

And this is especially a woman's issue -- because women live longer, likely alone, and need not only the money, but the "concierge" services to find and schedule caregivers, included with most of these long-term care insurance policies.

I've put my money where my mouth is -- purchasing policies for my parents and myself. I hope it's a huge waste of money -- and that no one I love needs that kind of care. But hope is no substitute for planning. And that's The Savage Truth.

HOW YOU CAN PICK TERRY'S BRAIN

To celebrate the 20th anniversary of my Chicago Sun-Times column, I'll be responding to your most frequently asked questions on a regular basis. Of course, you always can submit individual questions on my Sun-Times blog reached on the home page at TerrySavage.com.