

2020 Long-Term Care Reference Guide

Long-term care (LTC) planning is a significant concern for many people across a broad range of demographics. The personal nature of health care, the inability to predict how much care will be needed in the future or how the care will be delivered, and longer life expectancies can make for a challenging and sometimes uncomfortable planning topic. Furthermore, costs for custodial care are not covered by Medicare or traditional health care insurance. As such, early planning and an effort to coordinate the issue with other important financial planning areas is vital. In an effort to simplify some of the key considerations, this reference guide provides a summary and key statistics, median LTC costs across the country, and common funding options.

Although LTC can refer to a wide variety of services, the focus of this guide is on custodial care, as most LTC falls under this category. Custodial care provides assistance with the following Activities of Daily Living (ADL): bathing, dressing, eating, toileting, continence, and transferring, or when an individual has memory problems. Typically, when individuals are unable to perform a certain number of the above-mentioned daily activities (typically two), or have memory problems, they are likely to be candidates for LTC.

Key LTC Statistics

- **47%:** The percentage of men who will need LTC.
- **58%:** The percentage of women who will need LTC.
- **1.5 years:** The average number of years men will need long-term care.
- **2.5 years:** The average number of years women will need long-term care.
- **13%:** The percentage of people who will need long-term care for longer than five years.
- The median annual cost for an assisted-living facility is **\$48,612**.
- The median annual cost for a private room in a nursing home is **\$102,200**.
- **3.13%:** The five-year annual inflation rate in nursing-home costs for a private room.

Categories of Care

- **Home Care:** Home health aides offer services to people who need more extensive care. It's "hands-on" personal care, but not medical care.
- **Assisted Living:** Residential arrangements providing personal care and health services. The level of care may not be as extensive as that of a nursing home. Assisted living is often an alternative to a nursing home, or intermediate level of LTC.
- **Nursing Home:** These facilities often provide a higher level of supervision and care than assisted living facilities. They offer residents personal care assistance, room and board, supervision, medication, therapies and rehabilitation, and on-site nursing care 24 hours a day.

Cost of LTC in 2019*

Location	Home Care	Assisted Living	Nursing Home
National	\$52,624	\$48,612	\$102,200
Alabama	\$41,184	\$39,000	\$81,395
Alaska	\$68,594	\$72,000	\$362,628
Arizona	\$57,200	\$45,000	\$97,638
Arkansas	\$43,472	\$38,100	\$73,000
California	\$64,064	\$54,000	\$127,750
Colorado	\$59,488	\$49,140	\$113,150
Connecticut	\$54,912	\$58,560	\$166,988
Delaware	\$56,056	\$72,414	\$136,328
D.C.	\$62,920	\$135,450	\$127,750
Florida	\$50,336	\$42,000	\$112,639
Georgia	\$46,904	\$40,020	\$85,775
Hawaii	\$62,645	\$52,500	\$160,418
Idaho	\$51,480	\$44,730	\$102,748
Illinois	\$54,912	\$50,040	\$82,125
Indiana	\$52,624	\$49,200	\$102,200
Iowa	\$57,200	\$48,933	\$82,537
Kansas	\$50,336	\$53,670	\$74,095
Kentucky	\$45,760	\$41,958	\$91,250
Louisiana	\$38,896	\$43,800	\$68,109
Maine	\$61,410	\$62,031	\$125,925
Maryland	\$54,912	\$51,600	\$120,085
Massachusetts	\$62,920	\$67,680	\$158,545
Michigan	\$53,768	\$48,000	\$111,508
Minnesota	\$69,784	\$45,600	\$132,448
Mississippi	\$42,328	\$42,291	\$85,045
Missouri	\$50,336	\$34,566	\$68,255
Montana	\$54,912	\$45,840	\$92,608
Nebraska	\$59,488	\$45,831	\$92,345
Nevada	\$51,480	\$40,800	\$111,325
New Hampshire	\$64,636	\$84,255	\$125,925
New Jersey	\$57,200	\$76,800	\$139,795
New Mexico	\$51,480	\$49,200	\$96,725
New York	\$59,488	\$55,563	\$148,190
North Carolina	\$45,760	\$48,000	\$91,980
North Dakota	\$63,972	\$40,860	\$143,832
Ohio	\$52,624	\$52,062	\$93,805
Oklahoma	\$50,908	\$42,210	\$67,525
Oregon	\$64,064	\$53,985	\$124,100
Pennsylvania	\$53,768	\$46,950	\$124,830
Rhode Island	\$61,776	\$62,385	\$127,750
South Carolina	\$48,002	\$42,000	\$91,250
South Dakota	\$64,064	\$42,000	\$88,323
Tennessee	\$46,698	\$46,800	\$87,600
Texas	\$48,048	\$45,000	\$77,015
Utah	\$54,912	\$40,800	\$91,250
Vermont	\$62,348	\$64,050	\$135,415
Virginia	\$52,578	\$57,600	\$98,550
Washington	\$69,784	\$66,000	\$119,173
West Virginia	\$41,184	\$45,000	\$138,335
Wisconsin	\$57,200	\$52,200	\$112,785
Wyoming	\$64,613	\$45,360	\$96,360

*Based on median costs in each state. 2019 Genworth Cost of Care Survey.

LTC Funding Options

As the preceding statistics indicate, LTC is a service that many people may need at some point in their lifetimes. It is important to consider how one is prepared to pay for this service, especially with the rising costs of care. Also, the cost of care can vary significantly by location. LTC insurance is one tool in the financial planning process that may allow individuals to protect their assets and relieve the burden of paying for care from their family. In contrast, many individuals feel that, if their net worth would allow them to pay for their coverage out-of-pocket, they need not consider a LTC insurance policy. However, even if that is the case, there are significant reasons to consider such a policy, such as peace of mind and potentially preserving the assets you would have used to pay for your care.

LTC Insurance

LTC insurance is private insurance specifically designed to cover some or all of the custodial care expenses typically incurred while at home, in assisted living facilities, or in nursing homes. LTC insurance comes in several policy types. Indemnity and Expense Incurred are the two most common.

- **\$3,050:** Average annual premium for LTC policy purchased by a couple age 55, at coverage start date. (Policy provides a daily benefit of \$150, three years of coverage in home and institutional settings with a 90-day waiting period, 100% home care benefit, and 3% automatic compound inflation protection.)
- **22%:** The percentage of applicants ages 50-59 who were denied long-term care coverage due to health issues.
- **30%:** The percentage of applicants ages 60-69 who were denied long-term care coverage due to health issues.

Pros:

- With proper coverage, the financial risk of LTC is reduced and preserves investments for heirs.
- Premiums might be tax deductible.

Cons:

- Potential premium increases (after already paying premiums). Higher premiums if you wait.
- Difficult to predict the amount of coverage needed and there may be out-of-pocket expenses anyway.
- Policy might lapse if premium payments are missed.
- If unused, premiums might be viewed as a waste of money.

Hybrid Insurance Products

Hybrid insurance products that combine LTC insurance with other forms of insurance are becoming increasingly more common. There are many ways to obtain LTC insurance through a hybrid product. One of the most common vehicles is a life insurance/LTC policy. Typically a rider is added to a life insurance policy which allows the client to access the death benefit to pay for LTC needs if necessary.

Pros:

- Larger initial premium can eliminate the potential for future premium increases and policy lapses that are possible with traditional LTC insurance.
- Death benefit is available if LTC insurance isn't used (receive something in return).
- Generally fewer underwriting requirements. Some might qualify for a hybrid policy when they otherwise wouldn't under a traditional LTC insurance policy.

Cons:

- Large initial premium removes assets from your investment portfolio.
- Limited access to cash value if you want the policy to maintain the same level of LTC coverage.

Self Funding

Some people are able to save an adequate amount over their working years to fund retirement needs and potential future LTC expenses. Therefore, rather than purchasing LTC insurance or a hybrid policy, these people choose to use their investment portfolio/savings to fund LTC.

Pros:

- No cost if LTC isn't needed.
- Money saved on the insurance can be invested or used to fulfill other planning goals.

Cons:

- Any LTC expenses must be met by withdrawing assets from investment accounts (investment and tax implications).
- Costs and length of care is difficult to predict or budget.
- Additional stress on family in order to manage and organize financial needs.
- LTC expenses can reduce assets that would otherwise go to family as inheritance.

Medicaid

If insurance is considered to be too expensive and self-funding likely isn't a possibility, Medicaid can cover LTC needs if necessary.

Pros:

- Provides an option for people with very little savings.
- Can be a backup plan if personal assets are exhausted.

Cons:

- Requires relative poverty in order to qualify.
- Medicaid recipients may receive a lower quality of care, due to lower reimbursements to facilities.
- Medicaid planning can be complex (look back periods, reduced access to assets) in order to qualify.