

2021 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

- **70%:** People turning 65 who will need some type of LTC during their lifetimes.
- **48%:** People turning 65 who will need some type of paid LTC during their lifetimes.
- **2.2 years:** The average number of years men will need LTC.
- **3.7 years:** The average number of years women will need LTC.
- **24%:** People who will need LTC for longer than two years.
- The median annual cost for an assisted-living facility is **\$51,600**.
- The median annual cost for a private room in a nursing home is **\$105,850**.
- **3.01%:** The five-year annual inflation rate in nursing-home costs for a private room.

Sources: Morningstar, Inc.; Genworth Financial, Inc.

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 2020*

Location	Home Care	Assisted Living	Nursing Home
National	\$54,912	\$51,600	\$105,850
Alabama	\$41,184	\$37,800	\$82,932
Alaska	\$64,156	\$79,590	\$436,540
Arizona	\$59,488	\$46,800	\$98,550
Arkansas	\$45,760	\$42,000	\$78,475
California	\$66,352	\$60,000	\$137,240
Colorado	\$64,064	\$54,900	\$116,800
Connecticut	\$57,200	\$75,600	\$167,900
Delaware	\$57,200	\$80,280	\$152,388
D.C.	\$59,785	N/A	\$172,280
Florida	\$51,480	\$44,400	\$117,804
Georgia	\$49,192	\$42,000	\$86,082
Hawaii	\$68,640	\$60,000	\$165,619
Idaho	\$53,768	\$44,100	\$109,500
Illinois	\$58,344	\$54,900	\$84,315
Indiana	\$54,912	\$52,584	\$101,835
Iowa	\$59,488	\$48,870	\$85,775
Kansas	\$50,336	\$61,080	\$84,315
Kentucky	\$49,764	\$44,385	\$95,265
Louisiana	\$38,896	\$43,665	\$70,080
Maine	\$65,483	\$71,298	\$127,385
Maryland	\$57,200	\$60,000	\$127,750
Massachusetts	\$67,793	\$73,020	\$162,425
Michigan	\$57,200	\$50,400	\$116,800
Minnesota	\$75,504	\$51,390	\$144,303
Mississippi	\$42,328	\$44,550	\$85,775
Missouri	\$52,624	\$36,000	\$68,985
Montana	\$61,662	\$50,550	\$99,280
Nebraska	\$59,488	\$50,250	\$95,174
Nevada	\$57,200	\$43,140	\$127,020
New Hampshire	\$66,924	\$79,800	\$135,780
New Jersey	\$59,488	\$79,800	\$142,350
New Mexico	\$52,624	\$48,600	\$99,645
New York	\$59,488	\$57,600	\$155,125
North Carolina	\$48,048	\$45,600	\$96,725
North Dakota	\$66,352	\$49,149	\$153,172
Ohio	\$54,798	\$52,200	\$98,550
Oklahoma	\$54,798	\$45,000	\$69,350
Oregon	\$66,352	\$55,905	\$134,138
Pennsylvania	\$54,912	\$47,457	\$129,940
Rhode Island	\$70,928	\$59,400	\$122,640
South Carolina	\$50,336	\$47,850	\$94,327
South Dakota	\$66,352	\$43,650	\$90,246
Tennessee	\$48,048	\$48,465	\$91,433
Texas	\$50,336	\$47,970	\$76,650
Utah	\$59,488	\$40,800	\$100,375
Vermont	\$66,352	\$63,720	\$123,735
Virginia	\$52,624	\$58,200	\$105,850
Washington	\$72,369	\$69,000	\$131,400
West Virginia	\$42,328	\$48,000	\$145,635
Wisconsin	\$59,488	\$52,800	\$113,150
Wyoming	\$66,627	\$50,100	\$104,573

*Based on median costs in each state. 2020 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.
- **37%:** The percentage of applicants ages 65-69 who were denied long-term care coverage due to health issues.

Sources: Morningstar, Inc.; www.aaltci.org

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-pockets 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.