How to get long-term care at home without busting the bank

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The vast majority of older adults receive long-term care at home, not in nursing homes. But few people plan for this expense.

Nor do they see long-term care insurance as a viable option - because it's expensive and is often seen as protection against the cost of nursing home care.

That should change, some experts contend. If the long-term care insurance industry focused more on helping people cover home-based services, they argue, policies would be more affordable, and potentially appealing.

"Long-term care, for most people, is a home care problem," said Bill Comfort, who owns Comfort Long Term Care, a brokerage based in St. Louis and Durham, N.C.

"It makes sense to insure people for the likelihood of where care is going to be needed first - which is at home," agreed Deb Newman, president of Newman Long Term Care in Richfield, Minn., outside Minneapolis.

Genworth, one of the nation's leading long-term care insurers, acknowledged that this position is supported by industry claims data.

"Primarily, we are seeing people utilizing home care and a smaller and smaller percentage using nursing home care," said Beth Ludden, Genworth's senior vice president for long-term care insurance products.

"People think, 'While I might start out needing care at home, eventually I'll need to be in a facility,'" Ludden continued. "But that's not something we see in our data. For the most part, people are able to stay at home for the whole time."

Currently, more than 6 million older Americans are thought to have a "high need" for long-term care, according to a report from the U.S. Department of Health and Human Services. That's defined as requiring daily assistance with two activities (eating, bathing, toileting, dressing, continence or transferring from a bed to a chair) that lasts at least 90 days or a need for substantial assistance due to severe cognitive impairment.

About 52 percent of adults reaching age 65 today will need these services - 26 percent for two years or less; 12 percent for two to four years; and 14 percent for more than five years, the HHS report projected.

Yet fewer than 10 percent of older adults have purchased long-term care insurance, which has declined in popularity as premiums skyrocketed and insurers exited the market over the past decade. Whether the industry can fix its major problem - affordability - remains to be seen.

From a consumer's perspective, if your goal is covering several years of home-based care, not nursing home care, you can purchase a less expensive policy without all the bells and whistles that drive up costs, Newman suggested.

A 55-year-old couple buying a policy of this kind - say, $4,000 a month in benefits for each person, for a maxiumum of three years, with a 1 percent compounded annual inflation protection provision - from Mutual of Omaha would pay $2,380.05 a year in premiums, according to a quote from Minnesota that her firm provided. It's common for policyholders to pay premiums for 10 or 20 years before claiming benefits. Terms are similar in many other states.

How much help in the home might this policy provide?

According to 2016 data compiled by Genworth, the average annual cost for care provided by a home health aide was $46,332, compared with $82,128 for a semiprivate room in a nursing home. That translates into $3,861 a month, for 44 hours of home care a week - the equivalent of slightly more than six hours of care, seven days a week.

That might not be enough for seniors with serious, disabling illnesses, but it can provide much-needed relief to unpaid family caregivers who could otherwise be on call nonstop.

What happens if someone ends up needing nursing home care?

You might consider what's known as a "qualified long-term care partnership policy" - a plan available in every state except Alaska, Hawaii, Illinois (where a program has been approved but policies aren't available yet), Massachusetts, Mississippi, New Mexico, Vermont and Washington, D.C. (The Mutual of Omaha quote above is for a partnership policy.)

These little-known insurance products are designed to help consumers preserve their assets if they become seriously ill, need nursing home care and seek to become eligible for Medicaid, which pays for nearly half of nursing home costs in the U.S.

To qualify for Medicaid, most states require that an individual have no more than $2,000 in assets; couples are allowed to have up to about $120,000, so that a well spouse doesn't become impoverished. With a partnership policy, every dollar received in long-term care benefits is exempted from Medicaid's asset test and protected from seizure by the state.

In other words, if you get $200,000 in benefits from a partnership policy and your state has an asset limit of $2,000 for Medicaid, you can keep $200,000 in assets plus the $2,000 allowed and still meet your state's asset test, said Scott Olson, co-founder of the LTCShop.com, a brokerage based in Camano Island, Wash.

He noted that partnership policies don't guarantee Medicaid eligibility and you'll still have to meet whatever income standards your state sets for Medicaid. (Many, but not all states, allow people to "spend down" to qualify, using their income to pay for institutional care.)

Bill Nickerson, 63, of Las Vegas, one of Olson's clients, purchased a partnership policy three years ago because it lets him "retain control of my financial assets, even if I have to be cared for." Another plus: The policy "permits me, if I decide to stay home, to take a certain amount of the monthly amount and give it to someone who I choose to provide care for me, even if that person is a family member."

There's no reliable national data about how many people with partnership policies end up going on Medicaid to cover nursing home care. Nor is there good data about the number of these policies that have been sold or the benefits paid out to date.

David Guttchen, who directs the Connecticut Partnership for Long-Term Care, the first such program in the country, is skeptical about policies with benefits that will cover only a portion of expected costs. (Four states, including Connecticut, were the first to launch partnership programs and have special rules.)

"You absolutely need to know what the average home care and nursing home costs are for your state, to get a sense of what your exposure might be," he said. "If you don't buy meaningful benefits, you're wasting your premium."

If you've been able to cover a good amount of home care but your policy won't cover nursing home care, you've gained some protection, for a while, but you could still pay an enormous amount out-of-pocket going forward, if Medicaid isn't an option.

It's a gamble because people can't be sure what kind of care they'll need in the future, or for how long, or what the future of Medicaid will look like, said Michael McDonnell, an insurance broker in Petaluma, Calif. Before buying any policy, consult with an elder law attorney or independent financial adviser, he recommended.

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