

Business & Money

Investing

The Color of Money

Take a long look at nursing care insurance

By Michelle Singletary

A number of surveys show that many people are unprepared for the cost of a prolonged illness, especially in their senior years.

Not enough folks are buying long-term care insurance, which can cover the cost of nursing homes, assisted-living facilities, and in-home care, the surveys say. The insurance covers expenses for those who need help with such daily activities as eating, dressing, and bathing or who have a severe cognitive impairment such as Alzheimer's disease.

You might also need this insurance to cover care associated with other debilitating diseases.

A survey released by America's Health Insurance Plans found 25 percent of baby boomers assume they have coverage for long-term care expenses when, in fact, they don't. People think Medicare pays for it. Generally, it doesn't.

Medicare pays for a stay in a nursing facility or for home health care. To get that coverage, you have to meet certain conditions. Medicare doesn't pay for custodial care, which involves helping someone with daily activities. Medicaid, the state and federal health insurance program for the needy, provides long-term care coverage, but you have to spend down to the poverty level to qualify for coverage.

This year, about 9 million men and women over the age of 65 will need long-term care, according to the Department of Health and Human Services. By 2020,

the number needing such care will jump to 12 million.

A poll released by AARP found that while 69 percent of baby boomer women are concerned about whether their parents will be able to live independently as they get older, only 40 percent of respondents said they or their parents have begun to plan for any living assistance the parents might need.

Even those who have the insurance aren't always sure how long to carry it.

I recently received the following e-mail: She wrote: "I am a 72-year-old woman still working but currently on medical leave due to a corneal transplant. Should I continue paying for the long-term care insurance I started a few years ago?"

The reason she was asking?

This is expensive insurance. The policy for the woman is \$1,788 a year. The price for long-term care insurance varies greatly and depends on what type of policy you get and where you live.

But given the reader's age and the fact that she already has a policy in place, she should continue her coverage, says Ernest Burley of Burley Insurance and Financial Services in Maryland.

Here are a few reasons why, Burley said:

■ Long-term care insurance "protects assets and helps relieve some of the financial strain from her and family members."

■ She has locked into a plan and shouldn't have to go through medical underwriting again. This is very important, as the plan stays in place as long as she

pays the premiums. She doesn't have to worry about health conditions that may make her ineligible for coverage.

■ There is a 60 percent chance she will use this plan. Six out of 10 Americans who reach age 65 will need long-term care at some point in their remaining lives.

■ She might be able to take a tax deduction for most (if not all) of her premiums. Check with a tax professional.

Another option is for the woman to contact her insurer and determine whether she can scale back coverage in exchange for a smaller premium, such as reducing the length of coverage to perhaps three years, suggests Mary Beth Franklin, retirement editor at Kiplinger's Personal Finance magazine.

Kiplinger recently launched a section on its website (www.kiplinger.com/yourretirement/longterm) devoted to long-term care insurance. The site includes a seven-part video.

The video was underwritten by John Hancock Life Insurance Co. but was written and produced by Kiplinger editors.

John Hancock recently conducted a survey asking people what they know about long-term care. The majority of respondents failed a 14-question quiz, with most answering only six correctly.

The video presentation is in a question-and-answer format, featuring real consumers who have had long-term care issues.

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