

Half of Americans will need care as they age, and long-term care insurance can help cover the high cost

Long-term care insurance is something to look into while you are healthy. FG Trade/Getty Images

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- **Americans are living longer, but not healthier, lives.**
- **Fifty percent of Americans will need some sort of long-term care, whether it's in-home, assisted living, or in a nursing home.**
- **Medicare and Social Security typically do not pay for long-term care except in specific circumstances, and even then only for a limited time.**
- **It is better to get long-term care insurance in your 40s while you are still healthy and in your prime earning years.**
- **Even if you cannot afford maximum coverage, some coverage is better than none at all.**

"Americans are living longer, but not healthier lives," Mark Williams, CEO of [Brokers International](#), told Business Insider.

Williams noted that industry experts say 50% of Americans will need some type of assistance in retirement. "If you wait until you start thinking about retirement, you risk your health" and the chance that coverage costs could increase, he said.

For this reason, he recommends considering purchasing long-term care insurance in your early 40s, while you're still healthy and in your prime earning years.

Williams said that most people do not understand long-term care benefits under Social Security and Medicare, which are very limited when it comes to paying for assisted living and nursing home care. In reality, most people will need long-term care insurance to pay for care as they age. The cost of that coverage will vary based on where you live, your age, your health, and how much coverage you select.

What is long-term care insurance?

The cost of taking care of an adult can be expensive. The [U.S. Department of Health and Human Services](#) notes, "unlike traditional health insurance, long-term care insurance is designed to cover long-term services and supports, including personal and custodial care."

Long term health insurance is an insurance policy that pays for your care later in life, should you need it. Just like other types of insurance, you pay a monthly premium until you make a claim; then, the insurance should start covering the costs you incur. Unlike other types of insurance, you think of long-term care insurance in terms of days: how much coverage you'll pay for depends on exactly how many days you want to be covered.

Ultimately, long-term care insurance pays for care in several situations:

1. In-home care: A family member or caregiver comes to the house or adult daycare
2. Assisted living: You live in an apartment but have a nurse on staff
3. Nursing home: You live in a semi-private or private room with skilled nursing staff

Who needs long-term care insurance?

Any adult in their 40s should consider long-term care insurance as part of their retirement package. Ideally, your elderly parents, relatives, or other potential dependents have already purchased long-term care insurance as part of their retirement planning. If they have not, in theory, you could buy a long-term care policy for yourself and another for your parent (with their permission) to cover their costs as they age, then yours.

Whether you are concerned about taking care of a parent or your own care as you age, long-term care insurance is peace of mind. It is better to have some coverage than none at all, as Medicare only pays in special circumstances.

Most people don't have a clear understanding of Social Security and Medicare benefits when it comes to long-term care, Williams said. Long-term care is not covered in Medicare except in special circumstances and then only for a short term. He recommends reviewing the [Social Security Administration's website](#) and [MedicareResources.org](#) to better understand what's covered.

If you are in poor health or already receiving long-term care services, you may not qualify for long-term care insurance as most individual policies require medical underwriting, according to the [Department of Health and Human Services](#).

Williams noted that when purchasing long-term care insurance, you should ideally be young-ish and symptom-free. Rates are better when you are healthy, and you're healthier when you're younger.

How to choose a long-term care insurance policy

Long-term care insurance is similar to homeowners insurance in that you pay for it and hope that you never need it, Williams said. There are many variables based on customer selection that cause wide ranges in price. Fortunately, some long-term care insurance providers offer a "return of premium" rider that you can add on to your coverage, and the insurance company returns a portion of the premiums to you if you never use the policy.

There are five factors that determine the cost of your policy, most of which depend on your choices:

1. **Age at time policy purchased:** The older you are or closer you are to needing care, the more expensive coverage becomes.
2. **Maximum you want the policy to pay per day:** Assisted living facilities and nursing homes publish costs per day, and you must select the amount you want your insurance to cover. In 2017, the national average for cost per day was \$135. Look up the average cost of a long-term care facility (assisted living and nursing home) in your state, because prices vary. If you need help, your [financial planner](#) or insurance agent can provide information about average per-day costs in your state for in-home care, assisted living facilities, and nursing homes.
3. **Maximum number of days (years) you want policy to pay:** How long do you want the policy to cover? Williams' rule of thumb is to factor in the average stay in a long-term care facility, which is two years, when determining how much coverage you want.
4. **Lifetime maximum policy:** The maximum amount per day multiplied by the number of days determines the lifetime maximum amount that the policy will pay.
5. **Optional benefits:** You can choose to add on optional benefits like the "return of premium" rider mentioned above, where the provider returns a portion of the premiums to you if you never use the policy.

The amount of money the policyholder will be reimbursed is known as the daily limit (per-day coverage) you select when picking your policy. The insurer will continue paying the daily benefit up to a maximum number of days, typically a period between two years and 10 years, or up to a specified amount of money — all of the factors that you select when picking the policy.

The cost of long-term care insurance

The cost of long-term care insurance has gone up over the years because more people need it, and will vary based on where you live, your age, your health, and how much coverage you select.

Williams said the national average cost per day for long-term care is \$135/day, and the average need is for two years. That means ideally, you'd choose insurance that covers at least \$135/day over a two-year period.

The average 55-year-old American with long-term care insurance pays the following annual premium:

Gender	Average Annual Premium
Single male, age 55	\$2,050
Single female, age 55	\$2,700

Data from 2019 American Association for Long-Term Care Insurance

Depending on the amount of per day coverage you select, you still may have out-of-pocket expenses for care. In the table below, you can get an idea for how much various types of care cost per year. Remember that the average need for long-term care is two years.

Type of care	Average annual cost	Cost per day
In-home care for 44 hours/week	\$48,000	\$131.50
Adult day care - drop off (5 days/week)	\$18,200	\$49.86
Assisted living 1-bedroom	\$45,000	\$123.28
Nursing home semi-private room	\$85,000	\$232.87
Nursing home private room	\$97,000	\$265.75

Data from Brokers International based on 2017 national figures.

If you can only afford a policy that pays less than the average cost of care, perhaps for \$25 or \$50/day, Williams says some sort of benefit is better than no benefit. Buy what you can afford to arrange your life to take care of yourself or a parent. Unfortunately, you do not know what type of care you may need as you age, which is why selecting the amount of per day coverage greatly impacts your policy premium.

How to file a claim for long-term care

In order to file a claim, you need a triggering event to occur. There is usually a waiting period after a triggering event. Some policies have a waiting period from 30 to 90 days, like a deductible. The shorter the waiting period you select, the more expensive the policy. You can still file the claim, but you pay until your waiting period is over.

To establish a claim you need a doctor's note to prove that you can't do two of the six activities of daily living — referred to as ADL. Long-term care insurance based on ADLs is a specific end-of-life type coverage. There are six ADLs:

1. Ambulating: the ability to move around and walk independently
2. Feeding oneself
3. Dressing oneself
4. Personal hygiene: the ability to bathe and groom oneself, the inability to clip toenails or brush teeth
5. Continence: bladder and bowel control
6. Toileting: using the toilet by oneself

As you plan for your retirement, especially in your 40s, you should consider adding long-term care insurance. The cost will vary based on where you live, your age, your health, and how much coverage you select. However, with the assistance of a financial planner or insurance agent, you can find the right coverage to fit your needs and budget.

As Williams said, "The last thing you want is to have to ask if you are covered when you need it."