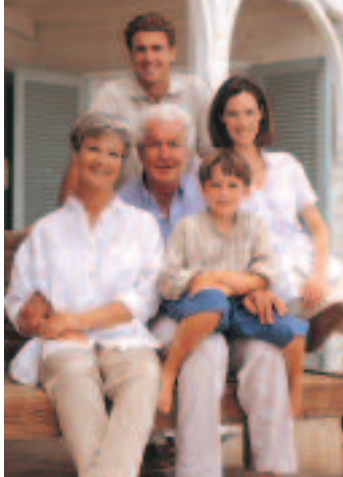


*Updated  
Figures*  
**COST of CARE  
in U.S.**



## **Consumer's Guide to Understanding Long-Term Care & Long-Term Care Insurance**

### *Answers To Your Questions*

- ▶ **Separating fact from fiction**
- ▶ **Medicare's coverage**
- ▶ **Average cost of care in your own home**
- ▶ **And more!**



**BANKERS CONSECO**  
LIFE INSURANCE COMPANY



## Who should read this guide?

Every American! Whether you're in your 40's and working ... or 65 on Medicare ... or in your 70's and retired.

The financial, family, and quality of life issues involving long-term care will likely impact *all* of us in one way or another at some point in our lives. Fortunately, when you're informed and plan ahead, you can help safeguard your savings *and* help guarantee that you'll have more choices about the type and quality of care you receive.

### **Married or unmarried adults**

Control over your health care and your savings is important to you. What do you need to put in place *now* to help protect both – for today and tomorrow?

### **Sons and daughters of aging parents**

You understand that as your parents age, they'll face physical and health challenges that can impact their independence. What should you know *now* to be prepared?

### **Parents of grown children**

You don't want to burden your own children, whether they live around the corner or across the country. What can you do *now* that can help guarantee you'll continue to have maximum independence years down the road?

**Be informed.** *Understand the facts about long-term care.*

**Plan ahead.** *Learn your options and decide on a course of action that's right for you.*

# FACT? Or Fiction?

When it comes to long-term care, it's easy to mistake fiction for fact, especially if you've never had first-hand experience with a long-term care situation.

*Separate the facts from the fiction ...*

**“Long-term care insurance is the same thing as nursing home insurance.”**

**FICTION** Long-term care insurance can provide much broader coverage than just for care in a nursing home. Today long-term care services are provided in a variety of settings – in your own home, outside the home (like adult day care), assisted living facilities, and nursing homes. Long-term care insurance policies likewise can provide benefits to help pay for care in some or all those settings, based on the type of coverage you choose.

“... For every 1,000 people, nearly 600 will require some form of long-term care.”

*“The Growing Need for Long Term Care Insurance,” Insurance Journal, February 23, 2004*

**“The way medical science is advancing, no one will need this kind of care in the future.”**

**FICTION** Just a generation ago, certain conditions were simply unable to be diagnosed or treated. But today new and better diagnostic tools and treatments are available. As a result, more of us are able to outsmart and survive a variety of serious illnesses that years ago were considered terminal – and live long enough to face a host of conditions that challenge our independence. Consider this true story:

## *Living to 90 – The story of Mr. S*

Mr. S has a heart condition. In his father's generation, a heart problem like it might well have claimed his life when he was in his 70's. But thanks to advances in diagnosis and treatment, Mr. S was able to control his heart condition with a pacemaker and medication. That's the good news about medical advances. He was not, however, able to slow or stop the dementia that developed in his 80's and progressed with age. Ultimately that condition made it impossible for him to care for himself – or for his wife to provide the daily care he required. That's the less fortunate side of the longevity coin. Neither Medicare nor health insurance will cover the “long-term care services” needed for illnesses like Alzheimer's disease, but long-term care insurance can.

---

## **“My family will take care of me.”**

**FACT and FICTION** Your family members may want to provide the care you need and yet be unable to do so. Perhaps they live too far away. Or their own families and jobs make it impossible. Or the care you need is simply beyond their capabilities. Even if they can assume some of the caregiving role for several hours or days each week, who will give them a break and cover for them when they need time off for their own family, work, illness, vacation or some other reason?

## **“The chance that any of us will spend time in a nursing home is 43%.”<sup>1</sup>**

**FACT** Yes, the “odds” are that high! The odds of your home burning down aren’t as high. But most people don’t take the risk and carry fire insurance so they’re protected. The odds that your car will be totaled in an accident aren’t as high. But most people don’t take the risk and carry auto insurance so they’re protected. When you think about the risk you take and consequences you face if you’re not protected, it just makes sense to carry long-term care insurance.

<sup>1</sup>Nursing Homes Don’t Come Cheap, SmartMoney, October 20, 2004



## **“Medicare covers this kind of care once I’m 65.”**

**FICTION** Medicare was created to cover “acute” care – or the care you need when you’re sick and eventually going to get better. Long-term care is mainly “custodial” care (help with everyday activities) and Medicare was never intended to cover that. *See page 6 for details.*



### **“Health insurance and disability insurance cover long-term care.”**

**FICTION** As with Medicare, these forms of insurance are NOT intended to cover long-term care situations. Health insurance may cover some limited home health care. Disability insurance pays a benefit that is designed to replace a part of lost income – it never pays directly for long-term care expenses.

### **“You don’t need this kind of insurance if you’re young and healthy.”**

**FICTION** Without a crystal ball, no one knows when an accident, injury, disability or illness might result in the need for long-term care at home or in a facility. The unexpected can happen to anyone at any age, even someone in good health, with good genes. Consider this true story:

#### *Unexpected - The story of Terry’s sister*

Terry’s sister is married, in her early 50’s, working full-time. One day she noticed she was having balance problems. After a battery of tests, the doctor delivered a most stunning and unwelcome diagnosis: ALS (or, as it’s commonly called, Lou Gehrig’s Disease). Too young for this to happen? No one in the family ever imagined this kind of a situation. She can no longer walk unaided. And it’s likely that the time will come when she’ll need long-term care services in order to stay in her home and maintain the highest degree of independence and control over her life. For example, help with bathing, dressing, eating and more. That’s the time when the benefits paid by a long-term care insurance policy can be an invaluable help to everyone in the family.

---

# What exactly is “long-term care?”

Long-term care is the kind of care a person needs if they’re unable to take care of themselves independently – doing the basic activities most of us take for granted. For example, getting from bed to a chair, dressing on your own, eating by yourself, going to the bathroom solo, and other “activities of daily living.”

Long-term care is often referred to as “custodial care.” It isn’t considered “medical” care or “acute” care because it’s not usually about “recuperating” from a disease or “repairing” a health condition. In a true long-term care situation, you’re not likely to stop needing care at some point in the future – it’s typically a permanent situation. In most cases, long-term care isn’t about getting well – it’s about getting along.

## **When (and why) might you – or someone in your family – need long-term care services?**

People of *all* ages need long-term care services for a variety of reasons.

An accident or injury can result in the need for long-term care services. A car accident, for example, or sports injury can be the cause. A disease that limits your mobility or impairs your mental function is another reason.

## **Specific health conditions that can require long-term care services include:**

- ▶ Parkinson’s disease
- ▶ Alzheimer’s disease and other forms of dementia
- ▶ ALS (Amyotrophic Lateral Sclerosis) or Lou Gehrig’s disease
- ▶ Rheumatoid arthritis
- ▶ Stroke
- ▶ Chronic heart or lung disease

“After seeing their own parents’ care choices limited by a lack of money ... more people are becoming interested in long term care insurance. ‘People who have actually experienced it in their own families are not questioning whether to get this insurance,’ says Brennan. ‘They just do it.’”

*“Nest Egg Protection”  
Kiplinger’s Retirement  
Planning, June 2004*

---

# Does health insurance cover long-term care?

Long-term care is, for the most part, “excluded” from coverage under health insurance plans.

Think about it this way: Health insurance, no matter how “comprehensive” it is, never covers everything. You usually have “gaps” in multiple places. Consider your eyes, ears, teeth and feet. It’s typical for vision, hearing, dental and podiatry services to fall into the category of what is “not covered” by conventional medical plans. You end up paying for those services yourself.

*Similarly, most long-term care services fall into the “not covered” category, too.*

It doesn’t mean these services aren’t necessary for your well-being or even your health, because they are. It means you are responsible for paying for the overwhelming majority of long-term care expenses on your own, even when you have good health insurance. Is it fair? It doesn’t seem so if you or a family member need long-term care services.

But fair or not, health insurance does not cover “long-term care.” The result is you end up paying for those services yourself. And the cost can be enormous.

## Does disability insurance cover long-term care?

Disability insurance *pays a set amount of money to replace income that is lost* because you are disabled from some type of medical condition. Disability insurance never pays directly for long-term care expenses or for any other type of health care.

“... A person with Alzheimer’s disease will live an average of eight years and up to as many as 20 years from the onset of symptoms.”<sup>6</sup>

<sup>6</sup>*Alzheimer’s Disease Statistics*, Alzheimer’s Association, updated May 15, 2005

# What does Medicare cover?

*Basically, Medicare does not cover long-term care.*

Medicare is designed to cover doctor visits, hospital stays, and rehabilitative care – what is commonly called “acute” care. It was never designed to cover the “activities of daily living” which is care someone needs on a regular basis for an extended period of time. For example, help with dressing, bathing, going to the bathroom or eating. That is considered “custodial care” and *Medicare does not cover custodial care.*

## “Skilled Nursing Facility” (SNF)

It’s easy to confuse “skilled nursing facility” care with “nursing home care.” *But they are not the same.* The #1 most important point to understand is that there is NO Medicare skilled nursing facility coverage in a rehabilitative or licensed nursing home *unless you were first in the hospital 3 days in a row.* Medicare’s skilled nursing facility benefit pays part of the cost of skilled care for a limited period of time because the purpose is to help a person *recover* after a specific medical problem. But even skilled nursing care is only covered in full for 20 days and partially for 21 to 100 days, with NO coverage at all after 100 days. Medicare coverage is not intended for skilled care that goes beyond 100 days – or for custodial care for any period of time.

## Examples of “skilled care” Medicare may cover include:

- ▶ Semi-private room & board (but not a private room unless it’s medically necessary)
- ▶ General nursing service (but not private duty nursing)
- ▶ Drugs furnished by hospital
- ▶ Medical supplies
- ▶ Appliances (e.g., wheelchair)
- ▶ Rehabilitation services (but not custodial care)

*While care can be provided in a rehabilitative facility or a nursing home that meets Medicare’s requirements, if the care you receive is not considered “skilled” by the Medicare definition, then Medicare will not cover it.*





## Care in your home

When it comes to Medicare coverage for home health care, again the key is whether the care is “skilled” or not. Medicare does *not* cover home health aide services (like bathing, dressing, using the bathroom) unless you are *also* receiving skilled care such as nursing care or other therapy. Home health aide services are *never* covered when that is the *only* care you need.

*Notes: All Medicare benefits described here refer to the “Original Medicare” plan. You can read more about skilled nursing care in Medicare’s publication, “Medicare Coverage of Skilled Nursing Facility Care.” For more information on Medicare coverage of home health care, refer to Medicare’s publication, “Medicare and Home Health Care.” Both are published by the Centers for Medicare and Medicaid Services.*

## What about Medicare Supplement insurance?

Medicare Supplement insurance does not cover “custodial care.” This insurance can cover Medicare’s skilled nursing facility copayment.

“... Between my brother and me, one of us is there almost every day. We have been fortunate to find two dedicated women to help my mother in attending to my father’s daily needs. My brother and I help with the cost - \$1,500 a month, but still only one-third of the expense of custodial nursing home care. I often wonder: Why isn’t this kind of care covered by Medicare or Medicaid?”

Dr. Jerald Winakur, geriatric specialist and long-term care medical director, “*ELDER CARE/ U.S. lacks vision for long term care,*” Cape Cod Times, August 21, 2005

# When does Medicaid cover long-term care?

Sometimes you hear people say, “If I can’t afford to pay for long-term care myself, the government will take care of me.”

In this case, “the government” that people refer to is Medicaid - a joint federal/state program designed to provide help with medical expenses to those individuals who meet the government’s eligibility criteria. Medicaid and Medicare are two entirely different government programs. In order to qualify for Medicaid coverage to pay for your long-term care, you must meet Medicaid’s strict legal limits on the maximum amount of income and assets you (and your spouse) are allowed to keep.

When Medicaid pays for your long-term care services, you may have little choice in the selection or location of the nursing home or the selection of the home health care providers.

“... state Medicaid programs cover nursing care for the indigent — but that means almost all assets and income must be spent down before the state will pick up the tab.”

*Prepare for the unthinkable:  
long-term care,  
[www.moneycentral.com](http://www.moneycentral.com)*

*One of the reasons people purchase long-term care insurance is that it gives them greater control over their health care.*

## Keep this in mind:

Some nursing homes will *not* accept patients whose care is paid for by Medicaid. Furthermore, those facilities that *do* accept “Medicaid patients” generally dedicate only a limited amount of space for Medicaid patients, so you may not end up getting a place in the nursing home you prefer.

---

# How much do long-term care services cost?

## Today's cost of care

These figures are based on the average cost of care in the U.S.

### In your own home

The average rate is \$19 per hour for a professional caregiver (home health aide)

- ▶ \$27,740 per year for *4 hours of care per day*, 7 days a week
- ▶ \$39,520 per year for *40 hours of care each week*
- ▶ \$166,440 per year for *round-the-clock care*, 24 hours a day, 7 days a week

### In an assisted living facility

- ▶ \$30,288 per year

### In a nursing home

- ▶ \$64,240 per year (\$176 per day) for a *shared*, semi-private room
- ▶ \$74,095 per year (\$203 per day) for a *private* room

Note: The average length of stay in a nursing home is 2.5<sup>1</sup> years, for a *total average cost* (private room) of \$185,237

## What will long-term care expenses cost in the future?

All of the numbers shown are for the cost today and do not factor in the increases due to inflation in the years ahead. You can assume health-care costs will rise *more* than the general inflation rate as the boomers age.<sup>1</sup> The average annual cost for a nursing home rose 5.7% from the year 2004 to 2005 and at this rate of inflation, by 2030 the cost will virtually quadruple to \$296,253 for a single year! (Comparison of 2004 to 2005 figure from The MetLife Market Survey of Nursing Home & Home Care Costs, September 2004 and September 2005)



<sup>1</sup> "Prepare for the unthinkable: long-term care" by Terry Savage, <http://moneycentral.msn.com/content/CollegeandFamily/Caringforparents/P37497.asp>

## The cost of care varies widely across the country

The cost of care in a facility and the hourly rate of professional caregivers vary across the United States, from state to state and also within local communities. Some parts of the country are more expensive than others. Often, the best facilities and healthcare agencies are more expensive than the “average.”

### Examples for 5 U.S. Cities:

	Nursing Home (average <i>daily</i> cost, range of semi-private to private)	Assisted Living Facility (average <i>monthly</i> cost)	Professional Caregiver (average <i>hourly</i> rate)
Florida, Orlando	\$170 - \$185	\$2,000	\$16
Maine, southern area	\$206 - \$235	\$3,144	\$18
California, San Diego	\$168 - \$220	\$2,103	\$20
New York, New York	\$308 - \$320	\$3,098	\$15
Iowa, Des Moines	\$148 - \$159	\$2,139	\$22

- ▶ *Nursing Home daily cost ranges from \$115 (Shreveport, Louisiana area) to \$531 (Alaska)*
- ▶ *Assisted Living Facility annual cost ranges from \$1,498 (Phoenix, Arizona) to \$4,327 (Stamford, Connecticut) nationwide*
- ▶ *Professional Caregiver hourly cost ranges from \$12 (Shreveport, Louisiana area) to \$23 (Rochester, New York)*

## Keep this in mind:

If you're married, it's important to think about finances in terms of both husband and wife. For example, if one spouse needed long-term care in a nursing home, you'd want to have enough money for *their* care and also for the *other* spouse to continue to live at home. What if *both* spouses needed long-term care services? Obviously, your long-term care expenses could double.

Source for national average costs pages 9 and 10:

The MetLife Market Survey of Nursing Home & Home Care Costs, September 2005  
The MetLife Market Survey of Assisted Living Costs, October 2004

---

# How does long-term care insurance work?

Long-term care insurance is specifically designed to help pay the cost of long-term care services. It can provide coverage directly for facility and home health care. How much of your actual long-term care expenses a long-term care insurance policy will cover is based on the type of features you select and amount of coverage you choose.

## What does it cover?

Long-term care insurance policies typically offer coverage for care provided in your own home as well as care provided in a facility such as an adult day care, assisted living facility or nursing home. A policy with coverage for care in your own home can provide benefits that include, for example: care from professionals like a home health aide, licensed nutritional specialist, and licensed nurse as well as services such as transportation to medical appointments, food shopping, errands and meal preparation and modifying your home to satisfy your medical needs so you can continue to live there.

If you are not concerned about coverage for care in your own home, you might want to look into a policy that offers facilities-only coverage.

## How much insurance do you need?

Some people view long-term care insurance as a “partnering” or “cost-sharing” relationship where they expect to pay part of the cost of their care on their own (“out of pocket” from their savings) and expect their insurance policy to pay the other part.

Some people view long-term care insurance as the way to pay most or almost all of the cost of the long-term care services they might need.

*It's a personal decision.* What gives you the most peace of mind? What makes the most sense for your financial situation today and your plans for the future? Can you afford to pay some of the cost of care on your own in exchange for carrying a lesser amount of insurance at a lower cost? How do you envision using your retirement savings? These are questions you'll want to consider when you evaluate long-term care insurance.

“... traditional families that could provide round-the-clock care for one another have ‘pretty much been shattered’ by divorce, people who never married and ‘kids split up all over the country.’”

*“Caregiving, in a Team,”* Encore by Kelly Greene, The Wall Street Journal Sunday, August 21, 2005

---

## When is the “right time” to buy if you want to get the lowest price?

The premium for a long-term care insurance policy is usually determined by your age. The younger you are when you take out coverage, the lower your rate will be. In many cases, the rates are significantly higher if you postpone buying a policy until you are older. That’s the reason you hear people say it doesn’t pay to wait.

And another important point: The time to purchase long-term care insurance is *before* you need the care. Just as you cannot buy fire insurance when your home is already in flames, you cannot buy long-term care insurance when you already need long-term care. Rates can also be significantly higher if you have health problems – *or* – you could be refused coverage entirely because of a past or present medical condition. It’s important to plan ahead.

## Are there any tax advantages?

The U.S. Government recognizes that Americans need to protect themselves against the high cost of long-term care. To encourage people to take steps in this direction, the federal government included provisions in the “health insurance reform law” that can help. If you purchase a qualified long-term care insurance policy: 1) the benefits your policy pays to you will not be taxed, and 2) the premiums you pay for this coverage may be tax-deductible as an itemized medical expense on your federal income tax return. As with all matters concerning taxes, a tax advisor or attorney can give you the full details of this “tax-free” benefit and when/how it may apply to you.

“... About six million U.S. residents currently have long-term care insurance.”

*Wall Street Journal,  
June 15, 2005*

## Keep this in mind:

If you’re self-employed and itemize deductions, the premium you pay for long-term care insurance can be deducted in addition to your premium for health insurance. (Paid premiums can be treated as a medical expense up to the limit for your age at the end of each tax year.)



## BANKERS CONSECO LIFE INSURANCE COMPANY

Home Office:  
350 Jericho Turnpike, Suite 304  
Jericho, New York 11753  
[www.bankersconsec.com](http://www.bankersconsec.com)

**THE INFORMATION IN THIS GUIDE WAS WRITTEN TO SUPPORT THE SALES AND MARKETING OF INSURANCE POLICIES OFFERED BY BANKERS CONSECO LIFE INSURANCE COMPANY. BASED ON YOUR PARTICULAR CIRCUMSTANCES, YOU SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR. YOU CANNOT RELY UPON OR USE THE INFORMATION IN THIS GUIDE FOR THE PURPOSES OF AVOIDING ANY TAX OR TAX PENALTY THAT MAY BE IMPOSED BY THE INTERNAL REVENUE SERVICE.**

Neither Bankers Consec Life Insurance Company nor its agents are connected with or endorsed by the US Government or the Federal Medicare Program.

Long term care insurance content in this booklet relates to the following Policy: BLNY-GR-N550

*An experienced, licensed insurance agent can explain how a company's long-term care insurance policy works in detail, describe coverage options, and help you evaluate the policy's features and benefit amounts for your individual financial situation and goals.*

# Answers to your Questions

**Q** *What exactly is  
“long-term care?”*

**Q** *Does health insurance  
cover long-term care?*

**Q** *Does disability  
insurance cover  
long-term care?*

**Q** *What does  
Medicare cover?*

**Q** *When does Medicaid  
cover long-term care?*

**Q** *How much does  
long-term care cost?*

**Q** *How does long-term  
care insurance work?*

“... More than eight million Americans now have long-term care coverage, ten times the number in 1987, according to the Health Insurance Association of America (HIAA).”

*“Coming Soon:  
a Benefits Squeeze,”  
Kiplinger’s Personal  
Finance, January 2004.*



**BANKERS CONSECO**  
LIFE INSURANCE COMPANY

Home Office:  
350 Jericho Turnpike, Suite 304  
Jericho, New York 11753

PRSR STD  
U.S. Postage  
PAID  
Bankers  
Conseco