

Given the soaring costs, is long-term care insurance still worth it?

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WASHINGTON — I wasn't sure what to tell them — any of them.

A Silver Spring, Md., couple — the husband is 84 and the wife about to turn 79 — were distraught. They had received notice that their long-term care insurance premiums, purchased on the private market, are rising to a point they can no longer afford. Their policies were first taken out in 1999 and had a combined yearly premium of about \$4,000. With these latest increases, they would be paying close to \$8,000 a year.

The couple could downsize their current policy, reducing the length of coverage and/or eliminating an inflation rider, but they don't like that option. It's not what they signed up for. They are now on a fixed income and don't have room to save to cover any reductions in benefits should they need long-term care.

"We thought we were doing the right thing," the husband said. "They've made the premiums so cost-prohibitive we may have no alternative than to let the policy lapse."

Karen and Tom Davis from St. Petersburg, Fla. — she's 57 and he's 75 — also reached out to me. They bought long-term care insurance 14 years ago while both were still working for the federal government. They too are facing a steep premium increase in the federal program.

Federal employees and retirees who participate in the Federal Long Term Care Insurance Program (FLTCIP) have until Sept. 30 to decide whether to accept higher premiums that on average will be 83 percent or \$111 more per month.

"The thinking was that we would not expect extended family members to care for us in our senior years if we required long-term care, so three to five years of nursing home care sounded smart," Karen Davis wrote. "Given the statistics and our age difference, I could potentially be vulnerable as a possible surviving spouse. We find that we have now invested over \$20,000 (him) and \$18,000 (me) in this plan. Would it be more reasonable to plan to self-fund long-term care, drop the insurance and cut our losses? There is always a possibility that the plan will increase again."

Another reader wrote, "I am one of the many retired feds who is wondering what to do with the FLTCIP. Given the premium increases versus lowered payout, what's a retiree to do? I wonder if my considerable lifetime pension (through the Civil Service Retirement System) will carry me through any care needs, plus what I've got in the Thrift Savings Program, plus other savings. I hate to keep throwing good money after bad."

I'm writing a series of columns on long-term care insurance and wanted to start with the voices of people angry and stunned by the steep increases.

Long-term care insurance can cover the cost of nursing homes, assisted-living facilities and in-home care. In most cases, insurance will cover expenses for those who need help with daily activities such as eating, dressing and bathing, or who have a severe cognitive impairment such as Alzheimer's disease.

Medicaid covers long-term care, but to qualify for the benefit, you have to be pretty poor. Medicare — except in very limited situations — does not cover long-term care.

The premium increases have people wondering if long-term care insurance is worth it anymore because the companies got the pricing horribly wrong. The initial premiums they charged weren't enough to cover claims.

So now you have folks who bought and held on to policies — sometimes for decades — asking should they go or should they stay. Many are now retired and living on a fixed income. They don't have the savings to make up the difference in the cost of their long-term care that they had planned to be covered under their insurance policies.

And there are some who won't be able to pay for policies even if they accept reduced benefits. But if they end up letting their insurance lapse, they risk losing money they might have just saved.

Insurance is all about hedging against risk. The question I hope to help you answer is whether you can risk going without some long-term care insurance.