

Long-term Care Insurance

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Insurance

Long-term Care Insurance

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Long-term care refers to the many services beyond medical care and nursing care used by people who have disabilities or chronic (long-lasting) illnesses. Long-term care insurance helps you pay for these services, which can be very expensive. A policy also ensures that you can make your own choices about what long-term care

services you receive and where you receive them.

Ordinary health insurance won't cover it.

People are living longer and longer these days. That's good news, but the flip side of that is there are more years in which there's a risk of serious health problems. And that could literally cost all of your remaining life's savings. Unfortunately, ordinary health insurance policies and Medicare usually do not pay for long-term care expenses. Medicaid, a federal/state health insurance program, will only pay for long-term care if you've already spent most of your savings or other assets. So, there's long-term care insurance.

Long-term care insurance typically covers the cost of:

- Help in your home with daily activities like bathing, dressing, eating and cleaning.
- Community programs, such as adult day care.
- Assisted living services that are provided in a special residential setting other than your own home. These services may include meals, health monitoring, and help with daily activities.
- Visiting nurses.
- Care in a nursing home.

When is the right time to buy a policy?

Many people don't think about long-term care until they get into their 70s and 80s and their health begins to fail. At these ages, you may be too high a risk for an insurer to cover you; or if you do qualify, the premiums can be astronomical. In fact, some long-term care policies have restrictions on age and health status.

The best time to buy long-term care insurance may be middle-age. It's the time when you have the highest likelihood of being eligible for a policy and, just as important, when premiums costs might be lower.

Is a policy right for you?

Long-term care insurance is probably not for everyone, but—with soaring health care costs, insurers increasingly restricting coverage and eligibility, and people's need to stretch retirement savings through more years—it's a good idea to consider it seriously. Your goals should be to protect your assets, minimize your dependence on other family members, and control where and how you receive long-term care services.

On the other hand, consider the cost. Long-term care insurance is expensive. An individual who's 65 years old and in good health can expect to pay between \$2,000 and \$3,000 a year for a policy that covers nursing home care and home care, with premiums adjusted for inflation. You may not want to buy a policy if the cost of premiums will lower your standard of living or force you to give up other things you need right now. And look ahead, as well. Be sure you'll be able to afford the premiums if your income declines.

Key Issues to Review

Be sure you consider each of these issues:

- **Coverage.** You can choose long-term care policies that pay only for nursing home care, or only for home care. Or, you can opt to purchase coverage for a mixture of care options that includes nursing home, assisted living, and adult day care. Some will pay for a family member or friend to care for you in your

home.

- **Daily or Monthly Benefit.** The daily or monthly benefit is the amount of money the insurance company will pay for each day or month you are covered by a long-term care policy. If the cost of care is more than your daily or monthly benefit, you will need to pay the balance out of your own pocket.
- **Benefit Period.** Your benefit period determines the length of time you will receive benefits from your policy. You can choose a benefit period that spans from two to six years, or the rest of your life.
- **Elimination or Waiting Period.** During this period, you must pay all of your long-term care expenses out of your own pocket. This period could last anywhere from 0 to 100 days. The longer the waiting period is, the lower your premiums will be.
- **Inflation Protection.** With health care costs rising to new heights every year, buying a policy without inflation protection is probably buying a policy that won't cover much of your expenses. There are two main kinds of inflation protection: the right to add coverage at a later date; and automatic coverage increases.
- **Non-Forfeiture Benefit.** Policies with this benefit will continue to pay for your care even if you stop paying premiums. This policy feature can add 10 percent to 100 percent to your premium.

Important Features to Consider

Make sure that your long-term care policy:

- Clearly explains when you will be eligible for coverage and how your eligibility will be determined.
- Does not require that you spend time in a hospital before receiving benefits.
- Will be renewed as long as you pay the premiums.
- Lets you stop paying premiums once you begin receiving benefits.
- Has one deductible for the life of the policy.
- Automatically covers pre-existing conditions if you disclosed them when you applied.
- Offers choices for inflation protection including an automatic increase in your benefit on an annual basis or a guaranteed right to increase your benefit.
- Allows you to downgrade your coverage if you cannot afford the premiums.
- Includes coverage for dementia.
- Provides at least one year of nursing care and home health care coverage.
- Allows the right to cancel the policy for any reason with 30 days of purchase and receive a refund.

Consumer Tips

It's wise to shop and compare policies. Never pay an agent in cash; write the check directly to the insurance company. When you get your policy, review it right away to be sure it covers what you paid for.

Every state has an insurance commission that oversees insurance practices in its state. If you have questions regarding the way you're being treated, contact the commission.

You also have a "free look" clause that lets you cancel your policy within a certain number of days after you've signed and paid for it. Check with your state insurance commission to find out how many days you would have.

Take Action

- Test your knowledge of long-term care insurance by [taking a quiz from AARP](#),

or a [quiz from the Federal Long-Term Care Insurance Program](#).

- Find out whether your state delivers the added bonus of a tax incentive for your payments for long-term care insurance from this [AARP chart](#).
- Check out this AARP [state by state guide](#) to nursing home performance data.
- Look for an insurer in your state for any type of insurance, using an online service from the Insurance Information Institute. See the box titled "Individuals" at www.iii.org. (Note, the box rotates three different content messages, so wait for the one you want to appear, then click.)
- Be sure that the insurance company offering the policy will be financially sound when, or if, it comes time to pay your claim. Use these services:

A.M. Best
908-439-2200
www.ambest.com

Moody's Investors Services
212-553-0300
www.moodys.com

Standard & Poor's Insurance Ratings Service
212-438-2000
www.standardandpoor.com

Additional Resources

For state insurance information, check www.iii.org.

Read a report discussing the pros and cons of women buying long-term care insurance, from the [National Center on Women and Aging](#).

State Health Insurance Assistance Program (SHIP) is a free program that counsels older adults about health insurance-related topics. SHIP counselors can help you decide if you need long-term care insurance. They can also help you read and understand the insurance policy you are thinking of buying. For the SHIP program nearest you, go to www.medicare.gov.

To find out about home and community-based services in your area, call the Eldercare Locator at 800-677-1116.

[United Seniors Health Council](#) specializes in consumer health and health insurance issues. The council publishes a newsletter and sells books on long-term care and long-term care insurance.

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