

## Why You Should Care About the Long Term

By Tammy Flanagan

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If you purchased federal long term care insurance before Aug. 1, 2015, it's time to brace yourself for [another increase](#) to premiums this summer. You may recall that in 2009, [premiums rose](#) up to 25 percent for some enrollees in the Federal Long Term Care Insurance Program. Then, those who enrolled on Aug. 1, 2015 or later [faced higher premiums](#) than those who had enrolled earlier.

The FLTCIP was created in 2000 and is offered to federal and Postal Service employees and annuitants, active and retired members of the uniformed services, certain other [eligible groups](#), and their [qualified relatives](#). It is the largest employer-sponsored group long term care insurance program in the country, with more than 273,000 enrollees.

What are the odds of needing this type of insurance? According to a [Health and Human Services Department website](#), here are the latest statistics:

- Someone turning 65 today has almost a 70 percent chance of needing some type of [long-term care services](#) and support in their remaining years.
- Women need care longer (3.7 years) than men (2.2 years).
- One-third of today's 65 year-olds may never need [long-term care](#) support, but 20 percent will need it for longer than five years.

Long term care insurance is different from disability insurance. The latter replaces your salary or wages you receive from working if you are unable to work due to a disabling medical condition. Long term care insurance provides a resource to pay for the type of care you probably don't want to think about needing: assistance with activities of daily living (dressing, bathing, using the toilet, transferring from a bed to a chair, incontinence, and feeding) or supervision due to significant mental impairment.

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There's no way around it – long term care insurance is expensive. But so is long term care. According to [Morningstar](#), as of 2012, the annual cost of such care ranged from \$162,425 in New York City to \$60,773 in Des Moines, Iowa.

Long term care also can be emotionally draining, because much of the time it is provided by family members. About 80 percent of care at home is provided by unpaid caregivers.

The cost of insurance will never be cheaper than it is today. Although prices are increasing, the premiums are based on your age and your health at the time of purchase. Consider the following example:

Kathy bought a long-term care policy from a reputable company that was offered by her employer (a major airline) in 2003. She was 55 years old and in good health at the time. She bought a policy that would provide \$150 per day for up to five years of care in a nursing home or other type of care facility (such as assisted living), or \$120 a day for community-based care. Her policy would begin paying benefits after a waiting period of 60 days after she needed care. The policy included an inflation adjustment that compounded the daily benefit at the rate of 5 percent annually. Today, Kathy's daily benefit for nursing home care has increased to \$269.37 a day and the policy has a lifetime benefit valued at \$491,605. Her premium – \$172.05 per month – has not increased.

Kathy is now 68. If she attempted to buy a similar policy from the FLTCIP at her current age (assuming she could pass the medical underwriting), it would cost \$756.04 a month. This policy would only provide up to \$250 a day toward the cost of her care for up to five years (including a 5 percent automatic compound inflation adjustment) and it would have a 90-day waiting period to receive benefits. The policy has a maximum lifetime benefit currently valued at \$456,250.

Although \$172.05 a month is a lot to pay in premiums, \$756 a month would be out of the question for Kathy today.

A 55-year-old who purchases an FLTCIP plan today and can pass the medical underwriting would pay \$464.54 per month for the same policy. To get the premium under \$200 a month for a 55-year old, the policy would have to have a lower daily benefit amount, lower inflation adjustment factor or smaller benefit period – or a combination of all three.

You can determine your FLTCIP premiums using this [online calculator](#).

Kathy was wise to purchase her policy in 1994 with a plan that has – so far, at least – not increased her premiums. According to a [study reported in the Wall Street Journal](#), about 8 million people have some form of long term care coverage. In 2014, about 130,000 long term care policies were sold, down 24 percent from 2013. Sales peaked at about 750,000 a year in the early 2000s.

As more and more Americans fall into the 65-and-older age group, there is likely to be an increasing need for long term care. It's worth considering what will

happen if you end up requiring such care, and the burdens – financial and otherwise – it will place on your family.

Photo: [University of the Fraser Valley](#), via Flickr

**Correction:** The example of "Kathy" in this column has been updated to reflect the fact that she purchased her long term care policy in 2003 (not 1994) at age 55 (not 56).

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/04/why-you-should-care-about-long-term/127880/>