

Long-Term Care Insurance Provides an Opportunity to Exercise Personal Responsibility

Most Americans strongly believe in taking responsibility for their own financial well-being. Survey research by the insurance industry shows that every generation of Americans today--Baby Boomers, Generation X, and Generation Y--widely feel the obligation and responsibility to:

- 1) Save enough money for retirement security;
- 2) Allow a parent who needs help with a major health or financial issue to live with them;
- 3) Make sure a spouse or child is provided for in case of the unexpected death of a family breadwinner.

Insurance professionals want to support good public policy and they believe that private long-term care insurance, not Medicaid, should pay for the essential health care expenses of elderly persons living in retirement facilities.

And yet many persons do not have a pension plan at work. Many pension plans will cover less than 50% of income needs in retirement. Americans are living longer. So much so that couples both age 65 today have a 50% chance of one of them living to age 92. Many experts now recommend limiting withdrawals from savings plans to 4% to 6% per year to prevent those savings being exhausted during the longer years of retirement. Persons over age 65 now spend about \$4,900 annually for out-of-pocket costs for health care. And expenses for extended long-term care, that is, home care, assisted living care, and nursing home care are NOT covered by Health Insurance, Disability Insurance, and Medicare. Every year the number of Americans living in retirement communities, assisted living facilities, and skilled nursing facilities increases and every year most costs for care in those facilities also increase.

The resources available to pay for essential living expenses in retirement are more limited each year. Insurance industry surveys show that only about 10% of Americans surveyed currently own long-term care insurance and of the surveyed who do not own long-term care insurance only about 10% are planning to purchase it. In Kansas in 2012, for example, semiprivate rooms in a long-term care facility cost between \$135 and \$181 per day. A quality long-term care policy will pay for covered services in Home Care, Community Care, and Facility Care, including Hospice Care. So it would seem that the need for private long-term care insurance is becoming greater and greater every year.

To meet the increasing needs and expenses of quality long-term care, the National Association of Insurance and Financial Advisors of Kansas encourages people to use private long-term care insurance to pay the costs of long-term care and to avoid relying on the government Medicaid welfare system. Changes in Kansas state income tax laws are increasing discretionary income for many taxpayers. This increase creates the opportunity to exercise personal responsibility, to purchase long-term care insurance and, thereby, in support of good public policy, avoid shifting the costs of long-term care from the private sector to the government Medicaid program.

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