

## **2007 Long-Term Care Insurance Price Index Announced**

By Bernard A. Krooks | 07/01/07

A 55-year-old individual considering long-term care insurance protection can expect to pay \$665-per-year if they are married or \$1,075 if they are single according to a report released today<sup>1</sup>. A 65-year-old purchasing comparable coverage will pay \$1,292 (married) or \$1,923 (single) according to the 2007 Long-Term Care Insurance Price Index published by the American Association for Long-Term Care Insurance. Costs are roughly the same as the prior year.

The annual index measures current costs for top-selling long-term care insurance policies that offer the ability to receive care either at home or in a skilled care facility. "During the past year, a number of new policies have grown in popularity, some of which provide more affordable coverage especially for younger individuals who qualify for discounts offered to those in good health as well as individuals who are married or residing with a partner," explains Jesse Slome, Executive Director of the national trade organization that conducted the research.

"Consumers mistakenly believe long-term care insurance protection is costly and nothing is farther from the truth," Slome explains. "There are discounts available today to those in good health, for non-smokers, married couples or even domestic partners," Slome notes. "You can cut costs paying annually versus monthly, roughly nine percent, and by another eight percent simply by being accepted for coverage before your next birthday."

The Association's study compares costs for plans that provide benefits for 3-years, which increasingly is accepted by industry experts as a basic level of protection for many. "With more people in their 50s purchasing protection, growth options that increase the value of benefits available to keep pace with rising costs of care is important," Slome advises. The study priced plans that provide \$110,000 or \$172,000 in current protection (\$100/day and \$150/day for 3 years) for someone age 55. "Benefits increase at five percent compounded annually so the actual benefit by the time an individual reaches 80 would grow to \$390,000 or \$585,000 respectively," explains Slome.

### **Study Demonstrates Savings Benefits Of Planning Early**

"I'm often asked the best time to buy long-term care insurance and the honest answer is the day before a change in your health," Slome says. "But since no one can predict when that's going to happen, we try to show people the benefits of planning early, generally in their mid-50s is a good recommendation."

"Our studies show that more applicants in their 50s qualify for preferred health discounts than those who wait until their 60s to apply (44 % versus 32% <sup>2</sup>)," Slome notes. Using the Association's example, an individual age 55 considering a policy that currently provides \$150-per-day benefit might expect to pay \$1,027 (assumes they qualify for spousal and preferred health discounts). If they wait 10 years, until age 65, to buy the same \$150-per-day coverage but no longer qualified for the good health savings,

they would pay \$1,939 yearly. "That assumes insurance prices don't increase over the decade they waited," Slome adds, "and most likely they will."

"But, 10 years from now you will actually need to buy a higher benefit amount to keep pace with inflation," Slome states. In 10 years, at five percent annual growth, one will need to buy a \$240 daily to be equal with today's \$150-per-day benefit. The Association's 2007 Price Index reveals the average cost for \$240-per-day benefit will range from \$3272 to \$4,823. "It's never an economic advantage to wait," Slome says. "And, more important, a change in your health could make it impossible to health-qualify no matter how much you are willing to pay."

"People, especially in their 50s, fear they'll make the mistake of paying for something they'll never use," Slome acknowledges. "Would you rather make the mistake of not having some basic level of protection considering the enormous risk to your retirement savings and family?"

#### Compound Inflation Growth Table Impact of 5% Annual Increases

Age 55	\$100	\$150
Age 65	\$163	\$244
Age 75	\$265	\$398
Age 80	\$339	\$508

<sup>1</sup> Rate based on \$100-per-day (current) benefit; 3-year plan; 100% home and skilled care; 5% compound growth of benefits. Individual qualifies for preferred health and spousal discounts.

<sup>2</sup> Source: American Association for Long-Term Care Insurance Study; Feb. 2006

2007 Premium survey rates provided by LTCI Partners, LLC, Chicago, IL.

#### **2007 National Long-Term Care Insurance Price Index** **Source: American Association for Long-Term Care Insurance** **Published June 1, 2007**

Average price for a comprehensive long-term care insurance policy (100% home care benefit + skilled care coverage), 90-Day Elimination Period with Compound Inflation Protection Option (benefit increases 5% compounded annually)

**Age 55**      \$100 Maximum Daily Benefit x 3 Year Benefit Period  
**Cost: \$ 665-per-year**      Individual Qualifies for Preferred Health and Spousal/Partner Discounts

- Age 55**      \$100 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$1,075-per-year      Individual Qualifies for Preferred Health
- Age 55**      \$150 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$1,027-per-year      Individual Qualifies for Preferred Health and  
 Spousal Discounts
- Age 55**      \$150 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$1,524-per-year      Individual Qualifies for Preferred Health
- Age 65**      \$100 Maximum Daily Benefit x 3 Year Benefit Period  
**Cost: \$1,292-per-year**      Individual Qualifies for Spousal/Partner  
 Discounts (Standard health)
- Age 65**      \$100 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$1,923-per-year      Individual is single (standard health)
- Age 65**      \$150 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$1,939-per-year      Individual Qualifies for Spousal Discounts  
 (Standard health)
- Age 65**      \$150 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$2,885-per-year      Individual is single (standard health)
- Age 65**      \$240 Maximum Daily Benefit x 3 Year Benefit Period  
**Cost: \$3,272-per-year**      Individual Qualifies for Spousal/Partner  
 Discounts (Standard health)
- Age 65**      \$240 Maximum Daily Benefit x 3 Year Benefit Period  
 Cost: \$4,823-per-year      Individual is single (standard health)

The American Association for Long-Term Care Insurance is the professional organization serving insurance and financial professionals nationwide. The Association's Website maintains a simple online "look-up" listing long-term care insurance professionals in each Zip Code.