

Experts disagree: Do boomers need long term care insurance?

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by Bruce Meyerson
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NEW YORK — Aside from being a smoker, Kathy Posner had no known health concerns when an insurance agent persuaded her to buy a long-term care policy at age 49 as a hedge against unexpected disabilities that might land her in a nursing home prematurely.

Just three months after buying the policy, a form of insurance usually seen as more crucial for people over 60, Posner was diagnosed with heart problems and underwent angioplasty. Less than a year later, she needed angioplasty again and then underwent coronary bypass surgery a month after that.

"My first thought was that I didn't need it. I was in perfect health — or I thought I was in perfect health," said Posner, who has retired due to her heart problems.

Now 51, she considers herself lucky to have purchased long-term care insurance when she did because it would have been harder and more expensive to get coverage with her current medical history.

But with a premium of \$1,840 a year, Posner's policy is hardly cheap. And while her insurer cannot legally terminate her coverage due to increased medical risk, there's no guarantee that she — or anyone with typical long-term coverage — won't see one or more rate increases of unknown magnitude as the years pass.

Financial planners who see the insurance as a must for young adults argue that increases have been rare in the relatively short history of long-term care policies, and that state regulators who need to approve any rate changes offer a measure of protection.

Critics, however, contend that profit-minded insurers will have no choice but to raise premiums as health care costs soar and their customers grow frail with age. And since most people will see their income decline sharply in retirement, many of those customers may no longer be able to afford the coverage when they're most likely to need it.

No doubt, the risk of serious disability before retirement is real. And at nearly \$150 a day, or \$50,000 per year, the cost of such care can easily wipe out a person's savings in a matter of years.

According to government figures from the mid-1990s, about 3.5 million people between ages 18 and 64 were receiving long-term care in a nursing home, in an assisted-living facility or at home. Surprisingly, that was 40 percent of all the people receiving such care.

At the same time, however, those 3.5 million made up a tiny percentage of the more than 150 million people in this country between 18 and 64 in the mid-1990s, meaning that there was just a 1 in 50 chance that a young adult would need long-term care.

In addition, while many older patients may need to live out their lives under long-term care, the average stay in a nursing home for people under 65 is only about 6.5 months, according to a 1999 study by the Centers for Disease Control and Prevention.

Ultimately, the question may hinge on whether a person views the decision as a purely financial matter or places a higher value on peace of mind.

"I'm a real healthy 48 years old. I bike 40 miles at a clip on the weekend," said Andy Lax, who bought a policy with his wife 18 months ago, when he was 46 and she was 42. Combined, they pay about \$3,000 per year in premiums.

"The working assumption is that I'm not going to be using (the insurance) for 30 years. But I may need it tomorrow, and if so, the expenses could run you into the ground," said Lax, who lives in San Francisco. "I have two kids to support. It was a no-brainer for us."

While both Lax and Posner purchased long-term care insurance through financial planners, most young adults buy it through their employers, said Susan Coronel, long-term care director for American Association of Health Plans-Health Insurance Association of America, a Washington-based industry association. Nationally, people under age 50 account for about 2 million of the 9 million long-term care policies sold through employer-sponsored plans.

An informal survey in 2001 found that between 15 percent and 20 percent of existing group policies have seen a rate increase, with the increase ranging from 5 percent to 40 percent, said Coronel.

Since long-term care policies have only come into vogue over the past decade, the market is relatively untapped, and some experts worry that insurance companies are overly anxious to sell policies to lower-risk adults.

Boston-based Benjamin Lipson, author of "Choosing The Right Long-Term Care Insurance," is very dubious that insurers can meet the eventual claims on those policies without hiking premiums sharply.

"It reminds me of a Ponzi scheme where they take new money for old claims until they run out," said Lipson, who "categorically" recommends that young adults ignore the "emotional blackmail" of the industry and save their money.

But for Burton Beam, co-author of "Meeting the Financial Need of Long-Term Care," the decision ultimately depends on individual circumstances.

"At 50, I'd say it wouldn't be bad to have long-term care insurance — if you can afford it," said Beam, a professor of insurance at The American College in Bryn Mawr, Pa.

"Do I look at it as the most vital insurance you should run out and get? I wouldn't say that. Does it mean you have to send your kids to a lesser college? Then I'd say you should go for the better college." □