

EXECUTIVE RETIREMENT

TAPPING INTO THE FUTURE

STORY BY SEAN MEYERS

As a 59-year-old who works full-time, Linda See has a nervous eye on retirement.

She also has two parents, ages 86 and 81, who live near her east Portland home.

But each day she commutes to her job at Unitus Community Credit Union in downtown Portland secure in the knowledge that the long-term health insurance policy they purchased years ago will continue to pay for the help they need to live independently.

"They live at Miramont Point in Clackamas, which was designed by a man in his 60s who was thinking about what kind of place he'd like to live in when he got older," says See.

See's stepfather has cognitive problems and requires daily help with medication and other tasks. The couple uses the monthly payments they receive from their long-term care policy to help pay the rent. When See's mother needs to run errands or take time off, she can check her husband into Miramont's adult day care center, which charges only \$8 per hour.

Her parents are reaping the benefits of the new generation of long-term care insurance. Once considered only as a stop-gap protection against the catastrophic cost of nursing home care, long-term health insurance policies now pay off in a wide range of situations designed to keep seniors living independently.

"Which, after all, is what most people really want," says See.

'VASTLY UNDERUSED'

The Governor's Commission on Senior Services says long-term care health insurance is "vastly underused as a tool to reduce stress on people's personal finances."

The burgeoning long-term care health insurance industry—8 million insured Americans paid \$10 billion in premiums in 2007—grew out of legislation that created Medicare and Medicaid.

"There was a gap. A large group of people weren't covered," says Dick McNicholas, owner of Comprehensive LCTI of Portland.

Wary of what they were getting into, insurance companies initially issued policies that were deliberately vague and hard to read. "The actuaries were pretty much guessing," he says.

There were numerous consumer complaints about long-term care health insurance until the 1990s—small type exclusions that disqualified many policyholders, sharp premium increases as seniors aged on a fixed income and few allowances for home care or assisted living.

Problems with long-term care health insurance were largely corrected by the creation of the National Association of Insurance Commissioners and Health Insurance Portability and Accountability Act provisions that established disclosure guidelines for every state, says McNicholas.

The average stay in a nursing home is 2.4 years, but most Americans never stay a single day. Today, less than one-fourth

of long-term health care payouts are for nursing home care.

A nursing home currently costs about \$70,000 a year for the basics—bed and meals, says McNicholas. Costs double every 15 years, so budget \$140,000 per year by 2023 and \$280,000 per year by 2038 when planning retirement costs.

McNicholas, who is 60, pays \$1,500 per year for the policy he bought five years ago, as does his wife, for a total of \$3,000 per year. If they pay premiums for 30 years, their total investment in long-term care insurance is \$90,000 (he doesn't anticipate premium increases).

In return, they each have four years of benefits totaling \$60,000 per year, for a maximum payout of \$480,000 for the couple. They can share the benefits if one spouse requires more than four years of care. His clients pay from \$1,600 to \$4,300 per year per person for a policy.

NUMEROUS OPTIONS

What happens if you can't pay a premium increase in your old age? Non-forfeiture regulations give the policyholder the option of reduced benefits at a reduced price.

Ninety-five percent of all policies are paid through a sometimes frustrating reimbursement process where the policyholder or caretaker must file for payment each month. Although it costs more, McNicholas suggests that people consider cash policies. See's parents purchased a cash policy, which means they require only a doctor's written assessment that the policyholder will be needing assistance for at least 90 days to set the monthly payments in motion. They must renew the doctor's assessment just once a year.

It's a huge time and stress saver for people like See who juggle work and family, says McNicholas. But the main motivator for many people with significant assets who buy long-term care health insurance is to live independently and preserve as much of their estate as possible for their children or charity, he says.

Some companies are offering the policies as a benefit to attract top executives. The policy is paid off when the employee retires—no additional premium will ever be required. The corporation gets a tax benefit, and the employee doesn't have to declare the benefit as income.

EASIER TO GET COVERAGE

Advances in medical care have widened the net of who insurance companies will accept for long-term care insurance. A few companies, such as John Hancock, will now insure persons with Type 2 diabetes or breast cancer survivors five years after successful treatment.

Age and medical history can affect the premium or exclude coverage. A single person younger than 45 seeking long-term health insurance draws scrutiny.

"An insurance company can be stuck with a 50-year claim if a person has HIV," says Gary Duell of Planning, Investments and Insurance LLC of Clackamas. Insurance companies usually conduct an in-person cognitive interview for new clients who are older to make sure they aren't exhibiting early signs of Alzheimer's disease.

Duell is a passionate proponent of long-term care health insurance. He cites studies that demonstrate buying the insurance is a much better way to protect assets than investing the premium payments elsewhere and using those proceeds to self-insure.

"Probably the next big crisis to face this nation is elder care," says Duell.

After seeing how it helped her parents, See bought a policy of her own.

"I'd rather pay \$200 a month now than \$10,000 a month for nursing care, which is what it will cost in even 10 years with inflation," she says. "It was literally months before I signed on the dotted line," See says.

Her kids tried to talk her out of it.

"They said, 'Mom, we'll take care of you.' But in 20 years, when I'm going to need help, they're not even going to be 50 years old yet. I said, 'What are you going to do, quit your job and take care of me?'" ■



LEFT The long-term health insurance policy purchased by Linda See's parents, Bob and Shirley Updenkelder, gives them all peace of mind.