

# What Is Long-Term Care (LTC) Insurance?

Long-term care (LTC) insurance is coverage that provides nursing-home care, home-health care, and personal or adult daycare for individuals age 65 or older or with a chronic or disabling condition that needs constant supervision.<sup>1</sup> LTC insurance offers more flexibility and options than many public assistance programs, such as [Medicaid](#).

## KEY TAKEAWAYS

- Long-term care insurance usually covers all or part of assisted living facilities and in-home care for people 65 or older or with a chronic condition that needs constant care.
- It is private insurance available to anyone who can afford to pay for it.
- Long-term care insurance offers more flexibility and options than Medicaid.

## Understanding Long-Term Care (LTC) Insurance

Many people are unable to rely on children or family members for support and buy long-term care insurance to help cover out-of-pocket expenses. Otherwise, [long-term care expenses](#) would quickly deplete the savings of an individual and/or their family.

While the costs of long-term care differ by region, it is usually very expensive. In 2021, for example, the average cost of a private room in a skilled nursing facility or nursing home was \$108,405 a year, according to a report on long-term care by Genworth. A home health aide costs an average of \$61,776 annually.<sup>2</sup>

In the United States, Medicaid provides for low-income individuals or those who spend down savings and investments because of care and exhaust their assets. Each state has its own guidelines and eligibility requirements. In most states, you can keep up to \$2,000 as an individual and \$3,000 for a married couple outside of your countable assets, which include checking and savings account balances, CDs, stocks, and bonds.<sup>3</sup> Your home, car, personal belongings, or savings for funeral expenses don't count as assets.

Long-term care insurance usually covers all or part of assisted living facilities and in-home care. Medicaid rarely does. Full home care coverage is an option with long-term care insurance. It will cover expenses for a visiting or live-in caregiver, companion, housekeeper, therapist or private-duty nurse up to seven days a week, 24 hours per day, up to the policy benefit maximum.

Most long-term care policies will cover only a specific dollar amount for each day you spend in a nursing facility or for each home-care visit. So when considering

a policy, read the fine print carefully and compare the benefits to determine which policy will best meet your own needs.

## Special Considerations

Many experts suggest [shopping for long-term care insurance](#) between the ages of 45 and 55, as part of an overall retirement plan to [protect assets](#) from the high costs and burdens of extended healthcare. Long-term care insurance is also cheaper if you buy it younger. In 2021, the average annual premium for a couple, both 55 years old, was \$2,080, according to the American Association for Long-Term Care Insurance.<sup>4</sup>

Long-term care insurance premiums can be [tax deductible](#) if the policy is tax-qualified and the policyholder [itemizes](#) tax deductions, among other factors. Usually, companies that pay long-term care premiums for an employee can deduct them as a business expense.<sup>5</sup>

While premiums can cost less if you buy a policy at a younger age, you will be paying for coverage many years before you are likely to need it. So weigh your options carefully.

Due to the high cost of this product, a number of [alternative ways of paying for health needs](#) in later years have come on the market. They include [critical illness](#) insurance and [annuities](#) with long-term care riders. Think through what would make the most sense for you and your family—especially if you're a couple with a significant age or health difference that could affect your lives going forward.