

# Long-Term Care Insurance Questions and Answers

## Why is long-term care planning so relevant now?

Most Canadians mistakenly believe that the government will care for us in old age. But our rapidly aging population suggests we have a false sense of security. Statistics Canada projects that by 2021, Canada's seven million Canadian seniors will represent 19 per cent of our total population. The surging population of seniors will surely require more health-related services, including long term care – both in home and in long-term care facilities. The demand will be huge and health care costs will escalate. Who is going to pay for all this? Instead of putting their heads in the sand, people need to take some responsibility now, while they are healthy. The financial impact on many families could be devastating.

## Won't the government or my employee benefit plan cover long-term care costs?

Many people believe that provincial health care plans fully cover long term care, or that their employee benefit plans include long term care coverage. They are surprised when they learn that government programs are not comprehensive and Canadians have to pay for much of their care. And few employee benefit packages cover long-term care.

Because of spiraling health care costs, publicly funded long-term care services have been frozen or even reduced in recent years. Provincial Health Insurance Plans cover physician, hospital and various diagnostic and treatment services, but exclude long-term care. This service is provided separately and its delivery varies widely from province to province and community to community.

As is the case with Provincial Health Insurance Plans, private supplementary health insurance essentially does not cover long-term care. It is to fill this gap that *Long-Term Care Insurance (LTCI)* programs have been established. *LTCI* plans allow the insured to reduce the risk of financial hardship, afford peace of mind, and protect assets from the high costs of long-term care.

## What should I consider in planning for my long term care needs?

Long-term care insurance is a great solution. It is really part of a defensive asset protection strategy. The choice is simple: you can pay for long-term care in the future by drawing down and depleting your investments (and potentially your children's) or you can purchase long-term care insurance now and let the insurance company carry the financial risk. As an example, today's cost of private care can easily exceed \$5,000 per month. That is more than \$60,000 per year after tax. Now imagine the impact of being sick for many years. How many people can shoulder that kind of financial hit? Getting a retirement plan in place that includes long term care insurance simply makes good financial sense.

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## What Are My Odds of Needing Long-Term Care?

There is no definitive answer, but the following might help you. For those over age 65, 43% will, at some point in their remaining years, require long-term care and spend time in a nursing home or long-term care facility for an average length of stay of three to four years. One in five “will stay more than five years.\*”

For a couple over age 65, there is a two out of three chance that at least one spouse will enter a facility at some point. Each individual’s or couple’s situation is unique and the likelihood of needing home and/or facility care varies widely.

Past conditions of health, family history and the presence or absence of a support system through family and friends may play a role and the requirements tend to differ for men and women. Men tend to have greater need for assistance with household chores, while women far outnumber men in long-term care facilities, and tend to stay there longer. Evidence shows that Canadian women in general live longer than men and most wives are younger than their husbands. Therefore, there is a greater likelihood of wives caring for ailing husbands than vice versa.

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\*The source for the 43% and the one in five is Financial Gerontology. *Journal of the American Society of CLU & CHFCA*. May 1997 and the three to four years is based on information obtained from a survey of a selected number of long term care facilities in Ottawa.

The need for long-term care insurance is driven by the importance to you of ensuring you will have the money to pay for care if you can no longer care for yourself.

It is easy to take abilities for granted, and there are no guarantees in life. Long-term care insurance can help reduce the uncertainty about your ability to pay for care.

One less thing to worry about - With long-term care insurance, you have:

- more choices about the quality and amount of care you receive
- more choices around where you receive care and by whom

### More common than you think - Here are a few statistics:

- About 50,000 strokes occur in Canada each year. Stroke is the leading cause of transfer from hospital to long-term care.
- 1 in 11 Canadians over age 65 is affected by Alzheimer's disease or a related dementia.
- 7% of Canadians age 65 and over reside in health care institutions.
- An additional 28% of Canadians age 65 and over receive care due to a long-term health problem, although they do not live in a health care institution.

Sources: Canadian Institute for Health Information, 2003, Alzheimer Society website, 2009, Statistics Canada, 2002

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## How much Long-Term Care Insurance will I need?

There are many things to consider when determining your needs, including current income requirements, long-term care costs in your area and other annual expenses. For example:

- Accommodation in a long-term care facility can cost from \$800 to over \$5,000 per month depending on the room type and the level of government funding available in your province.
- Private home care service costs range from \$12 to \$22 an hour for homemaking and personal care to between \$18 and \$60 an hour for nursing care.\*
- More than one-third of Canadians aged 45 - 64 who provided informal care to a family member or friend incurred extra expenses as a result of their care giving duties.\*\*

If you choose to receive care in your own home, you should know that home care services provided by the government vary according to the resources available in your community. You may receive a fixed number of hours of home care services, but if you need to purchase private care beyond what your province provides, the costs for homemaking, personal care and nursing care can vary depending on the type of care you need and the costs in your area.\*

If you have a spouse, you will still need to have savings or an income to provide for that person while you cover your long-term care needs. If you have extended health or other benefits, you will need to understand exactly what they cover, and whether that coverage will end at age 65.

\*Home care service costs vary by location, even within provinces. The costs listed above were compiled by Sun Life Financial, 2004.

\*\* Source: Statistics Canada, 2002 General Social Survey, Cycle 16: Aging and Social Support – Tables.