

# What is the risk of needing Long Term Care?

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The most commonly quoted statistic is 43%. This is the number you will find in the NAIC Shopper's Guide to Long-Term Care Insurance. Unfortunately, it is somewhat misleading. It both overstates and understates the real risk of long term care.

This statistic is the likelihood someone age 65 or older (in 1990) had of spending some time in a nursing home (with an average length of stay between 2 and 3 years). It overstates the risk because a much larger portion of the population is confined to a nursing home for less than 2-3 years than are confined to a nursing home for more than 2-3 years. The average is between 2 and 3 years because a lot of people require nursing home care for less than the average but for those who need care longer than average, the need for care can last much longer than average.

Let us consider a care population of 4 people. One requires no care at all. Another requires 1 year of care, the third 2 years of care and the fourth 3 years of care. The total years of care were 6 years for 4 people. The average was 1.5 years. What if the 4<sup>th</sup> required 5 years of care? The total is now 8 years and the average, 2 years. But what if the 4<sup>th</sup> required 17 years of care? The total is now 20 years and the average, 5 years. This is what long-term care looks like. A lot of people need a little care in a nursing home; a few need a lot.

The reason the 43% statistic seriously understates the risk is it only includes the likelihood of spending time in a nursing home. Approximately four out of five people who require assistance with the normal activities of daily living (i.e. who need Long Term Care assistance) are not in a nursing home. The 43% statistic is ignoring 80% of the people who need Long Term Care assistance. In fact, a Brookings Institute study, (reported in "Taking Care of Tomorrow, A Consumer's Guide to Long Term Care" from the California Department of Aging), indicated that the average 65 year old person has an 80% chance of incurring some long term care expenses (when home care is included in the calculation).

The general population grossly underestimates the probability of needing long term care. I suspect it is because if you look around, you don't see very many people who need care. That's because when they need care, they usually can't get out any more!

While you might suspect me, as an insurance agent, of overstating the risk, that is not my intention and the statistics quoted are not my own. The National Association of Insurance Commissioners, The California Department of Aging and the Brookings Institute have no reason to overstate the risk to you even if you think I might.

The risk of needing long term care services is too great to ignore.

Not intended to provide legal or accounting advice. Long Term Care is a complicated subject. It takes time to consider the implications of many of the options available. In addition to any necessary legal or accounting advice from the appropriate professional you should discuss your financial situation and objectives regarding long term care with a knowledgeable agent.