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Buying into long-term care
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Richard Parks has experienced the financial ravages of nursing home care. Before his mother died last year, she needed such a long-term facility. But its high costs drained her assets and she had to seek financial support from her son and daughter.

This plight — losing one's assets to long-term care costs — evidently hit home to Parks, who's from Manhattan and is now 64. He concluded he "never wants to be put in that situation."

With the average annual cost of a nursing home room in New York passing $113,000, or $312 per day, Parks, who owns his own literary agency, decided to buy long-term care insurance.

He chose a policy under the New York State Partnership for Long Term Care.

Under this little-known plan, participants buy a finite amount of coverage from a participating insurance company and get a special Medicaid add-on. After they exhaust the coverage in their policy, they can get Medicaid if they qualify, while keeping all their savings and their home. But they still need to contribute any income they might have to their long-term care costs. Thus far, Partnership plans have provided, at a minimum, three years coverage in a nursing home, six years of home care or a combination of the two. Costs can vary widely.

The average annual basic Partnership policy premiums in 2004 range from $940 at age 35 to $5,628 at age 75.

But although Partnership plans were created to spur interest in long-term care insurance, New Yorkers are just starting to realize they're there.

Henry Alter, a long-term insurance broker, sells about 100 long-term care insurance policies a year. While the level has been rising modestly in the past five years, interest is "increasing significantly," particularly, he said as more people become aware their health insurance doesn't cover long-term care.

The latest available data shows that as of mid-2003, there were about 40,000 New York State Partnership policies in force and some 330,500 active nonPartnership long-term care policies that don't carry the Medicaid option.

New York — seeing the large and growing demand for long-term care — is seeking to boost sales of long-term care insurance. The state recently approved new measures aimed at educating the public about long-term care insurance and enhancing its appeal.

The tax credit for long-term care insurance premiums doubled this year to 20% from 10%, while funding increased outreach plans to educate potential policyholders.

The state also trimmed to one year from three years the minimum coverage term of policies offered by the state partnership program — making it potentially more affordable.

Moreover, the legislature is now letting New York enter reciprocal agreements with the states offering Partnership plans — Connecticut, California and Indiana.

The idea behind a reciprocal agreement is compelling. If individuals with a New York State Partnership plan move to another state with such a plan, they could be eligible for Medicaid in their new home state after exhausting Partnership benefits.

Conversely, those with out-of-state plans moving to New York would have the same benefits.

State agencies also will be developing options including combinations with disability insurance or living benefit life insurance to help individuals pay for long-term care.

State Sen. Martin J. Golden of Brooklyn calls the new measures a "good start" toward raising the visibility and popularity of Partnership plans.

But Ellen Rosenzweig of Hunter College is skeptical about the impact of the credit.

"It's too small to affect people's decisions" about buying long-term care insurance, she said.