

Stop Talking About Nursing Homes – Focus on Home Care

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When planning for extended care, many consumers and their advisors make the mistake of starting from the end by assuming and projecting the highest possible costs of care in a private-pay, private skilled nursing home room.

According to the most recent data from the Genworth Cost of Care survey (December 2023) the national average for a year in a private nursing home room costs \$116,800. Multiply that by a number of years of care and those are scary numbers indeed.

But no one wants to plan to go to a nursing home. It is the last place anyone wants to receive care.



Proactive, advanced planning for extended care is preparation for staying out of a nursing home by making enough private-pay dollars available – through insurance or insurance combined with a client's own income and assets – to pay for home care or assisted living or residential memory care when home care is not possible or no longer practical.

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Most clients will answer, "Yes!" Those who don't want home care may not have a spouse or children close by to be informal care managers and will recognize that residential care should be a planning priority, but this does not mean care in a nursing home either.

Focus on what clients want to plan for and what will impact their family and finances first: Home care.

Even without a purposeful extended care plan, couples and other family members will default to doing everything possible to keep a loved one at home often to the detriment of the informal caregiver. Therefore, a proactive plan for care must address this desire and the many costs – both financial and personal – that must be covered.

The national average for a professional home care aide according to the Genworth Cost of Care survey is \$33 per hour. Forty hours a week of home care therefore costs just over \$5,700 a month. Consider asking your clients this first: "If you need care, where will you get an extra \$5,700 a month to pay for part-time home care." This question is profoundly important for couples where the greatest financial pressure is when one spouse needs care while they are both still alive. Home care costs will indeed be extra over and above ongoing lifestyle expenses for both and the need to preserve the future financial security of a surviving spouse.



Of course, 24/7 home care is the most expensive care, exceeding \$250,000, even more than a private room in a nursing home and a few very wealthy clients may want to plan for this level of care, but that is an exception.

Even clients with several million dollars under management would struggle to afford an extra \$5,000 to \$6,000 a month of long-term care expenses without seriously compromising the lifestyle and financial security of a spouse or partner. Extra hours or days of home care quickly increase the cost. Twelve hours a day seven days a week would cost \$12,000 a month in 2024.



Practically, very few people have both the financial means and the capacity to manage round-the-clock professional care at home. Once care needs require more than eight to 10 hours of professional care a day, that is often when the decision will be made to transition to residential care like assisted living. Assisted living costs are similar to home care, \$5,350 monthly on average according to Genworth. It is important to recognize that these survey costs are average baseline room and board costs with minimal personal care services, the cost of assisted living increases quickly with higher levels of care.

Again, how will this monthly expense of \$5,000 a month or more be covered above all other ongoing financial priorities?

Single clients who are more likely to move to residential care sooner may not need to purchase as high a monthly benefit as a couple as they can shift their income from paying for independent lifestyle to help pay for care without worry about compromising a spouse's ongoing lifestyle. But can a single person adequately cover the full potential monthly cost from income? What other financial priorities may also need to continue? LTC insurance becomes a co-insurance tool to afford the type of private-pay care desired, the services that allow a person to stay out of a nursing home.

Advisors need to help clients plan for the kind of care they actually want. For most people this means home care first as an extra expense that must be planned for and insured at a meaningful level to preserve both ongoing lifestyle and future financial security. This home care first focus can also allow clients to see the value in a more affordable, lower benefit amount policy design.

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