

L O N G - T E R M

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What You Need to Know

HOW TO PAY FOR LONG TERM CARE

If you are over 65 years old, there is a 40% chance you will need some form of institutional care (assisted living or nursing). In addition there is a 65% chance you will need some type of home care help versus 3% chance of using your homeowners fire insurance or a 4% chance of using your auto insurance policy. Consequently, you may want to consider purchasing a Long Term Care Insurance Policy. If you do, following are some things to consider.

Generally, there are four sources of money available to pay for long term care and services:

1. Your own money
2. Medicare – usually very limited
3. Medicaid – eligibility based on poverty guidelines
4. Long term care insurance

Neither Medicare nor Medicaid is designed to pay for extensive long term care through the full range of services that are commonly needed.

- Medicare is designed for, and is increasingly limited to, responses to acute illnesses rather than chronic conditions
- Medicaid is basically focused to provide payments for nursing home care as a last financial resort. Eligibility requires financial impoverishment.
- With the current political climate, neither Medicare nor Medicaid is expected to be dramatically expanded.

YOUR OWN MONEY

- Personal funds
- Home equity loans or reverse mortgages
- Life insurance restructuring:
 1. Borrow from cash value, or
 2. Stop paying premiums and use to pay for care, or
 3. Convert cash value to an annuity (stream of monthly payments), or
 4. Sell policy to prepayment company (you get % of death benefit now).
- Sell your current home, or other assets, to pay for care

MEDICARE

There are three available programs:

Medicare Part A

- For nursing home care only.
- Must be preceded by at least a 3-day stay in a hospital.
- Pays for care in a skilled nursing facility for nursing and rehabilitative care to get you better and back home. It will not pay for basic care and support.
- Pays for up to 100 days of care on a high skilled need level. The first 20 days of care are fully paid by Medicare. Medicare pays the next 80 days except for a daily coinsurance amount, which is the responsibility of the patient. In 2001, the coinsurance amount was \$99 per day. If you have supplemental insurance, it pays the coinsurance.
- After 100 days, Medicare stops payment, and the patient pays all costs.

Medicare Hospice

- Pays for services and support to a dying person and their family in a “home setting.”
- 100% paid by Medicare. Services include drugs, care, and counseling.
- Person must be certified, by physician, to have less than six months of life left.
- Not active treatment measures, but care and comfort.
- If support in the home is not possible, then placement in a hospice residential care setting is used, but this is not covered under Medicare.
- Usually costs about \$100-110 per day.

Medicare Home Care Benefit

- Care by health professionals (nurses, aides, therapists, social workers) to get you better (rehabilitate you) while you are homebound in your private residence.
- 100% paid by Medicare.
- Services are for a limited time duration, not intended to be long term support.
- Eligibility for benefit is limited to certain needs- not automatic eligibility.

Keep in Mind: In all, Medicare pays for only 8% of all long-term care bills.

MEDICAID

- Medicaid is a federal/state program designed to pay for nursing home care as a payor of last resort.
- Medicaid is designed for eligibility after a person exhausts most all their liquid assets.
- A complex formula exists. But in simple terms, Medicaid starts with dividing a person's, or couple's, assets into “countable” or “non countable” groupings.
 - Non-countable assets include a home, car, clothing, jewelry, home furnishings, prepaid funeral
 - Countable assets include a second home, cash, CD's, money market, stock and bond accounts, IRAs.
- Also funds in-home services, on a limited basis, through a special waiver program.
- Medicaid expects a person, or couple, to “spend down” their countable assets before Medicaid takes over.

Example:

1. A couple has a home, car, jewelry, and home furnishings. They live at home, and the husband's health declines so that he needs nursing care, while the wife continues to live at home.
 2. They have \$150,000 of countable assets in total.
 3. Medicaid states that the \$150,000 is split 50-50, \$75,000 to the husband and \$75,000 to the wife.
 4. The husband's \$75,000 is to be spent paying nursing home bills until it has declined ("spend down") to \$2,000. At this point, the husband, after filling out a variety of Medicaid financial disclosure forms, is eligible for Medicaid, and Medicaid pays the nursing home.
- Medicaid also expects a percentage of a couple's monthly income to be used to pay for the nursing care.
Example:
 1. Assume the couple has a monthly income of \$2,500 per month.
 2. Medicaid allows the spouse, living at home, to keep \$1,407 per month plus cost of maintaining the home (mortgage, rent, insurance, taxes). In no event, can the total exceed \$2,103 per month.
 3. Thus $\$2,500 - \$2,103 = \$397$. The nursing home spouse gets to keep \$60 per month for miscellaneous expenses, and the rest is paid to the nursing home.
 - Medicaid is very complex. It is wise to seek help in determining eligibility, particularly as each state's formula is different.
 - Be careful of giving away assets to qualify for Medicaid as there are severe penalties imposed and may cause delays in eligibility.
 - Some states, but not Michigan, have an estate recovery provision for Medicaid. Amounts paid by Medicaid are paid back to the state from the person's estate.

LONG TERM CARE INSURANCE

- Insurance designed to pay for medical and support services when you can no longer function independently.
- Policies vary in terms and depth of coverage. For example, policies may cover:
 1. Assisted living and nursing home coverage only, or
 2. Above benefit plus limited coverage for help in a person's home, or
 3. Above benefits plus full coverage of help in a person home.
- Generally, policies are sold on a dollar benefit per day and percent of payment.
- Policies are moving to an available pool of money to be used as needed for covered benefits. For example: \$100 per day, 4-year benefit is a pool of \$146,000 ($\$100 \times 365 \text{ days} \times 4 \text{ years}$).
- Most policies are sold at a set dollar premium per year. (Policyholder pays the same rate each following year.)
- Policies are cheaper the earlier you buy them. For example: \$150 per day benefit at age 55 would cost \$930 (approximately) per year, at age 65 would be \$1,860 (approximately) per year, and at age 75 would cost \$5,355 (approximately) per year.
- Policies require physical, cognitive screening.

For more information on long term care insurance, you may wish to contact an independent insurance agent. Keep in mind, one of your Chamber benefits is the ability to purchase long term care insurance at a discount. This discount is available to your employees and extended family, such as a parent or grandparent. For more information, log on to the Chamber's website at www.grandrapids.org.

** For further definitions of terms used in this paper, access the "Glossary of Terms" located at <http://www.grandrapids.org/advocacy/healthcare-committee.htm>