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Who Will Pay For Long Term Care?

There are two costs to long term care: financial and emotional. The question to ask yourself is: "What would be the financial **and** emotional consequences to my family and friends if I needed long term care."

Using personal savings is equivalent to self-insuring in that personal funds are put at risk in order to cover the potential cost of care. This is the position that most people are in, though few would choose to see it this way.

Self-insure (you or family pays)
Health Insurance and Medicare pays for a short period
Medicaid state welfare
Long-term care insurance
Life insurance with LTC benefits
Fixed annuity with LTC benefits

Given how rarely people self-insure against the risk of medical, auto or property loss, it's curious how many seem willing to accept the long term care risk. It is because we are yet unaccustomed to paying long term care bills, but that is about to change.

If the need for long term care never arises then the (self-insured) bet pays off, but the same could be said of health, auto, and home insurance, which have a lower chance of occurrence than long term care.

If you don't want to get stuck with the entire long term care bill you can consider long term care insurance. Counting on the government to pay for your care is hardly more encouraging. You will read later how little the federal Medicare will pay and how little you can own before state Medicaid will pay.

Where Does the Government Fit In?

While many people think the state or federal government pays for long term care expenses, nationally, about 36% of all nursing home expenses are paid out-of-pocket by individuals and their families.

The long term care financial burden on a family can be as heavy as the emotional toll. Some will end up spending a lifetime of savings only to be on state welfare at the very end of their lives.

Regardless of what some attorney may say, Medicaid Planning is really Poverty Planning. You must be living at the poverty level to qualify for Medicaid and it is doubtful that those attorneys will be living in poverty on Medicaid when they are in long term care. It is a federal crime to attempt to defraud Medicaid by hiding assets.

In California a long term care insurance policy is available called the California Partnership for Long Term Care which provides some asset protection from the Medicaid spend-down rule.

Medicare, Medicaid, Medicare Supplemental Insurance (Medigap), or standard medical insurance plans (HMO, PPO, Kaiser, Blue Cross, etc.) are **not** designed to pay for long term care expenses.

Nationally 69% of the people receiving long term care are either in poverty (Medicaid) or heading that way paying \$70,000+ a year out-of-pocket. As you'll read below, the 18% receiving Medicare will only be getting that for a maximum of 100 days, then they switch to either Medicaid or out-of-pocket.



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Medicare and Long Term Care

Medicare (65+ or disabled) is an entitlement program with eligibility requirements. Its purpose is to get you back on your feet and home. First, a physician must determine that you need acute restorative/rehabilitative care. You can only receive this rehabilitative care in a Medicare certified facility. Medicare covers skilled care only, not custodial care and over 95% of long term care is custodial care.

- While Medicare helps provide up to 100 days of skilled nursing facility care, it doesn't cover custodial care for personal needs or care that doesn't require professional medical skills or training.
- Admission to a skilled nursing facility must be within 30 days of a three-day hospital stay, and admission can only be for the condition that was treated during that hospital stay.
- A physician must certify the need for daily skilled care.

Medicaid and Long Term Care

Medicaid is the welfare health care system.

Most of the money to fund the state Medicaid program comes from the Federal government. Each state is responsible for managing its own Medicaid system and each state has its own rules in addition to the rules set by the Federal government.

Each state may have their own names for the program. Examples include "Medi-Cal" in California, "MassHealth" in Massachusetts, and "TennCare" in Tennessee.

The Medicaid welfare program requires individuals to spend down most of their savings and income before becoming eligible for benefits. Medicaid is not an entitlement program like Medicare, but is a means-tested program.

Medicaid looks at your income and assets to see if you have the means to pay. If you have more income and assets than Medicaid allows, you pay for your own care until you deplete your income and assets until they are at or below your state's poverty level. For some people Medicaid is a zero interest loan that you must qualify for and repay (estate recovery). Medicaid also imposes many restrictions, and your choice of facilities and locales is limited to those that accept Medicaid eligible patients. The facility you end up in may not be close to your family.

Medicaid is spending much more than it is taking in. The result of this is that Medicaid through "estate recovery" could be looking more diligently for any assets of yours that they can claim to pay for the long term care expenses you've incurred. They also may change what are allowable exemptions (non-countable assets).

Estate Recovery was implemented in 1981, in 1993 a Federal and State law was amended to expand the definition of the term "estate." The 1993 amendment greatly increased what the State could seek to recover from the estate (including trusts). There are fewer and fewer ways to reduce the risk of losing your assets to long term care expenses.