



Long-Term Care

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For many of you, the discussion of long-term care is a reminder that you won't always be independent and self-sufficient. It points to a conversation many of you would just soon ignore. However the need for long-term care is not something that can be ignored. The need for long-term care is a very real possibility and the ability to have a plan in place to deal with this need could be crucial to you ensuring you and your family's financial health. This article will discuss the need for long-term care planning and the ways that long-term care can be financed.

Essentially long-term care (LTC) is the day-in, day-out assistance that you might need if you ever have an illness or disability that lasts a long-time and leaves you unable to care for yourself.¹ A long-term disability is any medically determinable physical or mental impairment which can be expected to result in death or which as lasted or can be expected to last for a continuous period of not less than 12 months.² In 2009 the Bureau of Labor Statistics reported that farmers and ranchers had a fatality rate of 38.5 deaths per 100,000 workers; with a ranking that is only below the fishing and logging industries, and aircraft personnel.³ A 2002 study by the Americans for Long Term Care Security (ALTCS) found that one in five Americans over the age of 50 is at risk of needing some form of long-term care within the next 12 months.⁴ These statistics give a strong indication that at anytime, in any profession we are all susceptible to a disability or the loss of completing basic day to day functions that will require us to utilize long-term care. This may be

a sudden farm accident, or care for your elderly parents.

Planning for long-term care (LTC) needs are just as important as creating a tax strategy for your estate or deciding who gets which piece of property. This is certainly an area where you want to determine the level of risk, the cost, the potential length of use, and begin to develop a plan about how to pay for LTC needs when they arise. An injury at the age of 45 may require you to utilize LTC on a permanent basis or just for a few months. Either way the costs of LTC are going to be very high regardless of the reason or the amount of time you spend in such a facility.

Marlene Strum of the University of Minnesota Extension Service indicates a few factors to consider when planning for the use long-term care.⁵ These factors include age, health status and lifestyle, family medical history, and the availability of family assistance. The University of Minnesota⁶ also states that you should consider your goals or expectations regarding the need to be financially independent; maintain control, maintain privacy, involve family members, being able to leave an inheritance, or utilizing government resources. These factors will help you decide how much you need to plan for financially and allows you to convey to others your wishes regarding the use of long-term care. It may be inevitable that you have to use long-term care, but there isn't any reason that you shouldn't have a say in what you want.

It's critical to start the planning process as early as possible, no matter what your age. Also every individual needs to have a plan for a short-term disability or permanent long-term care. A short-term disability typically lasts one year or less. It may be true that you may not utilize some of the funding options until your older, but it's important to have a strategy, know the costs, and when that strategy should be implemented and by who. You also need to have a backup plan in case your first options are no longer available or circumstances drastically change.



The cost of long term care is astronomical. A survey by MetLife and Genworth Financial⁷ indicates that in 2008 the average costs of nursing home care was \$70,000 per year, and

assisted living facilities were around \$35,000 per year. Most individuals or families do not have this amount of excess money available to pay for long-term care costs. It's also important to consider that the rate of long-term care costs are increasing steadily and that in planning you should account for the cost of inflation. Most stays in a long-term care facility will not last that long, but even a year of care could be devastating to you or your family's finances.

Financial costs are not the only concerns one should consider with the need for long term care. If you become incapacitated without a plan, others will be required to step in and make your decisions. These could be related to your health or your business. That's why planning for long-term care needs to be more than just a financial analysis. Everyone needs to be aware of the long-term care plan and who is responsible for making health decisions as well as who is in charge of the business during your absence. One should also consider how to make up for the labor contribution that will be lost when you are not available on both a short-term and long-term basis. Essentially this is an area that needs to tie directly into a short-term disability scenario and the permanent need for long-term care insurance. Families need to recognize that long-term care could greatly disrupt their family and business life.

There are several options to utilize when planning to fund long-term care. Some of these options represent your own funding and some are related to government programs. It's important to understand the risks and benefits of the options available to you to create a plan that you can afford and that will allow you to adequately pay for long-term care.

Medicare

An important note to consider is the common misconception that Medicare will pay for all long-term care expenses. It is true that Medicare will help pay for a small percentage of short-term skilled nursing home care or at home care. However this is very limited in payment and time and only applies for those that qualify for Medicare. Thus it should not be considered as an option for paying for long-term care. Medicare is a health insurance program for people age 65 or older, under 65 with certain disabilities, and people of all ages with End-Stage Renal disease.⁸ You are eligible for Medicare if you or your spouse worked for at least 10 years in Medicare-covered employment. You can become eligible for Part A (hospital insurance) at age 65 without paying a premium if you are eligible or already receive retirement benefits from Social Security or the Railroad Retirement Board, or you and your had Medicare-covered government employment.

Medicaid

Medicaid is a jointly funded federal and state program that helps individuals pay for necessary medical expenses if they do not have enough income or assets to pay for long-term care. The federal government picks up most of the bill, while states contribute a certain percentage in funding. Medicaid is not available to everyone. There are certain eligibility rules⁹ set up by the federal and individual state governments that dictate who can utilize Medicaid. It's important to check the eligibility rules of your individual state. The Wyoming Department of Health website, <http://www.health.wyo.gov/healthcarefin/equalitycare/index.html> contains information about Medicaid eligibility under its program called EqualityCare Wyoming Medicaid. You must be at least age 65 or older or be blind or disabled. You must be a permanent U.S. Resident, be a resident of the state you are applying in and have a valid social security number. You also may need to be admitted to a nursing care facility under doctor's orders or meet the medical need criteria.



You will also be subject to an assets test that will determine which assets are considered countable towards your eligibility and which are not. If you are married, have children under the age or 21 or

disabled children you may be entitled to have less assets included in your test. While some assets and income are kept for the spouse, it's important to know that Medicaid greatly reduces the assets of the couple and you should be planning for this affect on the spouse who in a long-term care facility and for the spouse that is still at home. Medicaid is going to require that you spend down your eligible resources to a certain limit before they will provide assistance. You should be aware of the financial implications of selling or transferring assets and/or property with regards to Medicaid Look-back rules. Medicaid can go back five years to when you applied for Medicaid/ went into the nursing home and penalize you for the transfer/sale of these assets because it give the appearance that you were deliberately trying to avoid payment of your own medical costs. You should also be aware that trusts may be accessible by Medicaid as well depending on how they are set up and who is receiving the income or interest. There also rules regarding the gifting of assets. It's incredibly important to consult with a financial planning professional or attorney who has experience and knowledge about federal and individual state Medicaid guidelines and elder care issues.

Long-Term Care Insurance

Another option to consider is long-term care insurance. This insurance product is purchased specifically to pay for long-term care costs. There are many types of policies and riders available. Policies can be tailored to meet your needs. It should be noted that it's not recommended to purchase long-term care policies when you are really young; but more commonly policies are purchased when you are in your mid 40's and older. It's important to note that as you age the cost of long-term care policies increase. There are many factors to consider with policies, including

length of coverage, cost, and elimination period. You may also want to consider that some preexisting conditions or genetic disorders may not be covered. If you do not pay your premiums your policy could be cancelled. You may want to consider adding riders that have coverage for Alzheimer's, inflation, a guarantee that your policy cannot be cancelled, etc. The cost of long-term care is pretty high and thus may not be the most appropriate choice for some due to the fact that you may never use it or other events prevent you from utilizing the policy.

Self-Funding Options

You should consider some of the following options as well when planning how to fund long-term care needs. You may want to consider a life insurance policy with a cash value that can be sold and used to pay for long-term care costs. It may also be appropriate to self-fund by using retirement accounts, land, other assets, cash, a reverse mortgage, Social Security benefits, annuities, pension plans, etc. You may also want to talk with your family to see if they may be able to assist in the process.

Overall the process of planning for long-term care is pretty uncertain. You really cannot predict when and for how long you will need long-term care. However you can have plan in place that deals with the possibility that you may need to utilize long-term care on a short- term (disability) basis or on a more permanent basis such as elderly care. It's important to consider the financial, medical, and emotional issues associated with long-term care. Not having plan could jeopardize not only you, but your entire family and even business for a very long time.



Resources

Centers for Medicare and Medicaid Services: <http://www.cms.gov/home/medicaid.asp>

Complete Long Term Care: <http://www.completelongtermcare.com>

Long Term Care Education: http://www.longtermcareeducation.com/learn_about_the_field/links_to_other_websites.asp

Medicare.gov: <http://www.medicare.gov/longtermcare/static/home.asp>

Rural Assistance Center: Long-Term Care: http://www.raonline.org/info_guides/longtermcare

Wyoming Department of Health: <http://www.health.wyo.gov/healthcarefin/medicaideligibility/index.html>

(Endnotes)

1 J.R. Kapoor, L.R. Dlabay, and R.J. Hughes. Personal Finance (8th ed. 2007).

2 Medical and Professional Relations Disability Evaluations Under Social Security. Retrieved from www.ssa.gov/disability/professionals/bluebook/generalinfo.htm

3 U.S. Bureau of Labor Statistics, U.S. Department of Labor, 2010

4 J.R. Kapoor, L.R. Dlabay, and R.J. Hughes. Personal Finance (8th ed. 2007).

5 M.S. Strum. (2003). How do I get started making long term care risk protection decisions? University of Minnesota Extension Service.

6 M.S. Strum. (2003). How do I get started making long term care risk protection decision? University of Minnesota Extension Service

7 The MetLife Market survey of nursing home and assisted care costs. (October 2007). Met Life & Genworth financial 2008 cost of care survey. (April 2008) Genworth financial. Retrieved from <http://kkf.org/insurance/upload/Closing-the-long-term-care-funding-gap-the-challenge-of-private-long-term-care-insurance-report.pdf>

9 M.A. Goetting. (July 2009). *Medicaid and long-term care costs*. Montana state university extension. Retrieved from www.msuextension.org