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“LONG-TERM CARE COSTS: THE BIG PICTURE”

A large shift in concern for the 21<sup>st</sup> century is planning for individuals living longer. Financial advisors are often concerned about making sure their clients do not “outlive their assets”. As a result, financial advisors are probably focused on the income generated by them whether retirement funds, pension income, social security, interest, dividends, business income, etc.

Estate Planning attorneys are also concerned on whether the long-term care costs for health care will eliminate the income and assets themselves. Not only for living day to day, but also for preserving assets for the next generation. Someone can only give a legacy of what assets they own (or control) at death. If those assets were fully extinguished during life by health care costs, then having a will or trust is moot as there are no remaining assets to distribute.

#### **WHY ARE LONG TERM CARE COSTS AN ISSUE?**

***At least 70% of seniors will require long-term care at some point in their lives.***

*- Centers for Medicare & Medicaid Services*

***75% of single individuals and 50% of couples will exhaust their life savings within one year of entering a nursing home.***

*- United States Department of Health*

For some perspective on long term care costs:

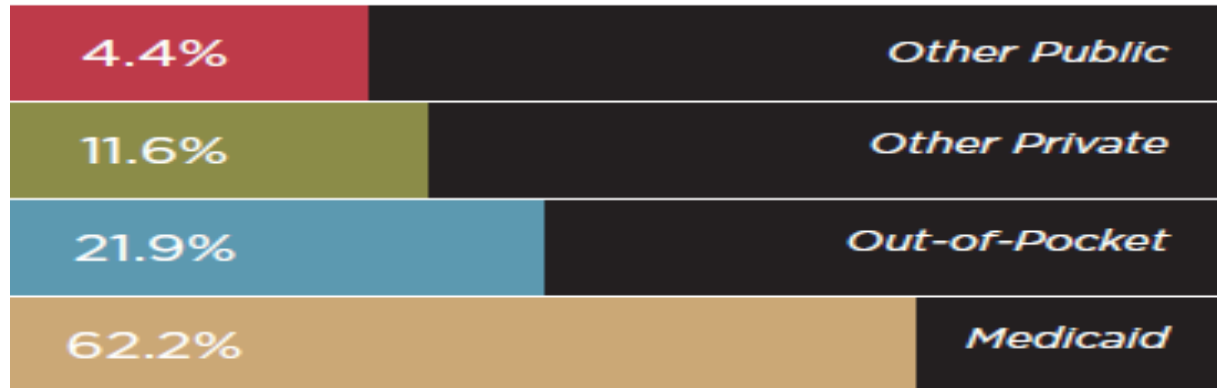
- The average stay in a nursing home is 2.3 years.
- The national average cost of a semi-private room in a Georgia nursing home is \$7,148 per month (Georgia is under the national average), and the average cost of an assisted living facility is \$3,750.
- A 28-month stay would average nationally approximately \$208,544 in a nursing home.

What do we mean by “Long Term Care”?

- Extended care often called “custodial care”
- We are not talking about “acute” care (i.e. a short hospital stay to address and recover from a sudden or short-lasting issue like a car accident)
- An illness that is not covered (or has limited coverage) by either private Health Insurance or Medicare (for most older members of the population over 65)



### HOW DO PEOPLE PAY FOR LONG TERM CARE?



*National long-term care expenditures by source provided by The SCAN Foundation.*

There are **four options** to help older Americans 65 or older pay for health care costs:

The first option is paying **“Out-of-Pocket”**. Here the person uses their savings and/or income to pay the long-term care costs they incur.

### LONG TERM CARE INSURANCE

The second option is ‘Other Private’ Insurance. In this context, I am referring to **“Long Term Care Insurance” (i.e. “LTCI”)** that was purchased in advance to assist with health care costs. Only 7.2 million or so Americans have LTC insurance, which covers many of the costs of a nursing home, assisted living or in-home care — expenses that aren’t covered by Medicare.

Long-term care insurance can cover a host of services that aren’t covered by regular health insurance. This includes assistance with routine daily activities, like bathing, dressing or getting in and out of bed. A long-term care insurance policy helps cover the costs of that care when you have a chronic medical condition, a disability or a disorder such as Alzheimer’s disease.

Most policies will reimburse you for care given in a variety of places, such as:

- a. Your home.
- b. A nursing home.
- c. An assisted living facility.
- d. An adult day care center.



Waiting until you need care to buy coverage is not an option. You won't qualify for long-term care insurance if you already have a debilitating condition. Most people with long-term care insurance buy it in their mid-50s to mid-60s.

### MEDICARE

The third option “Other Public” is a reference to **Medicare**. Medicare is the health insurance program funded and operated completely by the Federal Government. Medicare is managed by the Centers for Medicare and Medicaid Services (CMS). Social Security works with CMS by enrolling people in Medicare. One is eligible for Medicare when they turn 65 years old (or they have been disabled for 24 consecutive months or because they have a kind of kidney disease). Medicare is one of the payroll taxes you pay through your employer as you work throughout your career. Medicare is a federal program, so it operates under the same rules in every state.

There are four main “parts” of Medicare insurance: Part A, Part B, Part C, and Part D. Medicare Part A (hospital insurance) and Medicare Part B (medical insurance) together make up “Original Medicare”. Medicare Part C, also known as “Medicare Advantage”, and Medicare Part D (prescription drug coverage) programs that let you get Medicare plans through private insurance companies that contract with Medicare.

**Medicare Part A (Hospital Insurance)** - Part A helps cover inpatient care in hospitals, including critical access hospitals, and skilled nursing facilities (not custodial or long-term care). It also helps cover hospice care and some home health care. Beneficiaries must meet certain conditions to get these benefits. Most people don't pay a premium for Part A because they or a spouse already paid for it through their payroll taxes while working.

**Medicare Part B (Medical Insurance)** - Part B helps cover doctors' services and outpatient care. It also covers some other medical services that Part A doesn't cover, such as some of the services of physical and occupational therapists, and some home health care. Part B helps pay for these covered services and supplies when they are medically necessary. Most people pay a monthly premium for Part B.

Most of those eligible are automatically enrolled in Medicare Part A and Part B when they turn 65; if you're already receiving Social Security Administration (SSA) or Railroad Retirement Board (RRB) benefits, you'll “age in” automatically. If you've been receiving SSA or RRB disability benefits for 24 consecutive months, Medicare enrollment is also automatic for you. On the other hand, if you have ALS, you'll be automatically enrolled the same month.



**Medicare Part C (Medicare Advantage)** is another way you can get your Original Medicare, Part A and Part B, coverage. The exception is hospice care, which is still covered under Part A rather than through Medicare Part C. Most Medicare Advantage plans include prescription drug coverage. Types of Medicare Advantage plans include (but aren't limited to) Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Private Fee-for-Service (PFFS) plans, Special Needs Plans (SNPs), and Medical Savings Account (MSA) plans.

**Medicare Part D (Prescription Drug Coverage)** - Medicare prescription drug coverage is available to everyone with Medicare. To get Medicare prescription drug coverage, people must join a plan approved by Medicare that offers Medicare drug coverage. Most people pay a monthly premium for Part D.

#### MEDICAID

The fourth and largest option is **Medicaid**. Medicaid is a federally aided, state-operated program that provides medical care for certain low-income individuals and families who have limited resources. Medicaid coverage for Long-Term Care services are set on the federal level. However, each state has significant flexibility in the way it chooses to implement Medicaid for Long Term Care.

Medicaid Asset Limitations are based on whether the individual is single or married with an at-home spouse. Meeting these limitations is the most difficult criteria when applying for Medicaid.

Single, unmarried individuals cannot have countable assets that exceed a certain amount. Additionally, those individuals cannot have an income that exceeds a specified amount per month. Similarly, married persons with an at-home spouse cannot have combined countable assets that exceed a certain amount per month. However, the Medicaid applicant can keep a specified amount of income per month.

Additional consideration for a married couple (traditional or same sex) is planning for the potential situation where only one spouse needs medical care and the other does not. How do you get the health care costs covered for the spouse that needs care while also allowing the other spouse enough income to live comfortably?

**Each type of payment area (Long Term Care Insurance, Medicare and Medicaid) is complicated and extremely important to understand. I will be spending the coming weeks dedicating a Will Wednesdays issue to each payment area, so they can be properly covered.**



**MAIN TAKEAWAYS:**

1. Financial advisors are often concerned about making sure their clients do not “outlive their assets”.
2. Estate Planning attorneys are also concerned on whether the long-term care costs for health care will eliminate the income and assets. If those assets were fully extinguished during life by health care costs, then having a will or trust is moot as there are no remaining assets to distribute.
3. At least **70%** of seniors will require long-term care at some point in their lives.
4. **75%** of single individuals and **50%** of couples will exhaust their life savings within one year of entering a nursing home.
5. There are **four options** to help older Americans 65 or older pay for health care costs:
  - i. The first option is paying **“Out-of-Pocket”**.
  - ii. The second option is **“Long Term Care Insurance” (i.e. “LTCI”)**
  - iii. The third option is **Medicare**
  - iv. The fourth and largest option is **Medicaid**.

**Disclaimer**

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