PAYING FOR *Extended* *Care*

Certification for Long-Term Care

cltc

When a client needs extended care there are two sets of consequences:

- First are personal consequences to a spouse, kids, extended family, or friends. The cost to the caregiver of this personal, "informal" help is real, immediate, and encompasses many forms: time, loss of work hours/opportunities/income, emotional and physical stress, health impacts, compromised relationships with other family members, and even out-of-pocket spending for items or services the impaired person needs.
- Second are financial consequences in paying for professional care – home care aides, adult day care, assisted living, residential memory care, or even care in a skilled nursing home. The financial costs can be extraordinarily expensive: $4,000 per month for part-time home care, $5,000 to $8,000 per month (or more) for assisted living/memory care, and easily $8,000 to $10,000 per month (or more) to live in a quality nursing home.

These two "costs" of care are not mutually exclusive. Even clients with significant assets, income, and/or insurance to pay for professional caregivers will still have to rely on a spouse or other family to ensure the professional care is being delivered properly, to help with homemaker chores, provide transportation to medical appointments, do the grocery shopping, pay bills, etc.

> **KEY CONCEPT:**
> The financial costs of long-term care do not directly flow from the need for care. The financial cost of care is secondary, it flows from the need to reduce or relieve the personal caregiving burden on those you love.

Conversely when there are limited financial resources to pay for professional help, the personal costs paid by loved ones increases dramatically as there are no other options, especially when the desire is for the person needing care to remain at home.

Most advisors only focus on the direct financial costs to the detriment of their clients' long-term care plans. An effective planning engagement must deeply consider both sets of consequences as uniquely-applied to each client and family.

To mitigate the potentially devastating personal consequences, you must have a financial plan to pay for professional help.

There are only three (3) ways to pay for care:

1. Cash – spend your own money.
2. Medicaid.
3. LTC insurance.

Medicare is never an option. The health insurance program for Americans over age 65, does not pay for long-term care, ever. Medicare only pays for "short-term" care when it is skilled and rehabilitative in nature. A month or two in a skilled facility for physical and occupational therapy after a hip replacement, or skilled rehab therapies, wound care, and other nursing visits at home as prescribed by your doctor. Medicare never pays more than 100 days for inpatient rehabilitation, and the average is less than a month. Home health care services are limited to two or three, one-hour visits per week and typically do not extend past two months.

Paying cash for care – what some call "self-insuring" or "self-funding" – is not really an option, it is the default plan already in place for everyone who do not made other explicit plans to pay for care. Advisors and clients must "run the numbers" on the cost of care today and with future inflation – starting with part-time home care and moving up the cost ladder – and then consider the financial impact on other financial priorities, especially ongoing financial security for a spouse.

Medicaid, the joint state/federal medical welfare program does pay for custodial long-term care, but it is not what anyone wants to plan for. Medicaid only pays for care when your assets are dramatically reduced. Excluding your home, car, personal possessions, and a pre-paid burial plan, all of your other assets – your savings, investments, and even qualified retirement plans – must be "spent down" to about $2,000 for single people; couples can keep no more than $126,420 (2019 limit) in these combined "countable" assets.

More problematically, Medicaid primarily only pays for the one place most clients say they never want to go: a traditional nursing home. In most states, assisted living and home care benefits are strictly limited, and even after assets are spent down, if remaining monthly income is over about $2,300 per month, you will not qualify and must get Medicaid-covered care in a nursing home.

That leaves LTC insurance. It is the best way to pay for care. It covers all levels of care and all locations for care up to the monthly and lifetime benefits chosen. But you must plan ahead, applying when still healthy enough to qualify, and you have to pay premiums. Most people who buy LTC insurance use it in combination with co-insuring some of the cost from income and/or assets.

In upcoming articles we will explore these funding options in more detail including an analysis of the many different types of LTC insurance.

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