

Own Your Future

Long Term Care Planning: **Who Pays for Long Term Care?**

Title Graphic: Who Pays for Long Term Care?

Cindi Jones, Chief Deputy, Virginia Department of Medical Assistance Services:

The number one way that people get long-term care is through care giving and through unpaid care.

80 percent of all care provided are provided by families but they also have competing demands with their own children, their jobs and some of them even live out of state. So that- that resource seems to be diminishing overtime. You know, people can pay privately for long-term care, but- the way- the high cost of long-term care services, people generally deplete their income and their savings very quickly.

Narrator:

Many people believe they can rely on Medicare to pay for any long-term care services they will need. However, Medicare only pays for long-term care if you require skilled services or recuperative care for a short period of time. Medicare does not pay for what comprises the majority of long-term care services - non-skilled assistance with Activities of Daily Living.

Cindi Jones:

What Medicare covers in Virginia is the same in every state. And basically it doesn't cover much for long-term care and I think when you think of Medicare, which is for people over 65, you have to think short-term.

It pretty much will only cover about 100 days in a nursing home and only if you have the ability to rehabilitate yourself. So if you have a stroke and you need physical therapy, you might get that in a nursing home or if you have knee surgery. But if you have some of the more chronic problems such as Alzheimer's or diabetes or heart disease and you need to stay in a nursing home longer than 100 days, Medicare does not pay for it.

Michaela Sharpe, CFP, Long Term Care Insurance Specialist:

Oftentimes there is a common misconception that folks feel- believe that they already have long-term care insurance. They feel that it's incorporated within their health insurance, they feel that it is part of Medicare or they feel that feel that is part of their military retirement through Tri-Care for Life.

Those programs are health insurance policies. Getting them healthy, keeping them healthy, providing hospitalization, providing medications.

Narrator:

Medicaid is the joint Federal and state program that pays for the largest share of long-term care services, but only if you meet financial and functional criteria. Other Federal programs such as the Older Americans Act and Veterans Affairs pay for some long-term care services, but only for specific populations and in specific circumstances.

Cindi Jones:

In terms of Medicaid, we pay for about two-thirds of all nursing care in Virginia and the rest is picked up through private pay. And basically what happens is someone pays privately which can be up to \$60,000 a year and then when they deplete all their income and assets, they try to see if Medicaid will then pickup.

For Medicaid it's important for people to realize that there are financial qualifications as well as level of care qualifications which means that you have to spend all your money, we only allow you to have \$2000 in assets and your income has to be at a fairly low level, but you also have to make sure that you qualify for long-term care which means you have to be eligible for nursing facility care. It's kind of like you have to be low income and very sick at the same time.

We should not plan on using Medicaid as a financial plan for the future because we don't know if the Medicaid program of tomorrow will be the same that we have today.

Narrator:

There are, however, an increasing number of private payment options that help to cover the costs of long-term care services. These include long-term care insurance, reverse mortgages, and other options. It is important to understand the differences among the public programs and private financing options for long-term care services. Each public program and each private financing source has its own rules for what services it covers, eligibility requirements, co-pays, and premiums.

Long term care insurance policies can help pay for many types of long term care. It's very important to compare the costs and benefits of policies from different insurance companies when shopping. If you decide to buy, make sure to choose a reliable company licensed by your state to serve long term care insurance.

Frank Markley:

I just don't want other families to go through what I'm going through because my dad who has Alzheimer's doesn't have insurance.

Al Petrucci:

Think about the possibilities of what can happen and what you do if you didn't have the money to back it up.

Mike Larkin, MBA, Long Term Care Insurance Specialist:

Long-term care insurance is very similar to the traditional insurances that we've all bought all our lives - health insurance, homeowner's insurance, life insurance. All of those is an agreement that you have with an insurance company that has said if something happens to me where I need help, whether it be home care, assisted living care, nursing home care, the traditional insurances (health insurance) really don't cover, it is an insurance that says we'll step in and help pay for you to stay at home and have care come into your house.

Or we'll pay for you to stay in an assisted living facility. And if worst case scenario happens, also to pay for care in a nursing home environment. If you think of all the other insurances that most—that people have, most people have those not because they wanna use them ever. No one ever wants to use their homeowner's policy, no one really wants to use their health insurance policy. They have it in place in the event something happens. They don't have to worry about how it's gonna be handled. And long-term care insurance is no different.

Barb McCallum:

I'm always planning for the worst, and hope I never need it. That's what I found out insurance is all about. I had no idea when I took it out that I would ever need it. Hoped I wouldn't. Most of all I think the reason I wanted to take it was because I didn't want to be a burden to my children. But I'm so glad I did because it makes it so much easier.

Al Petrucci:

You don't know what's going to happen, you don't know what's going to happen in life. And I just can't stress, just by my own- our own- our own lives, how important this insurance is- without it we'd be in- pretty deep water.

Mike Larkin:

There's three to four alternatives you have. One is certainly long-term care insurance. The second option that really most people opt to (and they don't opt to on purpose but it happens) is they end up having to use their own assets, their own monies to pay for care which are substantial in nature.

A third option that people have looked to is to have their children help fund care. Many of children become caregivers themselves of their parents and in some aspect (and also financially) have to pitch in to help out.

Mary Croft:

It's real emotional when you go through it personally. My father was very, very healthy. Eighty-three years old, just a real energizing bunny. And like that his health changed. And it totally impacted my Mom and impacted all the kids cause all of a sudden my parents (who you look up to) no longer could take care of themselves.

They needed help. And you're in the middle of your busy life and now all of a sudden you're having to direct your attention in another fashion. And I had not a clue of what you had to do to find the proper services. So it was a real learning experience.

Mike Larkin:

A question that's often asked of me is when should I start planning to consider long-term care issues. My answer is "now".

The challenge that I always encourage people with is this is the type of product that you need the health qualifier for. And, unfortunately, people's health changes suddenly, unexpectedly. And that happens to 30, 40 and 50 year olds, as well as it happens to 60 and 70 year olds.

Mel Crystal:

I purchased a long-term care policy through the accounting society. We're going back when I was in my 40's so I'm almost 64 at this time. In those days fifteen years ago, there was a certain rate up to the age of 49. But just buying it there, paying for it over the years, gave me peace of mind, just like insurance for the house, insurance for your car.

Mike Larkin:

Unfortunately, too many people procrastinate deciding what to do with long-term care and, unfortunately, a catastrophe happens, a crisis environment, and then the family is saddled with having to make an emergency decision. So I encourage people to clearly look at long-term care insurance and decide if that's appropriate, to have a conversation with their children.

Michaela Sharpe:

They can rest easier because they should take some comfort in the fact that when life throws them a curve and they may need help, that they're not going to be depending upon their own assets to pay for it or they're not going to have to depend on the help from family members, usually children, to provide those level of services to them.

Mel Crystal:

I happened to see on TV this morning, they asked about college education, when should you start planning for your child's college education, and the answer was, the second they're born. I would think long-term care insurance should be purchased as early an age as possible. Planning for the future should happen today.

Graphic:

Own Your Future
Start Today