A Long-Term Care (insurance) Primer

Insurance: An agreement in which a person makes regular payments to a company and the company promises to pay money if the person is injured or dies.

Good news. The longer you live, the longer you live. Bad news. With each birthday you may lose the ability to take care of yourself physically, mentally or both. Physically speaking, you may not be able to perform one or more of the "activities of daily living" (ADLs) like bathing, dressing, eating, toileting or getting in and out of bed. Before that you may lose the ability to perform "instrumentalities of daily living" (IADLs) such as household chores, meal preparation or managing your finances. Mentally, beyond common everyday forgetfulness, Alzheimer's and dementia can rob you of the ability to recognize even your closest loved ones. Whoever said "growing older is not for sissies" was right.

Long-Term Care Challenges

If you cannot perform various ADLs or IADLs, then you will lose a bit of your personal independence. What is your plan regarding who will help you and where you will receive that help? Will the only thing your children inherit be you?

Take heart, however, as you are in good company. Some 70 percent of Americans over age 65 will require long-term care assistance, but many have no idea how to pay for it. And it is expensive. According to the latest figures on www.longtermcare.gov, the average monthly cost of a semi-private room in a skilled nursing facility is $6,235, and $3,293 for a one-room unit in an assisted living facility.

Some Payment Options

- *Personal and Retirement Savings* frequently are depleted when one spouse requires long-term nursing care.
- *Medicare* may pay for a limited amount of skilled nursing for patients who qualify.
- *Medicaid* is a means-tested benefit that can pay long-term care costs for those who meet strict financial need requirements.
- *Family members,* historically, have been the primary source of caregiving, but for many, this may not be a realistic option.

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We already buy various types of insurance with premium payments we can afford to cover catastrophic financial losses we cannot afford. We insure our homes, our automobiles and even the economic value of our lives. Wouldn't it be nice if we could insure our own risk of needing long-term care?

The Insurance Option

Long-term care insurance (LTCi) is an option that can help maintain your independence later in life and financial peace of mind for you and your loved ones. Generally speaking, there are two basic versions of long-term care insurance and each has its place. First, there is traditional LTCi which only pays benefits if you actually need long-term care. Alternatively, in response to consumer demand, some LTCi policies also act like life insurance should you be among the lucky ones who never need long-term care. Eventually the policy will either be there for your long-term care needs or it will pay an income tax free death benefit to your loved ones. This death benefit can even be used to compensate a loved one who took time out of the work force to care for you before you needed full-time professional care.

Features and Benefits

Most LTCi policies share some common features and benefits. Here are a few you should know:

- *Benefit Amount:* How much and how long will the policy pay? Look to your family history regarding the long-term care experiences of your parents and grandparents. It is, after all, hard to fool the gene pool.

- *Benefit Triggers:* When will the policy pay benefits? Which and how many ADLs must you be unable to perform without assistance?

- *Inflation Protection:* The senior population with retiring Baby Boomers is set to explode. Remember the law of *supply and demand*? Will your Benefit Amount purchasing power keep up with inflation?

- *Level of Care:* Are Home, Custodial and Intermediate Care covered, along with Skilled Nursing Care? About 80 percent of all long-term care is provided at home, whether in one's own home or the home of a loved one.

Buyer Beware!

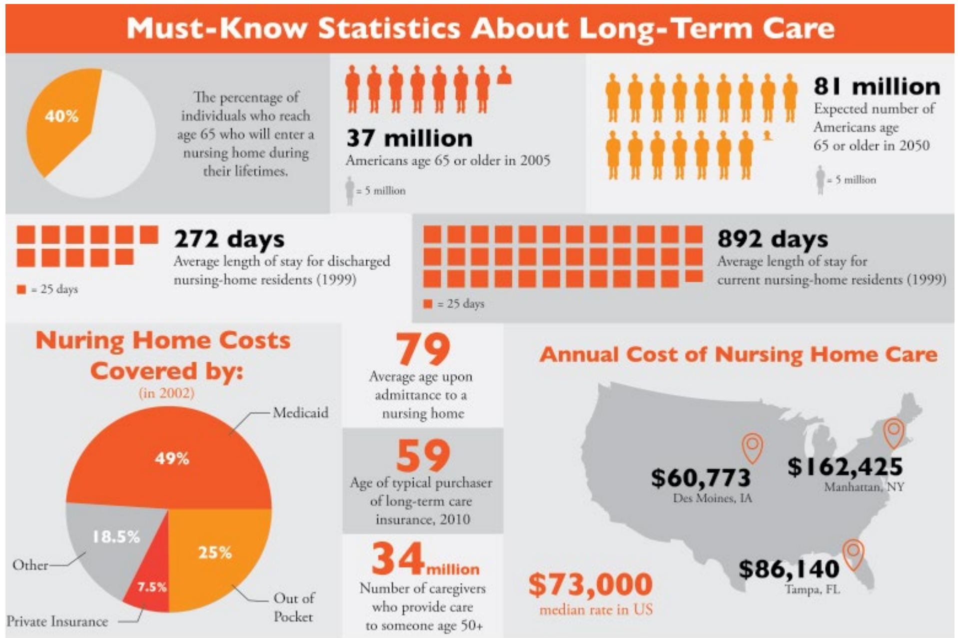
Have you heard of the legal doctrine *Caveat Emptor*? Translated from Latin it means *let the buyer beware*. Perhaps *look before you leap* is another maxim expressing the same sentiment. When it comes to LTCi, the policy is only as good as the underwriting company. Accordingly, do your due diligence homework on the financial strength and reputation of any LTCi company under consideration.

Insurer Ratings

The Internet is an excellent source for information and, when it comes to insurance company ratings, it will not disappoint. Several of the established insurer rating companies are A.M. Best (www.ambest.com), Fitch Ratings, Inc. (www.fitchratings.com), Moody's Investors Service, Inc. (www.moodys.com), Standard & Poor's Rating Services (www.standardandpoors.com) and Weiss Ratings (www.weissratings.com). In addition, a treasure trove of information and resources about LTCi and insurers can be found at the National Association of Insurance Commissioners website (www.naic.org).

More Reasons to Plan

If wishes were horses, then rides would be free. In a perfect world all families would remain connected relationally and geographically throughout all stages of life. When we grew old and needed long-term care, then our family would care for us either in our own home or in their homes. And, if our family members were no longer able to care for us, then we would have ample personal resources to pay for professional care in an institutional setting. At life's end, there would be assets left over for our loved ones to inherit.



Source: http://news.morningstar.com/articlenet/article.aspx?id=564139

But this is not a perfect world.

On the other hand, reality is summed up well in what has been called the *70-70-70 Problem:*

- *70 percent of the people over age 65 will need some form of long-term care during their remaining lives;*
- *70 percent of the public does not believe they will ever need such care; and*
- *70 percent of the public mistakenly thinks that if they did need such care, it is already covered by their Medicare insurance.*

What About Medicaid Planning?

Most Americans qualify for Medicaid by default. They thought they were among the 30 percent who would dodge the bullet, but they go into long-term care and spend down their own resources to the eligibility limits. There was no planning to protect any of their assets. In fact, even assets that were "non-countable" in determining initial Medicaid eligibility may later be subject to Medicaid Estate Recovery at death.

What many people don't realize, however, is that Medicaid planning can help preserve family assets, especially when one spouse needs long-term care and the other spouse needs financial security. Every case has its own unique issues and legal strategies to meet those unique issues. This definitely is not a "do-it-yourself" project, the Medicaid rules are very strict and such planning should only be done with an experienced elder law attorney. Mistakes could trigger severe penalties in the form of lengthy periods of ineligibility.

One approach is to acquire sufficient long-term care insurance to cover the period between the initial transfers and the Medicaid application filing. This preserves more personal resources on the front end until filing and on the back end should a period of ineligibility be assessed. Again, Medicaid planning is not a do-it-yourself project. Consult an experienced elder law attorney with a thorough knowledge of Medicaid.

State Filial Responsibility Laws

Can adult children be held financially responsible for the care of their indigent parents? The laws of 29 states and the Commonwealth of Puerto Rico say *yes.* In fact, at one time about 45 states had filial responsibility laws on the books until Medicaid assumed greater responsibility for the long-term care of indigent parents. While not all states with these laws on the books are actively enforcing them, that does not mean you should ignore them.

With state and federal Medicaid funds stretched and no end in sight with our aging population, circumstances could turn on a dime. If your parents are able to qualify physically but unable to pay financially for long-term care insurance, then this might be the perfect time to consider paying their premiums yourself or along with other family members.

Scan the QR code or visit http://bit.ly/19xj411 to see which states have parental support laws in place.

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POSITIVE PEOPLE.

ANONYMOUS

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Jude Redkey, founding partner of Redkey Gordon Law Corp, has practiced personal injury law for 15 years. If someone you know needs a free consultation please feel free to contact our office. Mr. Redkey graduated from University of California, Davis and received his Juris Doctorate from University of Denver, College of Law. Mr. Redkey is admitted to practice law by the State Bar of California and U.S. District Court, Eastern District of California. He is also a Judge Pro Tempore for the El Dorado County Superior Court.

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