

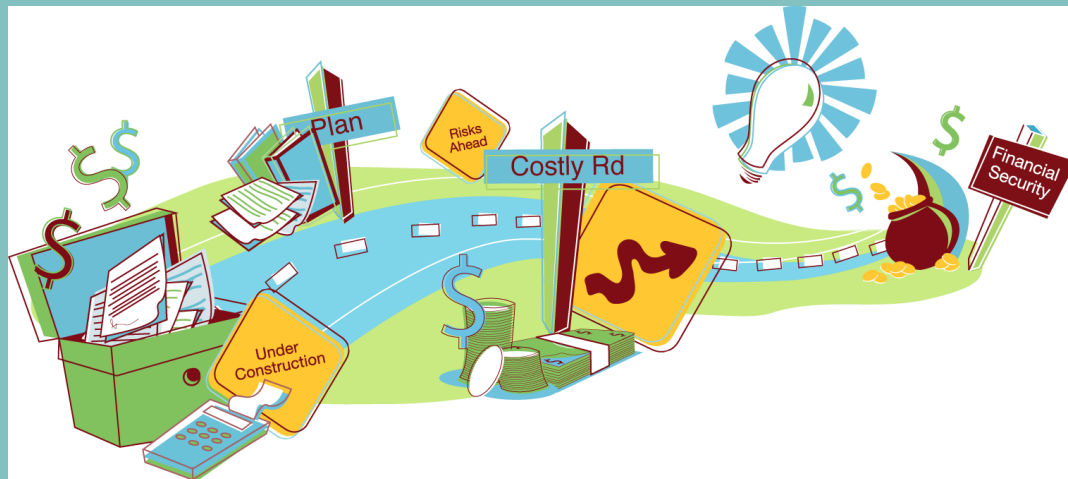

Critical Conversations About Financing Long-Term Care

Developed by Marlene S. Stum, Ph.D.
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UNIVERSITY OF MINNESOTA | EXTENSION

Health changes may be unexpected!



No one plans to have their health change or wants to admit they might need long term care someday.

Financing Long Term Care: Dilemmas and Decisions

- **“We planned for a shorter and healthier retirement”**
- **“I never expected to live so long!”**
- **“If I avoid it . . . it won’t happen right!”**
- **“I think my health insurance will pay”**



Critical Conversations



Multiple
Options
Ahead

- **Long term care as a risk**
- **Potential costs**
- **Who really pays for long term care**
- **Factors affecting what's right for your situation**
- **Why plan NOW!**



Long-Term Care

Multiple
Options
Ahead

- **Help with activities of daily living (ADLs) and remaining independent**
 - Eating, bathing, dressing, transferring, walking, toileting, taking medications, shopping
- **Wide range of services (personal, social, and medical)**
- **Variety of settings (in-home, community, assisted living, and skilled nursing facility)**



Who's at risk?



- **People of all ages – due to accidents, injuries, chronic illnesses**

“There was a story on the news about a car accident. Survivors who were 30 and 37 years old needed long term care. Since I drive 25 miles to work every day, that kind of hit me! I may not need long term care when I'm older. I could need it tomorrow!”

Who's most at risk?



Risks
Ahead

- **85 years and older**
 - Need help with more activities of daily living
 - Experience increased rates of home care and nursing home use
- **Chronic health problems**
- **Lack social support and unpaid caregivers**
- **Women**

Prevalence of Long Term Care Need

Ages	65-74	75-84	85+
◆ In the Community	11%	22%	49%
◆ In Institutions	1%	3.5%	13%



Comparing Risks...



Risks
Ahead

What are the chances in your lifetime of...

- Losing a home to fire? 1 in 1200
- Having a car accident? 1 in 240
- Needing long term care?

70% of individuals 65 and over will require some type of long term care.

Costs are often underestimated!

■ In-home care:

■ Degree of need and health status

- U.S. average: 200 visits/year

■ Type of service used

- Home health aide: \$21/hour
- Homemaker service: \$19/hour
- Registered nurse: \$46/hour



Costs are often underestimated!

■ Skilled Nursing Facilities

- Average in U.S.: \$229/day (private room) (\$83,585/year)

■ Community services

- Adult day health care: U.S. average: \$67/day
- Assisted living: U.S. average \$41,724



Location impacts costs!

LTC costs can vary dramatically from state to state and from rural to urban settings.

Home health aide: \$14/hour in Shreveport, Louisiana to \$34/hour in Rochester Minnesota.

Learn about the costs in your local area!

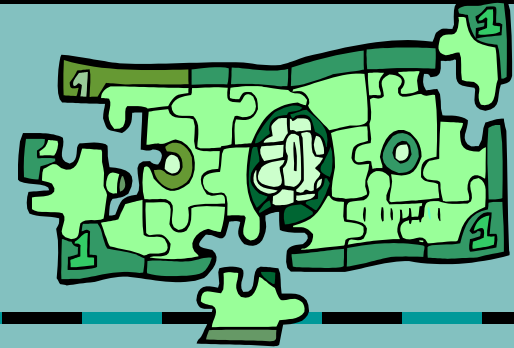


Length of time overestimated

- On average, someone who is 65 today will need some type of LTC services for three years.
- Only 20% will need LTC for more than five years
- Severe cognitive issues, including Alzheimer's often increase length of care



Who does pay for long term care?



- **Income and life savings - elders and family members**
- **Home equity**
- **Unpaid family caregivers**
 - Provide majority of long term care (70-80%)
 - Working caregivers average 20 hours/week of elder care
 - Working caregivers lose an average of \$650,000 (wages, Social Security benefits, and pension contributions)
- **Long term care insurance (5-7%) of all costs**

Who pays for long term care?

Medical Assistance (Medicaid or MA) is a critical safety net

- **Need-based state/federally funded program**
 - **Pays for selected home, community, and skilled nursing care for those who qualify**
- **Income and asset rules apply**
- **Spend-down**
 - **When your income is above the program limits, MA may still pay a portion of your medical bills**
- **Transfer rules . . . “voluntary poverty”**
 - **Look-back periods and penalties apply**
- **Spouses can keep certain amount of income and assets to protect from poverty.**



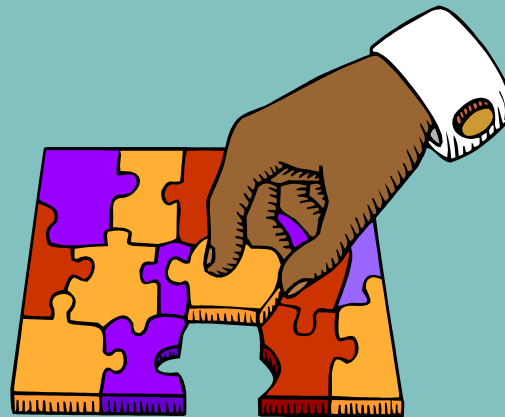
Who pays for long term care?

- **NOT** existing health insurance policies
- **NOT** disability insurance
- **NOT** Medicare except for some limited short-term coverage
- **NOT** Medicare supplement insurance



Create a plan for your situation

- Financial goals and expectations
- Characteristics of family members
- Financial resources
- Human resources
- Geography



If I would need long term care, I would expect to:

- Remain financially independent
- Maintain control of my finances
- Keep my financial affairs private
- Involve family members (care/financially)
- Utilize government resources
- Leave an inheritance

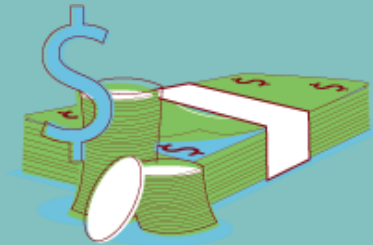


Characteristics of Family Members

- **Health status, family history, current age, life expectancy**
 - What's the probability that you or other family members will need long term care?
 - Who's eligible for what options?
- **Take Action:**
 - Are you at risk? Complete the worksheet for family members



Financial Resources



- **What financial resources are and will be available?**
 - Current and projected income, savings, home equity?
 - Impact:
 - What's affordable now and in the future?
 - Will you meet eligibility and financial criteria for programs?
- **Take Action**
 - Gather income, asset, and cash flow information

Human Resources

- **Informal caregivers...will they be –**
 - Available and able to help provide long term care?
 - Able and willing to help provide financially?

Adult children are NOT typically held financially responsible for parent's long term care costs!

- **Take Action**
 - Talk with potential informal caregivers . . .adult children, other family, or friends

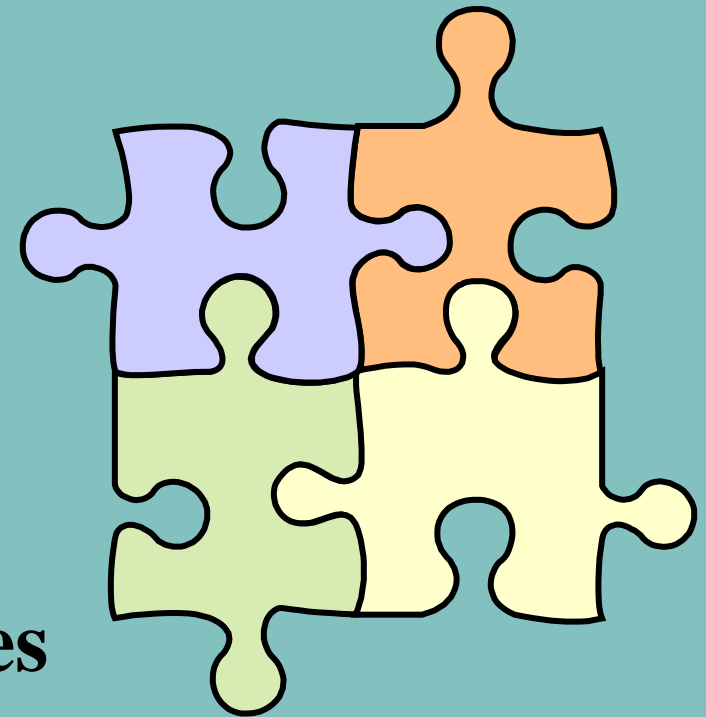
Your Location

- **Where you live determines...**
 - Types of long term care available
 - Costs of long term care
 - Financing alternatives you can utilize
- **Take Action**
 - Explore options and costs in your area
 - Visit: <http://www.longtermcare.gov>



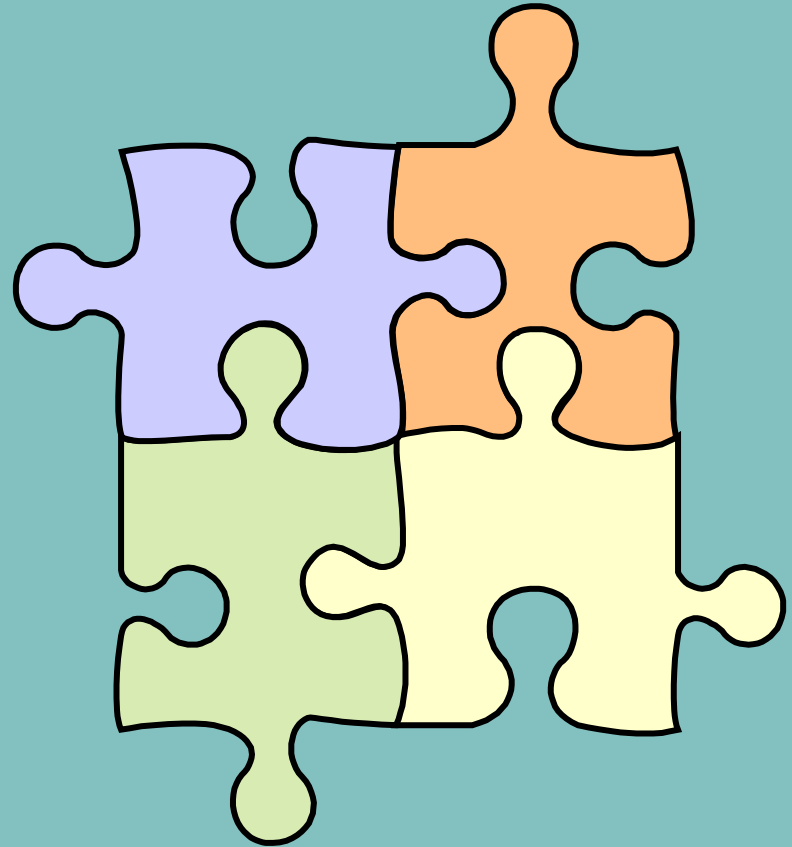
Understand Financing Alternatives

- **There is no single financial answer**
- **Mix and match financing “puzzle pieces”**
 - **Personal or private options**
 - **Public/government options**
- **LTC financing and services vary across all 50 states.**



Alternatives for Managing LTC risk

- Preventive care
- Self-insure
 - Income
 - Savings, investments
 - Home equity
 - Reverse mortgage
 - Family caregivers
- Purchase Insurance
 - LTC insurance
 - Individual or group



Long Term Care Insurance

- **Currently about 10-13% of population 55 years or older has purchased long term care insurance**
 - Individual policies
 - Group policies--more employers are offering as workplace benefit



■ Long term care insurance

■ Not for everyone

- Can you afford the premiums? Now? In the future?
- Do you have assets you want to protect?

■ No policy will protect against all costs

■ Too many wait until...

- Insurance is unaffordable
- They are uninsurable



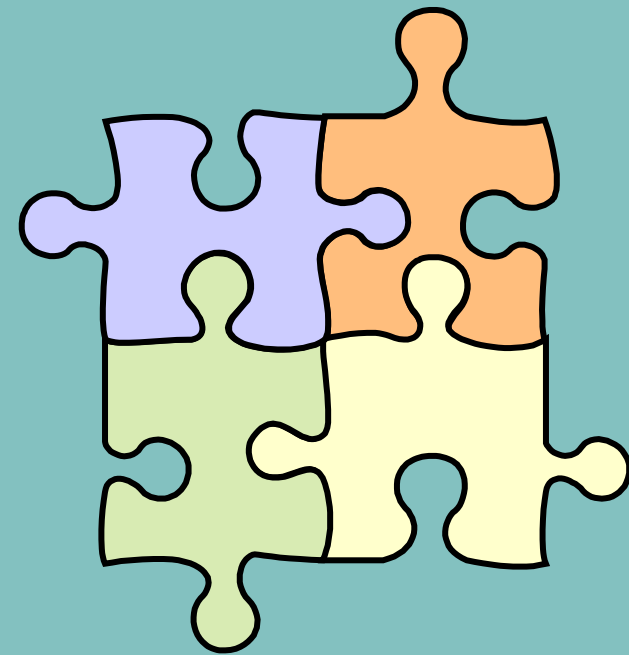
To help you compare...

- LTCI is regulated by state policies
 - Check your state for specifics in your state
- NAIC Shoppers Guide to LTCI
 - Features to compare...Focus on the “basics”
 - What is covered, when, & who decides
 - Compare benefit amounts with current costs/day
 - Inflation protection is essential!



Public Financing Alternatives

- Medical Assistance
- Veterans Administration
- Subsidized Services
(e.g. Meals on Wheels, Senior Centers)
- Other programs vary by state; they may include elderly waivers and alternative care



Partnership Programs

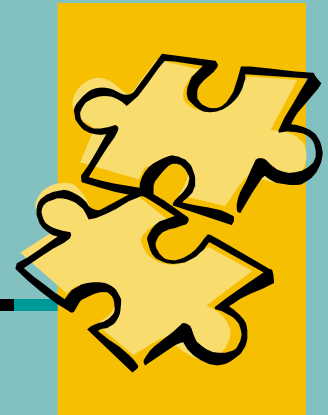
- **Available in most states**
- **If you take personal responsibility by purchasing LTC insurance...**

Then you will be able to protect some assets if you exhaust the insurance coverage and need to apply for Medicaid.

(Example: Purchasing a \$100,000 policy allows up to \$100,000 in income and assets to be protected)



Compare Consequences...



- Affordability...now and in future?
- Eligibility criteria (health status, financial)
- Flexibility in use of money
 - Long term care risk vs. other expenses/goals?
- Is there interest accumulation? At what rate?
- Will there be enough funds at the right time?
 - Front-end or back-end payments?

Use Trustworthy Tools

Multiple
Options
Ahead

Welcome to

Financing Long Term Care
A Resource Center for Families

UNIVERSITY OF MINNESOTA

Extension
SERVICE

www.financinglongtermcare.umn.edu

National Clearinghouse for Long-Term Care Information
U.S. Department of Health and Human Services

www.longtermcare.gov



Can we talk?

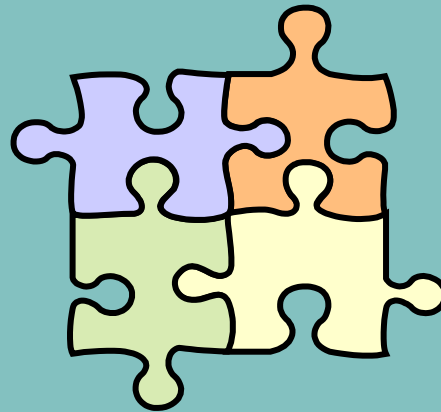
- **Family members rarely think alike!**
- **Determine who needs to talk . . .**
 - Spouses/partners; parents and adult children
- **Identify where there is agreement/disagreement**
 - Is long term care a risk ? When? For whom?
 - Acceptable financing options
 - Important financial goals
 - Who needs to be doing what to create the best plan



Evaluate your plans often!

Caution
Under
Construction

- Options and choices typically decrease with age and increased risk
- What was may no longer be . . .change is a given.



■ Top Reasons for Planning Now!

- Peace of mind--reduces fear and worry
- To protect your financial security-no matter what your age
- More planning choices and options are available
- Reduces burden for other family members
- Reduces potential for misunderstandings and conflict

The costs of “doing nothing” are simply too great!

