



## Medicaid, Medicare, and Long Term Care

In our last issue we discussed the importance of planning for young adults and need for not only wills, but durable powers of attorney, and health care powers of attorney. Individuals of any age or net worth should have these documents in place at a minimum. This issue we want to focus on planning for the later generations and the possible need for long term care.

Statistics have shown that among Americans that attain age 65, 45% of them will have to pay for some kind of long-term care services before they die. The average cost of extended care is already approaching \$250.00 per day and is projected to reach \$400.00 per day by 2030, or over \$148,000 per year! While only about 10% of those attaining age 65 will have a lengthy stay in an extended care facility another 20% or more will need long-term assisted living care. The big question therefore is how these costs will be paid for by yourself or your loved ones.

There are many different levels of assistance and care for those in need, including in home care, assisted living and skilled nursing care. There are also different methods of paying for long term care or assistance. Many individuals pay privately from savings and therefore self insure. Some individuals purchase long term care insurance. And others require public assistance through programs including Medicaid.

Medicare is health insurance for individuals age 65 or older and certain disabled individuals. Medicare covers only the cost of medical expenses such as physician visits, hospital care, and prescription drugs. Medicare generally does not cover long term care expenses; however, there is a short term exception for individuals in rehabilitation at a skilled nursing facility following a hospital stay for a period of up to 100 days.

Medicaid on the other hand, is a federal and state funded program for qualifying individuals with limited income and resources. Medicaid covers the cost of skilled nursing care but not assisted living. However, to qualify for Medicaid coverage you must have very limited resources (generally for a single person this means total assets less than \$2,000.00). Furthermore, the government has a “five (5) year look back period” to require any applicant to count as a resource any property gifted away within 5 years of the date he/she makes an application for Medicaid. Therefore planning to take advantage of Medicaid coverage means implementing a “very long term plan”!

Another government benefit for certain veterans and their spouses can be obtained through the United States Veteran’s Health Administration and Veteran’s Benefits Administration, which also provides benefits for long term care assistance. There are nursing homes operated by the Veteran’s Administration and the VA contracts with private facilities as well. Unlike Medicaid, the VA also offers assistance to individuals living at home or in assisted living through the VA Aid and Attendance program.

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If you or your loved one can't qualify for governmental benefits then he/she will have to private pay for these services. As noted above, this can be an expensive proposition. Therefore, you may want to look into purchasing "Long Term Care Insurance". Over the past 10 years or so private insurance has become a larger and larger player in providing funds to pay for assisted and extended care for the elderly.

Generally a Long Term Care Insurance Policy will be structured so that it pays a certain "per day" amount, which amount can be indexed for inflation if you so choose. For instance a 58 year old might pay \$1,000 per year for a policy that will guarantee a \$150.00 per day benefit adjusted for inflation each year. Since \$150.00 per day would not be sufficient to cover all costs the difference would be picked up by the patient from his/her social security or pension payments or from other assets accumulated during his/her lifetime.

Long Term Care Policies also generally have a "deductible period". This is the waiting period after you qualify prior to when payments begin. Generally they are 90 days but can be less or more depending on the amount of premium paid.

If you or your parent may be in need of assistance or long term care in the future, there may be beneficial planning opportunities available. If you have assets that need to be protected such as a family business or farm property, or you want to be able to provide for the "extras" that Medicaid or long term insurance may not cover, you should consider these planning opportunities. Please give us a call to let us know if we can assist you with your asset protection and estate planning needs.