<u>Long Term Care (LTC)</u>

- **Do you understand the financial burden of LTC?**
- **Do you know which options are available and the optimal age to fund LTC coverage?**
- **Do you understand how and when to file a LTC claim?**

LTC is the assistance required for a chronic illness or disability that leaves you unable to care for yourself for an extended time. You are defined as “chronically ill” if it is expected that for at least 90 days you will be unable to perform two out of six activities of daily living (ADL’s) without substantial assistance as defined below or you have a “sever cognitive impairment” such as Alzheimer’s or dementia that makes you a threat to yourself or others.

Activities of daily living (ADL)

1. **Transferring:** The ability to get into or out of a bed, chair, wheelchair etc.
2. **Toileting:** Getting on or off a toilet and performing associated person hygiene.
3. **Bathing:** Getting into or out of a tub or shower and wash your body and hair.
4. **Dressing**: Being able to dress and undress yourself and manage buttons and fasteners.
5. **Eating:** Being able to feed yourself by getting food into your mouth using hands or utensils.
6. **Continence:** Maintaining control of your bladder or bowel.

There are two types of LTC; **Skilled**, which requires a trained professional such as with wound care or injections and **Custodial,** which can usually be done by a family member or nurses’ aide and involves help with ADL’s and homemaker services.

It is often said that unless you have experienced LTC personally such as taking care of an aging parent, you cannot appreciate the difficulty of the task of being a caregiver.

Who Pays for LTC:

Who pays for LTC? One way or another, unless you’re impoverished - you will. You can expect to pay upwards of $4,000 per month for assisted living and up to $7,500 or more for skilled care. There are usually a few steps before you get there, however. The first line of defense of funding your LTC is **Medicare**. Medicare does <u>not</u> pay for any custodial care. But, Medicare will pay for 100 days of skilled care if you meet four requirements:

1. You must be hospitalized for ***FOUR*** days.
2. You must be ***IMPROVING***
3. Dr. Must recommend the ***Skilled Nursing Care***
4. You must be receiving treatment for the ***SAME REASON*** you were hospitalized.

If you are among the 5 – 10% who qualify for the above, Medicare will cover you up to 100 days.

The next step for many is **MediCal**. MediCal requires that the care recipient spend down their income and assets before LTC benefits can be paid out. The spend down criteria varies depending on whether you are married or single. Married couples may keep more as it is assumed that the healthy spouse should not be unfairly penalized while the partner is receiving care. MediCal allows the following income and assets to be exempted from spend down in 2017:

<u>Married Couple</u>

1. Income: Healthy spouse may keep their entire income or up to $3023 / month of the custodial spouse's income; whichever is greater.
2. Assets: You may keep up to $120,900 in assets.
3. Home: You may keep your home up to a value of $750,000.
4. Auto: You may keep one car of any value.

<u>Single Individual</u>

1. Income: You may keep $50 / month.
2. Assets: You may keep up to $2,000 in assets.
3. Home: You may keep your home up to a value of $750,000.
4. Auto: You may keep one car of any value.

There are exceptions and other exempted items. If your income or assets are higher than any one of the above parameters, you will not receive any government assistance. Once MediCal has confirmed that the above targets have been met, they will begin paying for your care.

So, after Medicare, and after you have considered MediCal, the next option for your LTC is a properly thought out **plan** by a licensed professional, who is experienced in this field. Buyer beware; not everyone claiming to be experienced is experienced.

There are several ways to plan the funding of LTC. The three most common plans are: Traditional LTC insurance, LTC riders on annuities and LTC riders on Life insurance plans.

1. **LTC Insurance plans** offer you the ability to pay out a relatively small amount each month in premiums for a much larger amount if you should need to file a claim. The premiums can generally be claimed as a deduction for tax purposes. Check with a Tax Professional for Details. Payout benefits for some policies (referred to as Partnership Plans) can be counted toward the spend down require-

ments for MediCal in the event you have spent through your plan's benefit. The downside for LTC insurance plans is the reality of "use it or lose it". The premium's paid over a life time are generally not refunded, if you don't use the policy. Additionally, the underwriting requirements can make these policies difficult to qualify for.

2. **Annuity LTC Riders** can be very attractive if you have a sizeable investment to transfer to an annuity. Annuity riders allow you to access your money in greater amounts if you have a claim. Your investment principal is guaranteed against loss. So, as your investment grows, so does your potential claim benefit. If you don't use the annuity funds in a claim, you lose nothing, the money is still available for you or your beneficiary. There's usually no underwriting requirements.

3. **Life Insurance LTC Riders** offer some very attractive plans for funding your LTC. Like traditional LTC insurance these policies are underwritten and although easier, still, you must qualify based on your health. You are allowed, to take an advance on your death Benefit of the Life Insurance Policy at the time you make a claim. In the event you don't need LTC, the Death Benefit will still be paid out. Unlike an annuity you can fund your insurance with monthly payments, instead of a Lump sum Deposit.

***A Client testimonial: "The hardest two years of my life".** By all measures, 1993 was shaping up to be a very good year for Richard. His new small business had just been featured in the local newspaper. Sales were booming; expansion plans and capitalization needs for his family owned business were most on his mind. These were the "fun" days that entrepreneurs like Richard dream of.

Lingering just over the horizon however, still months away was his 58 years old mother's diagnosis of Parkinson's disease which would lead to what Richard would later refer to as the hardest two years of his life. What started as a slight curling of her toes and muscle stiffness that could be massaged away, soon developed into the more classic symptoms of Parkinson's. During the next ten years, the disease progressed in step-like fashion with periods of calm followed by new, more severe symptoms creating more stress for her and the entire family.

Richard was becoming her part-time caregiver. It is generally the case, regardless of the family's size, that when a family member takes on the responsibility of caring for an ailing parent, the other family members seem to scatter away. Richard's schedule of running a business while caring for his mother had become a seven day a week job. Long Term Care (LTC) insurance, which had been affordable, was no longer an option since the disease had made his mother uninsurable. By simply not knowing the difference between Health Care and LTC, proper estate planning had not been done and hard decisions regarding her level of care and the costs of that care would now have to be made.

Richard chose to sell part of the business and play a larger role as caregiver.

Richard had long ago promised his mother that he would not place her in a care facility; that he would keep her in his comfortable home. He was prepared to get her to her doctor appointments, to make sure she took her prescriptions, to prepare foods, tuck her in at night, make sure she was comfortable and more. Richard was prepared to keep her comfortable, but he was not prepared for the 24- Hour care that was to follow.

It would be nice to say that there was a Happy ending to this story, and Richard would be the first to say that the experience brought him closer to his appreciative mother; memories that he will always cherish. However, his mother's last days were spent in a skilled nursing facility. MediCal took over the responsibilities for her care once her assets had been exhausted. It can be difficult to discuss LTC, to contemplate the day when you or your loved ones lose the ability to care for themselves, but families that put off having this discussion and the planning involved, risk losing much more.