

# *Long Term Care*



An in depth look.  
What is Long Term Care?  
Who is at risk  
*And*  
Who pays for it.

# Long Term Care

## Contents

*This brochure in the first part has some technical information. It is educational to make you aware of terms and requirements for LTC. As the need arises, you will be more comfortable in a conversation about any benefits*

What is considered Long Term Care? (LTC)

Are there more than one type of LTC ?

Who should be concerned?

The family and LTC

Medicare and LTC.

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Medicaid Planning.

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I am a firm believer in Education. Not only for myself, but for my clients as well.

Educated in the plan for them. How and why it will benefit them.

I have been referred to as "Dr. Spock" when presenting information. I present this

# Long Term Care

This brochure will help educate and guide you with Long Term Care.

Many, but not all questions will be answered.

Unfortunately, too many prefer not to discuss this topic until the need arises. As a planner, we must consider it and plan for the possibility of the need.

**Key word being “Possibility.”**

## What is LTC?

**Long Term Care is defined as -**

*“Long term care refers to a continuum of medical and social services designed to support the needs of people living with chronic health problems that affect their ability to perform everyday activities. Long term care services include traditional medical services, social services, and housing”.*

As you can see from the definition, a bit of legal interpretation is used. To receive care and funding of LTC, it must meet certain conditions, often legal.

*Now that we have the “Definition”,*

*how does it apply to real life.*



We have the Definition of LTC, but still, What is it ?

### **First who “Qualifies” for or as needing LTC?**

The qualifiers are referred to as **ADL**'s. Activity's of Daily Living. There are 6 of them.

**Eating   Bathing   Dressing**  
**Toileting   Transferring**  
**Continence**

Depending upon the level or ability for one to do these items will determine the level of care to be provided. To qualify for benefits one must not be able preform 2 of the 6 items on their own. Some coverage's may ask you to be unable to do 3 items rather than 2. Verify with any plan you look at. **AND be unable to perform them for a period of 90 days. The time factor determines them as being CRONIC. A Key Term**

**Let start with the 3 level's of care.**

**Custodial**  
**Intermediate**  
**Intensive - 24/7**

**Custodial:** This level accounts for 70% of all care being provided. While minor in the need, having someone do them for you can become expensive over time. Consider it as having an employee for you to do certain tasks.

It is provided on a temporary basis of several hours per day. You may have received such similar care as a Post

At this point, your condition and need's will determine how often you have someone assisting you.

Custodial Care can provide **In home services** such as Meal Preparation, Laundry and minor house cleaning. The little things that you are unable to perform to maintain your lifestyle. The Custodial Person does not provide other levels of care.

If Family is available, this will provide a financial benefit. For outside, commercial services, expect to pay in excess of \$20/hour. 2 - 3 hours per week is normally not a problem. When the need is 4 hours - 7 days a week, then it become a problem.

**4 hours \* 7 days = 28 hours \* \$20 = \$560 per week.**

**\$560/week \* 52 weeks = \$29,120.**

As you can quickly see, the costs can be high.

With a few exceptions, your condition must be expected to last more than 90 days to be considered as Chronic

**This is one criteria that must be met before insurance's will cover the costs.**

### **Intermediate Care.**

The Intermediate Care level may be either in the home or in a care center. At this level, there is a need for a nurse to be readily available. More medically directed than custodial care. Custodial care may provide service on the same day in addition to the Intermediate care provider. Custodial care will not provide any Intermediate level of care.



A **Home Health Care person** will come to your home for Physical Training Etc. Change bandages, Providing Bathing, or Transferring care. This service also may be covered under Medicare. Reasons for this level may be post Acute hospital stay.

With Intermediate care is for the Frail or other similar situations when you need the skills of a Skilled Nurse or maybe a Doctor.

### **Intensive 24/7 care.**

This is the image most people have when thinking of Long Term Care. In actuality, it is the least used, but most expensive level of care.

The most common reason for receiving this level of care is for memory loss. Also for Medical reasons such as a Major Stroke or other medical event causing one to need extended care -24/7

Frailty is also a major factor. At some point in time, Longevity demands care for the Elderly. The person can no longer remain living with a lower level of care.

The typical resident is Female, single and in their mid 80's plus. Because of Frailty and Age, the care is quite intensive.

Thus far we have described the ADL's  
and Levels of care needed.

With the **2 of 6 ADL's** plus a **Chronic illness or health condition** means that you qualify as needing Long Term Care.

## **Who should be concerned about LTC?**

70% of American's will need some level of care. I would be accurate in saying that everyone, either directly or indirectly will have some contact with LTC and it may be temporary. Keep in mind that Custodial Care accounts for most of the care is part of LTC. This level of care is lower and less expensive.

Knowing that you, a family member or friend may need care. It's hard to avoid all contact.

Memory Loss is becoming the major reason for confined care. Travel anywhere near a large segment of retiree's and you will see several large locations just for memory loss clients.

Children of Elderly parents should be prepared to assist the parents. Some parents may have anticipated the need for this. Others may have procrastinated on the subject of LTC.



## **Who becomes unconcerned about the care?**

The individual themselves. As memory loss or other conditions progress, so does the family's concern for the arranging of care. The ill person has gone beyond the comprehension of their own needs.

The decisions that need to be made are shifted to family members. The family should have in place a **DPOA**.

Durable Power of Attorney for health and finances.

Consult your Attorney before the need.

## The Family and Long Term Care.

The Family involvement is critical. During the early stages of care, a spouse will often be there to help. If the individual is alone. Then, depending upon the need, problems arise.

If only Custodial care is needed, the person quite often is capable of living alone. If there is another person in the home, they can assist. Then the Family would only be needed to monitor the care need.

As the care level increases, so does the need of someone, Family, to be available.

This is where the DPOA becomes important.

A very common statement from a parent is that their children will care for them. Or from a child,

**I will care for my parents.** While full of good intentions, this arrangement seldom works.

First, the child may or may not be aware of the amount of care that will be needed. Some may be able to provide the care until the later stages of care. While others may be living in another part of the country from their parents.

In the children's home, can someone be at home to care for another? Are there younger children that will be with an 80 Year old? And the list continues. It's the



## **Medicare and Long Term Care.**

### *Quickly*

#### **Medicare does not provide Long Term Care.**

They will however provide care for any medical needs as they arise. They will not pay for any housing. They will cover up to 100 days post hospital care. While not considered or calling it LTC.

Remember the distinction between **Medical needs** and need for **personal care**. For Example, a major Stroke. The person may have lost all ability to care for themselves. If that person needs MEDICAL CARE, Medicare will provide it. If they need a bed to sleep in or help getting in and out of the bed, That is not the concern of Medicare.

Yes, it is a cold aspect.

### **Housing.**

At one time we lived close to our parents and they were able to stay in their own home. For many reasons, children have moved away from where they grew up. Also, Parents have moved to Florida, Arizona etc. for more favorable climates.



**There are several levels of housing  
related to Long Term Care.**

**Independent Living**  
**Assisted Living**  
**Intensive or Nursing—24/7**

**Independent Living** allows a person(s) to basically live their own lives without some of the requirements of living on their own. Normally they have an apartment of their own. Often meals and housekeeping are provided. Communal living provides others of similar ages etc. This provides a social structure most find enjoyable. They normally will have a separate bedroom from the living areas. A small kitchen for their use. They are no longer concerned about home maintenance or other concerns of home ownership.

Pricing on this will start around \$2,000/ month.

**Assisted Living.**

**50% of the residents will have dementia**

A little more intensive than found in Independent Living. A Nurse is always available. Additional care is available for Bathing, Laundry etc. Rates are quoted without the personal services that may be needed such a walking a pet. Whenever you are inquiring, verify what additional services are included with the monthly cost. Meals are always included as are communal activities. Transportation is provided for shopping and Dr. visits.

The pricing for Assisted Living is higher than Independent Living. More care is being provided. Unlike the Independent living with a separate Bedroom and living area. Assisted living is smaller for the similar costs.

***The 2 photos below are in Central Florida. This is a Room with a Bathroom. 2018 Cost: \$2,000/ month***



Some locations  
for a higher cost

will have larger spaces available.

Depending upon your budget, you can find some very comfortable accommodations. The photos are solely intended to provide a starting point for cost and size of rooms.

## **Nursing Home—24/7 care.**

### **This level of care is intensive.**

At this stage individuals are no longer able to care for themselves. Some may be mobile on their own while others need assistance for everything. The doors to these areas are locked to prevent “Wandering” by the residents.

While a person with advanced Dementia or Alzheimer's may be mobile, they may not be aware of anything. It is heartbreaking to see this care.

### **Security and safety take on more importance.**

The persons at this care level may be aware if their problem is Frailty. They may recognize family etc. But just too weak to care for themselves. Those with diminished mental ability may not recognize anyone anymore.

Children of parents with Alzheimer's or Dementia often have a difficult time accepting the fact that their parent no longer recognizes them. At this time, the children need to ensure their parents are safe and comfortable.

Although this level of care is not the largest. It is the most expensive. Expect in excess of \$50,000/ year. Not counting either Dementia or Alzheimer's, the average stay is under 3 years. 3 years of care is enough to destroy a family's assets.

The current record is 15 years at a cost of 2.5 Million for one person.

**You do not want to see photos of this level of care**

## **The Facilities.**

Knowing you are going to want or need future care, you may “Purchase” it in a variety of manners.

Often the first facility is an **Adult Day Care**. This is a communal location where you may take a parent for the day (s) providing relief for the care giver. Most plans will cover this care.



**Home Care** reduces the cost. Many prefer to keep a parent or spouse at home. Maintaining the family unit as long as feasible. Custodial and some intermediate care can be done at home. Family members account for 70% of this care.

## **Continuing Care Retirement Communities.**

This is a “Community” concept that can provide several levels of care. Ranging from Independent Living to full 24/7 care. Allowing a person or couple to “Age” in place. The advantage being you have friends around you as you progress. The well spouse may conveniently visit the sick spouse without difficulties.

With these communities, you may purchase your resident in a manner of ways. Much like a “Condo”, there are a lot of options. You should investigate what level you wish. Ranging from monthly rental to a ownership level. Some ownerships may be resold at a later date.

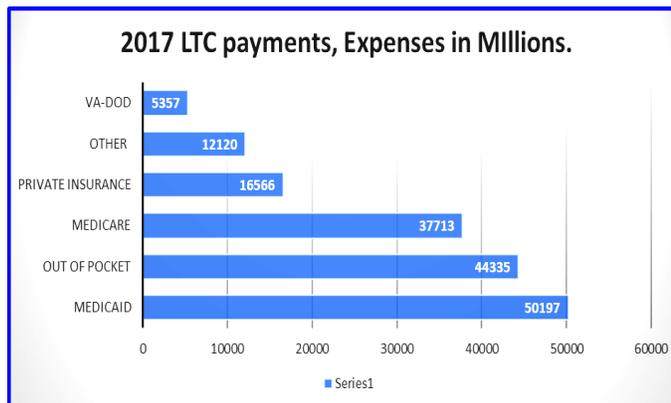
## Who, and how is this care paid for?

Payment for services will come from 3 sources

### **Government - Insurance - Personal assets**

*The person needing care will receive it.*

*The question is who will pay?*



When the Government pays, it normally is in the manner of being **Medicaid**. The Veterans Administration

does provide limited benefits. There are also Fraternal organizations such as the “Moose Home” that may be available.

Medicare will pay until the health condition is classified as being **Chronic**. That will help families.

**Medicaid** is a system for those without funds to provide health care. This accounts for more than 50% of provided Long Term Care. In order for you to Qualify for Medicaid, you must meet both an Income and Asset test. **Joint Assets** in 2018 can be \$130,000. **Single assets** however are \$2,000. Consideration is given for the “Community Spouse” to have assets to live on. Hence the \$130,000. However then single the limit drops to the \$2,000.

Many will qualify for Medicaid early. Others obtain Medicaid only after they have gone through all of their assets.

Government care is not always easy to obtain. Based on your current financial situation, planning for it may be recommended.

### **Insurance.**

When planning for LTC,  
one needs to  
**think long term.**



The path most often followed is to plan anything in the short term. LTC is not something you can just step into. People tend to **underestimate** the cost and the stress on the family as care givers.

LTC can continue for several years. Long Term Care Insurance was popular for many years. The need has not gone away, but many of the insurance companies have stopped selling it.

In the early years of providing LTC Insurance (LTCI) they based their rates on an assumed normal attrition rate. Meaning that many would stop paying because of cost or the passing of customer.

What did happen is the customers kept the coverage longer than expected. Then claims started coming in. Resulting in notorious rate increases. If you purchase LTCI ( Long Term Care Insurance). Expect cost increases over the years.

There are fewer companies that provide such insurance today. The Insurance industry realizing the need for the coverage has responded by creating **Hybrid plans**. Plans that have one primary purpose, but will also provide some Long Term care benefits.

**These are in the form of  
Annuities or Life Insurance.**

*I have stopped providing LTCL for many years.*



### **Obtaining a better value for your money**

I find the use of either Life Insurance or Annuities are better suited to provide the money needed for LTC.

Life Insurance should be a part of everyone's portfolio now. Newer plans have provisions to pay for LTC costs. Life Insurance will advance the policies face, **Tax Free**, amount prior to death, up to 90%.

*Bear with me for a moment. My wife thinks of me as Mr. Spock,  
being logically oriented.*

When ever you purchase **any** insurance. Regardless if it's Car, House, Medical or Life; You are buying **money** **at a discount** for the time you need it.

Some call it "**Using other peoples money**"

## For Long Term Care protection,

I recommend Life Insurance. Then Annuities.

Starting with the “Basics”. For both LTCI and Life Insurance, you must qualify medically.

With the LTCI you need to use it to receive full benefits. If you do not use it, you “Might get some back” with the newer plans. Other wise, like with car insurance, You have had the protection, which is a value. But have also spent monies that are now gone.

[As of February, 2019](#). A LTCI from an excellent company. A \$500,000 benefit will **cost \$7,578 per year**. Also assume the rate will increase over time. If you die early or keep the policy for 10 years+, you can get your money back, less any claims. Less than the 10 years does not count for anything.

### Enter the Life Insurance.

Life Insurance companies realized that they are committed to paying the sum of money for which the policy was purchased. Among the Living Benefits is a provision for LTC.

With a little bit of “*Rocket Science*” they modified newer plans to provide more “Living Benefits”. They sold more plans and the consumer received a much better plan.



***Both Win***.....

Long Term Care Insurance you may use all, part or none of it.

Life Insurance you will use all of it.

The advantage of Life Insurance is that you will have lower payments purchasing a much larger sum of money. That money is for you to spend as you choose. Without getting into the ROI Etc. details. Life Insurance is the best method to cover the possibility of LTC. To obtain a policy for several hundred thousand dollars is reasonable when purchased. Age and health will determine the cost.

Depending upon the care levels and location of the facility, care costs can run into the hundreds of thousands. Any funds remaining are returned to the beneficiaries listed in the contract.



**With Life Insurance.**  
**You can create your own**  
**bucket of tax free cash,**  
**which you decide how to spend.**

By utilizing Life Insurance, you are protecting the contract owner (s) if the LTC need arises. Also the family assets are protected from the cost of LTC. Their may be a well spouse who will need assets for their own living expenses.

**Without planning, one can be pushed into poverty because of the high costs of LTC.**

If purchased while you are in your mid 50's to mid 60's, the cost is very reasonable. You will have the advantage of cash build up within the policy. That cash can be used, tax free, for cruise's, trips or whatever.

## **Annuities**

Annuities allow your money to grow on a Tax Deferred basis. Normally, like an IRA, the first monies out are taxable until you reach the cost basis.



They are not Medically under-written as is Life Insurance or LTCI. If your current health may be a problem, the annuity becomes a good option.

Annuities can provide access to the asset without any penalties . Penalties can arise by taking out more than the customary 10% per year. Also if taken out for LTC, the withdrawal can be Tax Free.

## **We have spoken of Government Assistance and Insurance covering the cost of LTC.**

If you do not qualify for any Government assistance and you have no life or Annuities designated to cover the cost. Then your last option is to use your own retirement funds portfolio to cover the cost.

The Government will step in when your retirement assets have been totally wiped out. It happens more often than is ever revealed. Those in this situation are not eager to expose their circumstances.

**When the government pays the bill.**

**They have conditions that must be met.**

## **What can the cost be ?**

**Quickly:** If you have a Million Dollars today and use 5% (\$50,000) to cover LTC Cost, you may be OK. Most Americans do not have that in their savings. Those who do have it, already know the need for some type of insurance to protect the Million Dollars.

**Custodial Care** will run about \$20/hr. This is the basic care level for housekeeping and other non-medical needs. This also accounts for the majority of care.

### **Inflation is a major problem.**

Assumption: 55yo, needs in 25 years, age 80,  
3% inflation. Keep in mind, this is a service  
and subject to inflation.

4 Hours, 5 days per week = \$400 in todays costs. Based on \$20/Hr.

In the year 2043, one will need \$838 for the same tasks.

$\$838 * 4 \text{ weeks} = \$3,352$  per month for simple tasks around the house. \$40,224 per year for a person, part time to provide assistance. This level of care can be for years.

**24/7 ?** Assuming todays average of \$55,000. Using the same 25 years future need at 3% inflation. Your annual cost will be \$115,157 annual expense for full time– 24/7 care. This level of care has an average time of 2.5 years.

**Except for Memory Loss. That can be for several years**

**Current record of a claim is 15 years at 2.5 Million.**

## Taking care of our parents.....



That for most is a time in history that has passed. For LTC, we need to prepare ourselves to become self reliant.

As you have seen on previous pages, the costs will become astronomical. Plans made now will provide the solution to your children when they ask—How will we pay for it.

## Medicaid Planning --

At one time, Medicaid Planning was a big segment of an attorneys business. Restrictions have been implemented to curtail such practices.

Currently there is a “5 year look back period”. If there were any activities within the last 5 years to avoid or conceal assets. Medicaid would be denied. There is still a lot that can be done and still qualify for Medicaid.

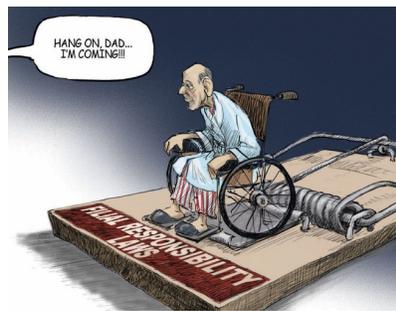
### **Consult a good ELDER ATTORNEY.**

The “Well Spouse” has certain rights to income in order to care for themselves. Asset and Income tests must be met. Currently assets may be **\$130,000** for a couple. **BUT ONLY \$2,000** for an individual. You may still spend down on certain items to reduce assets such as home repairs or a new car for the well spouse.

If you find that you know that in 5+ years, the sick spouse will need care, now is the time to plan for it. **CONSULT A GOOD ELDER ATTORNEY.** Income is harder to work with. Inquire about rearranging your income sources. The use of a **Miller Trust** may be of some advantage to you when the time arrives to apply for Medicaid.

**States are required** to “Attempt” to recover costs spent on a Medicaid recipient for LTC. Historically that has not been enforced very much.

As the costs have risen, so has the enforcement of what is known as “**Filial Laws**”. 30 States have this law now on the books. It requires an attempt be made to recover cost from “**Family Members**” that may have any assets to reimburse the state.



Well intentioned children may bring their parents back from FL, *which does not have the law*, to NJ that does enforce the law. The Children may not have the resources. **BUT Family Members** include siblings, Cousins, Uncle's etc. are liable.

**BECAREFUL**



The event of needing Long Term Care will also create the need for information about many other seemingly unrelated needs. You will need Attorneys, Financial Advisors, Accountants, Care Agencies and Doctors from various specialties.

All in the effort to provide proper care and protect the assets of the estate or family.

**Elder Attorney's** or **Elder information** may be of benefit. They may be found on an internet search for **ELDER ?**. This is a specialty that works with persons of advanced age.

*Care should be done long before a person is in need of the care. Bringing up to date all legal matters. Any beneficiaries changes that need to be made etc. Changes can not be made after a person become unable to make decisions.*

**Advance planning is the answer.**



If you have any questions,  
please call or Email us.

We can help you, even  
if you are not a resident  
of the State of Florida.

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