Financing Long Term Care and Life Care Planning

Preparing for the possible costs of future impairment and long-term care is, regrettably, a task that everyone faces as they age. You may never need long-term care. Yet, the odds are against you.

This year, about 9 million men and women over age 65 will need long-term care. By 2020, 12 million older Americans will need long-term care. Four out of five older adults have a chronic condition. Losses in a person's ability to function day-to-day are a natural part of the aging process, and those losses become more severe as people get older.

When an elder's needs for long-term care can no longer be met inside the home or without the intervention of paid providers, the elder enters what I call the long-term care maze. The elder, and the elder's family, are now embarking on an arduous journey through murky waters – with many unseen perils that can sink those who do not know how to negotiate around the hazards.

The journey begins with the observation that the current system in our country for addressing long-term care is a non-system, a hodgepodge of services that fails to meet the needs of the elderly and disabled in a variety of long-term care settings. It is economically inefficient and it fails to assure the quality of services that are provided.

Currently, elderly people finance long-term care services from a variety of sources, including private resources, like personal savings, care donated by family and friends, long-term care insurance, and public programs, including Medicare and Medicaid.

Many elderly and their families incorrectly believe that Medicare pays for all long-term care. Medicare pays for <u>health care</u>, such as the Part A hospital benefit and the Part B physician's benefit. Medicare does NOT pay for <u>long-term care</u> – which also is called personal, custodial, or intermediate care. While Medicare will pay for a short-term stay in a skilled nursing facility, the maximum Medicare skilled care benefit is 100 days and, usually, less than 21 days.

Many elderly and their families begin their journey through the long-term care maze with a stay in the hospital, which Medicare pays for. However, hospitals are under increasing pressure to shorten inpatient stays. Patients who are not ready to go home may instead be discharged to skilled nursing facilities, under Medicare's limited skilled nursing facility benefit. As a result, most people either stay for a short period of time in Medicare skilled nursing care or exhaust the limited benefit during the course of their stay.

A different federal-state program, Medicaid, pays for long-term care in a Supportive Living Facility (SLF) or nursing home. However, in order to qualify, the individual must meet certain income and asset tests. Unfortunately, most individuals never take action to avail themselves of this important benefit, or, in many cases, fail to qualify because they have neglected to first seek the professional help of an elder law attorney who knows the system and can negotiate around the unseen hazards.

The VA pays for veterans' health care. In addition, if the veteran or his widow meets certain income and asset tests, and know the secret keys to unlock access to qualification, the VA will pay for some long-term care costs – whether at home, or in an assisted or supportive living facility, or in a nursing home. Unfortunately, the VA system is designed to frustrate the veteran or his spouse who want to qualify for long-term care benefits.

A person preparing for possible long-term care needs has several options from which to choose:

- One option is to self-insure by setting aside personal savings and assets – and then supplementing those personal resources with the donated or free care of family and friends. In fact, the majority of impaired seniors rely solely on donated care and their own savings. An individual who self insures retains maximum flexibility and control over his or her savings and assets – but must bear the full financial risk of impairment, which will depend on the extent and duration of functional losses. Indeed, according to the Congressional Budget Office, seniors in general are not well prepared to pay for their long-term care needs.

- Although long-term care insurance can be available to pay for long-term care, spending from long-term care insurance accounts for only about 4% of total long-term care expenditures. When it comes to paying the cost of long-term care – whether in a nursing home, assisted or supportive living facility, or community-based home care – there are really only two choices for most people, private resources (savings, investments, home, etc) or public benefits.

- Financing long term care through both private resources and public benefits are not mutually exclusive. Seldom will the public pay all of the costs of someone's care, at least not for an extended period of time. In fact, most public benefits programs in the United States have a cost sharing or co-payment component. For example, Medicare's skilled nursing facility benefit pays all of the costs for the first 20 days; for the 21st to 100th day, the patient pays a co-payment (in 2008) of $128 a day – an amount that increases every year. Medicaid requires that the nursing home resident pay all of their monthly income to the nursing home, less certain allowable deductions, such as the $30 personal needs allowance and the cost of health insurance premiums, including Medicare and Medigap.

The health care system in this country is ill-equipped to address the needs of the aging populations it is meant to serve. The modern health care system was founded on the principles of acute care and is dominated by a focus of growing specialization, efficiency, and expediency. It is a system that is focused on curing the patient's immediate illness and reacting to acute health care crises. Yet older patients presenting with chronic illnesses and co-morbidities require continuity of care that bridges across traditional medical boundaries and care settings.

Three basic flaws exist in the acute care model of health care. First, it does not support people in the day-to-day self-management of their chronic illnesses. Second, it does not co-ordinate or advocate for good care of chronic illnesses. Third, it does not provide the necessary support and financing for other than acute care or nursing home care.

Life Care Planning is an innovative approach to elder law that helps families respond to these three basic flaws in the acute care model of health care and the challenges presented by long life, illness, and disability. Peace of mind for the elderly and their families is the goal of every Life Care Plan.

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