

## **PLANNING AND PAYING FOR LONG-TERM CARE (PART 1 IN A SERIES )**

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The U.S. Department of Health and Human Services (HHS) estimates that at least 70% of people over age 65 will need long-term care services at some point in their lives – and over 40% will need care in a nursing home for some period of time. Although “longterm care” is defined to include various levels or types of care, such as in-home care, adult day care, personal care, assisted living, and skilled nursing care, the bulk of long-term care planning involves skilled nursing care, and so the focus of this series will be on skilled nursing care.

In Pennsylvania, the current average cost of nursing care is over \$7,500 per month. However, in central and eastern Pennsylvania, it is common to see costs ranging from \$8,000 to as high as \$11,000 (or more) per month. For most families and/or spouses, paying upwards of \$100,000 per year for care creates a significant (perhaps impossible) financial hardship.

Unfortunately, many individuals operate under the assumption that they will never go into a nursing home -- or they incorrectly believe that Medicare or their secondary health insurance policy will pay for skilled nursing care -- and so they often fail to pre-plan financially for this astronomical expense that HHS estimates will impact 12 million individuals by the year 2020. Also, many individuals delay any planning under the belief that they do not have to worry about the possibility of nursing care for years to come. However, current surveys show that one out of seven individuals (just over 14%) in skilled nursing care is under the age of 65.

According to national statistics, skilled nursing care currently is paid from the following sources:

1. 5.3% - “Other public/private” (such as perhaps a nursing home’s benevolence fund)
2. 7.2% - Private insurance
3. 18.1% - Out of pocket
4. 20.4% - Medicare
5. 49% - Medicaid (known as “Medical Assistance” in Pennsylvania)

As this series of articles continues, I will take a closer look at Medicare and private health insurance, long-term care insurance, and Medicaid/ Medical Assistance. As reflected in the above statistics, Medical Assistance is by far the largest source of payment for nursing care. For those who have not pre-planned for nursing care or have insufficient assets to pay privately for care, Medical Assistance certainly provides a valuable safety net for families to preserve assets.

However, as will become clear later in this series, Medical Assistance also involves a complex web of state and federal statutes, regulations, and internal governmental policies that must be navigated. The process of becoming eligible for Medical Assistance often can be quite cumbersome and intimidating for clients as significant assets often need to be spent or “re-arranged” to become eligible for assistance. Also, with ongoing news of deficits and budget cuts, it is unclear what Medical Assistance might look like in the future. Thus, for families who either cannot or do not want to risk depleting their assets by \$100,000 per year for skilled nursing care, pre-planning options such as long-term care insurance provide a good alternative to consider.

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