

Get The Facts!

The Shortfalls of Medicare & Medicaid For Long Term Care Services





With over 70% of people age 65 and older needing long term care services, it's important to fully understand the options available to you so you can create a plan that meets your needs and desires. Many people believe that if they ever need long term care, which most deny they will ever need to begin with, Medicare or Medicaid will take care of those needs. Unfortunately, those government programs have many shortfalls of which you may not be aware. This piece provides you with a high-level overview of long term care planning options and explains the pitfalls of relying on government programs to fund your care.

When developing a long term care plan, there are basically five options to consider:

1. Do nothing and hope you'll never need care
2. Self-Insure - Pay for care out of your own pocket
3. Rely on Medicare
4. Rely on Medicaid
5. Consider private long term care insurance

Let's look at each option.

OPTION 1: Do Nothing

Doing nothing to plan for a long term care event is a decision. This is the path most often taken by those in denial that they will ever need care, and generally results in much family stress when a long term care need does arise. Regardless of whether insurance is a part of your plan or not, it is important to have a plan. Think about what you would want and need should you need long term care. Talk about it with your family. Coming up with a plan ahead of time will makes things go more smoothly should you ever need care. And, if you get lucky and never need it? Great! But at least you've made a plan in case you do.





OPTION 2: Self-Insure

Paying for care out of your own pocket can be a viable option if you have substantial resources and can afford to set funds aside for the contingency of needing care. While the duration and level of long term care will vary from person to person, on average, women need care for 3.7 years and men need care for 2.2 years. The national average cost of a semi-private room in a nursing home is \$6,235 per month. (Source: www.longterm-care.gov). Using those averages, a woman planning to self-insure would need to set aside an estimated \$275,000, while a man would need to set aside around \$165,000. Again, this is based on national averages and a nursing home stay. The type of care you wish to receive, where you reside, what type of family support you have, and myriad other factors impact the actual expense when a long term care need arises. Keep in mind that in addition to the costs of care, you may also wish to set aside funds to pay for experts to guide you through the long term care labyrinth.



OPTION 3:

Rely on Medicare

While Medicare does pay for some long term care services, there are many limitations you should be aware of. First, Medicare requires that you need a skilled level of care. It will pay for a semi-private room in a Skilled Nursing Facility, meals, skilled nursing and rehabilitative services, and other medically necessary services and supplies after a three-day minimum, medically necessary, inpatient hospital stay for a related illness or injury. To qualify for care in a Skilled Nursing Facility, your doctor must certify that you need daily skilled care like intravenous injections or physical therapy (Source: Medicare & You, Centers for Medicare and Medicaid Services, 2015).

If you do qualify for Medicare benefits for a Skilled Nursing Facility stay, you will pay nothing for the first 20 days. For days 21 through 100, you will be charged a co-pay of \$157.50 per day. After day 100, you are responsible for all costs.

As you can see, Medicare does help pay for some care at the skilled level. However, most long term care needs are not skilled in nature; therefore, Medicare will not cover those needs. In fact, if you review the “Medicare and You” guide published by the Centers for Medicare and Medicaid Services, you will note that it specifically states that Medicare does not pay for long term care services of a custodial nature (i.e. assistance with daily activities such as dressing, bathing, eating, etc.). So, if the Federal Government says relying on Medicare for your long term care needs is not a good option, it probably isn't. If you think this option might be for you, the “Medicare and You” booklet is readily available at SSA.gov. Please read it thoroughly.



OPTION 4:

Relying on Medicaid

Medicaid is a joint federal and state program intended to be used as a medical safety net, providing benefits for people with limited income and resources. In order to be eligible for Medicaid, you must meet stringent limits relative to assets and income. In most cases, the Medicaid recipient must spend down assets to around \$2,000. Additionally all income earned (except around \$30 a month) by the individual must be used to pay for services, and Medicaid will then cover the excess cost.

You may, of course, hear about Medicaid Planning. This is a process designed to “hide” your assets for the sole purpose of helping you qualify for Medicaid. Frankly, the process has been successful in hiding assets in the past, which has led Medicaid to implement stricter rules surrounding this practice. For example, federal law requires states to recover the costs of the Medicaid benefits received from your estate. This means that assets that weren’t counted when determining your Medicaid eligibility, such as your home, become recoverable assets upon death of the Medicaid recipient.

Keep in mind that hiding assets means giving up control of those assets to another person. It results in Medicaid dictating things like where you get care, and what kinds of care you may receive. In essence, this option involves giving up control and trusting a government program with your welfare. Check your state’s website for information on the requirements and limitations of Medicaid.

OPTION 5:

Long Term Care Insurance

Long term care insurance is not for everybody, but for those who can afford it, it allows the recipient the most flexibility and control should care be needed. Most long term care insurance policies emphasize the use of home care or community care in lieu of facility care, stretching the value of the benefits you purchase. An added benefit is access to experts who are very familiar with the complicated world of care and costs and who work with you to help you maintain the highest quality of life as well as to receive the best care for your dollar.

Hopefully, this guide has provided you with a better idea of your options and where to go for more information. Speak to an independent insurance agent or financial planner about different plans and approaches used in long term care planning, and do your research so you can develop a plan that is right for you.

