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The cost of long-term care requires early and careful planning.

Many families are facing their parents' transition from independent living to long-term care, or may be planning for their own long-term care needs. The cost of long-term care requires early and careful planning. No longer is estate planning only for the wealthy or only about planning for a comfortable retirement. Careful planning can ensure that you and your family can afford the care when needed.

Options for senior housing have multiplied. Where once there were only "nursing homes" in which seniors have

Financial Implications of Long Term Care

less independence, there are now options available to seniors depending on their lifestyles and needs.

The options begin with independent senior housing, such as living communities designed exclusively for seniors, made up of apartments, condos, or town homes. "Assisted living facilities" allow seniors who can live on their own, but need assistance with some basic needs, to continue a more independent lifestyle. These facilities provide services ranging from meals to limited medical care.

Finally, there are traditional long-term care facilities, or nursing homes, where seniors who are no longer able to live independently can receive proper care. These facilities are being grouped together into "continuing care communities" so that as seniors move to different levels of care, they are still within the same community of friends and neighbors. There are also many programs that provide home health care that allow the individual to stay in the family home. Those services are beyond the scope of this article.

All of these options can come with an expensive price tag. Long-term care insurance is now available, which

provides coverage for the costs of a variety of these options. Coverage can be affordable if you purchase your policy at a young age. Otherwise, the premiums can be large, but do offer a level of protection, regardless of when they are purchased.

Medicare pays for very little continuing care coverage. As a rule, Medicare does not pay for any long-term care. However, if you are hospitalized for several days prior to being placed in a nursing home, Medicare may provide limited coverage: The first twenty days of care in a nursing home are fully covered; the next eighty days, Medicare pays costs above \$101.50 per day; after one hundred days, Medicare no longer pays. Medigap (supplemental insurance) can be purchased which covers the co-pays for nursing homes, but again, this coverage is only for those first one hundred days and provides no additional benefits.

Thus, a family is left to pay the cost of care which can be \$3,500 per month or more. Even careful planning can leave families without sufficient assets to cover the rising costs of these facilities. Medical Assistance (MA) provides some help when families' assets are depleted.

It is important to include long-term care planning as part of your estate plan.

Qualification for MA is strict. To be eligible, a single person may only have \$3000 in assets (\$6,000 for married persons). Individuals are entitled to retain certain assets which do not count against the asset limit:

- Homestead: Exempt for first six months, then for as long as it is reasonably certain that individual may return to home. Exempt as long as primary residence is for spouse or dependent child.
- Motor Vehicle: Allowed one if needed for employment or necessary for medical treatment, if modified for operation by or transportation of a handicapped person; or necessary to provide transportation to perform essential daily tasks because of climate, terrain, distance, etc.

- Burial Funds, Space, Items, and Insurance.
- Cash surrender value of life insurance less than \$1,500.
- Capital and operating assets of a trade or business.
- Trusts: Depending on how and when a trust is set up, the assets in the trust may not be used for purposes of determining MA eligibility. However, this is a very difficult area, and the advice of an attorney is recommended. MA can “look back” up to sixty months to obtain assets to pay for long-term care and disqualify an individual from receiving benefits.

Attempts to redistribute assets in trusts to qualify for MA and to be able to leave something to their family usually

result in disqualification for benefits for a period of time determined by the amount of assets transferred.

It is important to include long-term care as part of your estate plan. This can range from long-term care insurance to properly created and funded trusts to other financial vehicles to ensure that you and your family have sufficient assets to meet everyone’s needs.

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