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Long Term Care Planning

With tax season upon us, most of us are thinking about ways we can minimize the amount of our hard-earned money that Uncle Sam is able to take and maximize any refund that may be due to us. While income taxes are certainly an important consideration in how you conduct your finances, imagine having not just a year's income, but rather, your entire life's savings on the line. This is what happens when a person discovers that she needs long-term care.

For most of our lives, many people are able to live within our means. We pay our living expenses from our monthly income and, if we're lucky, we set something aside in savings each month. However, even the most financially-savvy person is usually taken aback when he receives that first bill from an assisted living facility (currently averaging between $4,000 and $6,000 per month in the Williamsburg area) or nursing home (averaging between $8,000 and $10,000 per month). Even people who opt not to go to a long-term care facility can still expect comparable charges for full-time care provided in the home.

There are only three (3) ways of paying for this long-term care. The first way, long-term care insurance, is an option only for people who had the foresight to purchase a policy, typically when they were in their fifties, and who were in good enough health that the insurance company was willing to insure them. Long-term care insurance typically will only pay for a certain number of years (often, three or five) and will pay a certain dollar amount per day. Thus, even if this option is available to you, you may need to combine it with one of the other two ways of paying for care if you need care for a longer period than what the policy covers or if you need to pay the facility more than the daily rate that the policy will allow. Long-term care insurance is different from Medicare or regular health insurance, as neither of those programs allow for the payment of long-term care expenses for an extended period of time.

The second way of paying for long-term care is paying privately, out of pocket. At the monthly rates quoted above, this can deplete assets very quickly.

The third way of paying for long-term care is through Medicaid. In general, Medicaid is a government insurance program for individuals with low income and a small amount of resources. However, there is a specific type of Medicaid, called Long-Term Care Medicaid, which will pay for an individual to live in a nursing home as long as that person's monthly income is less than the cost of the nursing home.

To qualify for long-term care Medicaid, an applicant may keep certain "exempt resources," and must spend his non-exempt resources down to $2,000 or less. For a married couple, if only one spouse needs nursing home care, the spouse who is still able to live at home may keep up to approximately $129,000 of non-exempt resources. The rest of the resources must be spent down before Medicaid will pay for care.

This sounds bleak. However, instead of spending all your resources by paying out-of-pocket for long-term care, there are a number of planning techniques that you could implement to spend the money more strategically, in a way that still allows you to pass along an inheritance to your children, or create a stash of money that can be used to supplement the care you receive while on Medicaid to give you a nicer quality of life.

Just as you can reap a bigger benefit on your income taxes if you plan ahead and make strategic decisions about the use of your income throughout the year instead of waiting until the last minute, engaging in long-term care planning at least five (5) years before you anticipate needing care significantly enhances the number of options available to you to preserve and protect your assets. This is due to Medicaid's five-year "lookback period," which penalizes applicants who have implemented certain asset protection strategies within five years of otherwise being financially eligible to receive Medicaid. Even if it is too late and you anticipate needing care for yourself or your spouse in fewer than five years, there are still a number of "crisis planning" strategies available to help you spend through the money in a strategic and beneficial way.

The Department of Veteran's Affairs (VA) also offers a needs-based program to certain veterans or their widow(er)s. This program offers an additional source of monthly income to use in paying privately for long-term care which, in turn, allows the veteran or his widow to deplete his or her savings at a slower rate. This program, called the VA Pension Program, has a three-year lookback period, so it is also important to plan ahead well before you anticipate needing this program.

So often, people wait to see an attorney to discuss these issues until several years after a diagnosis has occurred. At that point, there are so many fewer options available and far more of the assets are unable to be preserved. Thus, the best time to engage in long-term care planning truly is while you and your spouse are still healthy, well before you need long-term care.

This publication is intended for general information purposes only and is not to be construed as providing legal advice. You must consult an attorney to discuss how the laws apply to your specific situation and how to best implement a plan that will meet your individual goals and objectives. If we can be of assistance in that regard, please call us at (757) 969-1900 to schedule a consultation appointment.