

Long Term Care and Your Financial Security: Sorting Out Myths and Facts

To protect your later life financial security:

- ✓ Recognize your risk of needing long term care
- ✓ Understand possible long term care costs
- ✓ Sort out expectations, goals, and concerns
- ✓ Understand financing alternatives and consequences
- ✓ Take action now before a crisis.

✓ Recognize Your Risk of Needing Long Term Care

1. Most people who need long term care need skilled nursing care in a nursing home.

False. Most people who need long term care receive care in their own home provided by unpaid family caregivers. Individuals are most likely to need help with “activities of daily living” such as eating, bathing, dressing, walking, toileting, or taking medications. Long term care can include a wide range of medical, personal, and social services provided in a home, the community, housing with services, or in skilled nursing facilities.

2. Individuals 85 and older are at greatest risk of needing help with activities of daily living and long term care.

True. The oldest-old, individuals who reach 85 years and older are more likely to need help with activities of daily living and be in need of long term care than any other age group. For example, the prevalence of long term care need in the community moves from 11% for those in the 65-74 age group to 49% for those in the 85+ age group. However, it is important to keep in perspective that a majority of the oldest-old still remain independent and living in the community.

3. Women face a greater likelihood than men of needing long term care at some time in their lives.

True. Women have higher rates of using long term care, whether in the community or in a skilled nursing facility. Women’s longer life expectancies increase the chances of reaching the 85+ age group most in need of long term care and most likely to outlive their husbands and caregivers.

✓ Understand Possible Long Term Care Costs

4. Receiving paid care in one's home is almost always less expensive than nursing home care.

False. Home care may or may not be less expensive than being in a nursing home depending on the type and amount of services used as well as the amount of unpaid family support. In many cases receiving care in one's home is a cost effective alternative greatly preferred by individuals. However, home care is not inexpensive. Examples of average costs for just one hour of care can include \$80/hour for a home health aide and \$100+/hour for a registered nurse.

5. On average, a one-year stay in a nursing home today costs about \$60,000.

True. The average nursing home cost is approximately \$60,000. Costs can vary greatly with the level of care needed and location.

✓ Sort Out Expectations, Goals, and Concerns

6. Family members often have different expectations as to whether family or government resources should pay for long term care.

True. It is very common for spouses, partners, parents, and adult children to think quite differently about who should pay for long term care. Taking time to talk about different expectations and beliefs can help avoid misunderstandings, wrong assumptions, and conflicts.

✓ Understand Financing Alternatives and Consequences

7. Most long term care costs today are paid for by the income and assets of individuals and families, not government sources.

True. Most long term care costs are paid for out-of-pocket from the private income and life savings of individuals. In addition, family caregivers provide a majority of the total long term care needed without pay and with varying financial consequences. The largest government source of payment for long term care, Medicaid, pays approximately 50% of nursing home costs after an individual's resources meet eligibility criteria. Medicare pays very few long term care costs, and long term care insurance policies pay for less than 7% of costs.

8. If a person needs long term care and doesn't have enough income or assets to pay, Medicaid is a government program that can help.

True. Medicaid is a federal and state government program which serves as the safety net for individuals needing long term care and who meet the low income and asset eligibility criteria. In many states, Medicaid is paying for in-home and community care as well as nursing home care. Homemaker services, adult day care, transportation and respite care are examples of services potentially available under Medicaid Waiver programs.

9. Husbands and wives must both live in poverty for one to receive Medicaid coverage for long term care.

False. A spouse living at home may keep a certain level of income and assets, including the home. This typically helps protect a healthier spouse's financial security.

10. If a person is in a nursing home on Medical Assistance and has a spouse still living at home, the government cannot take or sell their home.

True. Individuals qualifying for Medical Assistance do not have to sell their home if their spouse lives there. There are other situations in which a home does not have to be sold or transferred which are commonly misunderstood. Some individuals are known to avoid Medical Assistance because they inappropriately believe they will lose their home, often the greatest financial asset they own.

11. Individuals can give away assets at any time to make themselves poor and qualify for Medicaid, a government program which pays for a range of long term care services.

False. To qualify for Medicaid, a person must meet low income and asset criteria. Individuals are asked to report asset transfers within the past 3-5 years and may be ineligible for a certain period or penalized if illegal transfers occurred. Asset transfer rules and interpretations are constantly changing. Consulting knowledgeable attorneys and County Social Service professionals is essential to understand what is legally allowed. When making transfer decisions, individuals should consider the financial costs to everyone involved, as well as the impact on a person's financial control and privacy goals.

12. Most individuals with existing health insurance policies/plans will have coverage for long term care.

False. It is a myth that if you have an existing health insurance policy you are already protected against the costs of long term care. Not true in the vast majority of cases. Examine your existing policy carefully, but few cover long term care needs.

13. Medicare pays for most older persons' long term care.

False. Medicare pays only for short term skilled care in nursing facilities and limited skilled care at home. If you have a need for long term nursing home or in-home care, Medicare is NOT the financial answer.

14. Long term care insurance should be purchased by most consumers to protect against the costs of long term care.

False. Whether or not long term care insurance is a wise decision should depend primarily on a person's current assets (sufficient to protect), monthly income (is the premium affordable now and in the future), and the desire to pass on an inheritance (protect assets for others). A wisely chosen long term care insurance policy can be a useful risk protection tool and strategy for assuming personal responsibility for financing long term care.

15. Long term care insurance policies will typically protect an individual against all potential long term care costs.

False. There are no long term care policies on the market which will guarantee that all costs for all types of long term care will be covered during one's lifetime. Policies often limit coverage to specific settings, for specific lengths of time, and for certain dollar amounts per day. Compare exclusions and limits carefully when shopping. Keep in mind that long term care insurance can complement other financing alternatives, such as self-insuring.

16. The cost of a long term care insurance premium purchased at age 50 would be the same as one first purchased at age 65.

False. Long term care insurance is more expensive to purchase the older one is because the risk of needing care increases with age. Many more individuals are able to afford long term care insurance when buying in their younger years. The risk of becoming uninsurable also increases with age.

17. An individual's current and expected monthly income and assets should influence the long term care financing alternatives considered.

True. Whether or not individuals will be able to afford and/or be eligible for certain long term care financing alternatives depends in part on their income and assets. This means individuals need to have a complete picture of their financial situation to make informed decisions.

✓ **Take Action Now Before a Crisis!**

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