



CALIFORNIA HEALTH ADVOCATES

Options for Financing Long-Term Care

What is Long-Term Care?

This kind of care is assistance with daily activities such as bathing, dressing, and eating, or supervision of these activities when someone has physical or cognitive impairment such as dementia caused by Alzheimer's Disease. This type of care is often provided by family members or nurses aides and is not the type of skilled care that nurses and doctors are licensed to provide, or that Medicare and other health insurance will usually pay for. In the past, this kind of care was often referred to as "custodial care." Today this kind of care is more often known as "personal care."

People often need long-term care services after an illness or injury, such as a stroke or a broken hip, or because of a cognitive disorder, such as Alzheimer's Disease. Many people live at home with help from family members or paid caregivers and go to a nursing home only as a last resort. Others go directly to a nursing home from a hospital because of the severity of their condition. Nursing home care and other long-term care services are expensive. The average cost of nursing home care in California is \$220.77 per day. That amounts to an annual cost of \$80,581 in 2009 (see the Issuers Bulletin 2009 on the Department of Health Care Services website: <http://tinyurl.com/m7ee4q>). Care at home or in an assisted living facility can cost more or less than nursing home care depending on the amount of care needed, the area in which you live and the design of the assisted living facility.

There are many different ways to finance long-term care services and there is no single answer for everyone. Each person's needs and financial situations are different. Some people will never need this kind of care. However, those who do are likely to use a combination of payment sources, including their own resources, to pay for this care. Some will quickly qualify for Medi-Cal (California's Medicaid program).

Listed below are some ways for you and your family to consider paying for long-term care. Be sure to have any plans you make reviewed by a trusted financial advisor. You can also get free, objective counseling on these issues from the state funded Health Insurance Counseling and Advocacy Program (HICAP). To make an appointment with a HICAP counselor call 1-800-434-0222.

Good financial advice and planning is crucial to your emotional and financial well-being. Consult your accountant, financial planner or an Elder Law attorney. You can review consumer information from the [California Advocates for Nursing Home Reform \(CANHR\) \(canhr.org\)](http://canhr.org). You may also want to seek help from a free legal services program in your area. Contact the State Bar of California's Lawyer Referral Services (<http://tinyurl.com/m3gvc3>) for a list of local agencies and attorneys at 1-866-442-2529.

The person helping you should be well-versed in estate planning, public programs like Medi-Cal, and the problems, issues, and needs of older persons. Get second opinions before making final decisions and remember that there is no substitute for careful planning. **Be sure your family, or a trusted friend, knows the plans you make and can help implement them if necessary. You may be unable to carry out those decisions yourself at the time you need care.**

Planning to pay for long-term care means thinking about where you will live, what kind of services you may need, and who can give you the care you will need. You may be able to pay for long term care services out of your own resources, or as part of your living arrangement.

Public programs pay for some long-term care services. These usually have income and/or asset eligibility requirements that must be met before you can receive services. For instance, the Medi-Cal program pays for nursing home care for people who qualify. In Home Supportive

Services (IHSS) provides some home care for others who qualify for Medi-Cal.

Medi-Cal is a joint federal-state program that provides health care services to public assistance recipients and to others who cannot afford to pay for these services themselves. Medi-Cal is the most frequent payer of nursing home care, but is only available for people who qualify. A single individual must have \$2,000 or less in countable resources or assets. Special rules apply for couples that are designed to prevent the impoverishment of one spouse when the other goes into a nursing home. In either case you can keep your home when you apply for Medi-Cal and it will not be included as a resource on your application.

The spouse remaining at home (also referred to as the “community spouse”) can keep all of the couple’s income up to \$2,739 per month in 2009. The community spouse may also obtain additional income through a “fair hearing,” or by court order. The spouse in the nursing home is allowed to keep \$35 each month for personal needs. Any remaining amount of the individual income not allocated to the community spouse is used to pay for apportion of the nursing home cost. The community spouse at home can also keep up to \$109,560 in resources in 2009, and the spouse in the nursing home can keep up to \$2,000. For specific Medi-Cal eligibility guidelines, contact your county Department of Social Services (DSS) / County Human Service Agency (HSA) office (<http://tinyurl.com/dajr6c>).

Note: In 2005, federal law limited a single person’s unencumbered home equity to \$500,000 in order to be eligible for Medicaid benefits. California increased this limit to \$750,000 in 2008.

If you are an individual and qualify for Medi-Cal covered services, your home is not counted as an asset. The state will, however, include your home’s value in any “estate recovery” action after you pass away. A home is not subject to estate recovery if a spouse or a disabled child lives in it.

Note: Medicaid is a federal and state program. Each state sets its own rules based on federal minimums for income, assets and estate

recovery. If you move outside of California, these rules may be different in your new home state.

Paying for Care

Insurance products may be able to help pay for long-term care. Some of these may provide benefits to help pay for care no matter where you live. Others are more limited and will only pay for specific services in carefully defined places after you have met certain eligibility criteria and conditions.

Long-Term Care Insurance is a product that only pays for long-term care services. It is generally expensive, and not appropriate for everyone. People who are too old, or already have a pre-existing health condition, are unlikely to qualify for this kind of coverage. Others may not be able to afford the premiums for this insurance and will quickly qualify for Medi-Cal if they do need long-term care. Still others may not be able to continue paying premiums after the death of a spouse or after a company has increased their rates.

When you apply for a LTC insurance policy, the premium will depend on a number of variables:

- Your age;
- Amount of the daily benefit you select;
- Length of time you want the company to pay benefits; and
- Number of days, months, or dollars you pay before the company will begin paying benefits after you qualify for care.

Premiums can range from hundreds of dollars annually if you buy at 50 years of age to several thousand annually if you buy at age 75 or older. In California three types of policies can be sold: **Home care only** policies that pay for care in your home and must include benefits for home health, adult day health care, hospice, respite care, personal care and homemaker services. **Nursing home and residential care facility only** policies that will only pay for care in a nursing home or in a place that is licensed as a Residential Care Facility for the Elderly (RCFE) that provides assisted living care. Nursing home benefits must include the cost of all long-term care services you receive, not just the charge for room and board, up to the policy’s maximum daily benefit amount.

Comprehensive policies that will pay benefits in a nursing home, assisted living facility, and for home care and community care, like adult day care.

You can buy LTC insurance as an individual, or through a group like the California Public Employees Retirement System (CALPERS) or the Federal Employees Long Term Care Program (FLTCP).

Note: Policies labeled as “Partnership” policies allow you to keep more of your assets if you qualify for Medi-Cal after your policy has paid LTC insurance benefits.

You can learn more about these policies by visiting the California Department of Health Care Services website at dhcs.ca.gov/services/ltc/Pages/CPLTC.aspx, or by reading our fact sheet “Long-Term Care: An Overview of LTC Insurance” at cahealthadvocates.org. More information can also be found in a publication produced by the California Department of Insurance entitled: “Long-Term Care Insurance – Consumer’s Guide”. You can obtain a copy by calling 1-800-927-HELP (4357), the Consumer Hotline. HICAP counselors can also help you go over your options (1-800-434-0222).

Life Insurance policies and annuities are sometimes sold in combination with long-term care benefits or with a rider for long-term care. A life insurance policy’s death benefits are usually reduced by any long-term care benefits paid out for care while the person is still living. Life insurance policies with this option can be purchased by paying a single large premium or by paying premiums periodically over time. These policies vary widely and the methods used to pay benefits are very complex. The products may provide an attractive combination of benefits for some people, but because they involve tax issues they should not be purchased without consultation with an accountant, tax attorney, or trusted financial advisor.

Home equity conversion or reverse mortgages can create an income stream to help pay for care while you remain in your own home. You might also be able to sell “equity” you own in a large

life insurance policy that you no longer need to help pay for your long-term care services.

Home Equity conversion or “reverse mortgages” may allow you to remain in your home and receive monthly or periodic payments based on your equity. The amount you can actually receive depends on your age, the value of your home, and the cost of the loan. There are various types of home equity loans. Some of these loans are federally insured, others are not. Some affect your right to continue to receive public benefits like Medi-Cal or SSI, or could affect your taxable income. Before you agree to spend your home equity, have the contract carefully reviewed by an attorney or an accountant.

Viatical or Life Settlements are contracts that pay you a discounted price for the “equity” you own in your life insurance policy when you meet certain criteria. If you meet the eligibility criteria for one of these settlement offers, you could use the proceeds to pay for your long-term care. Viatical companies must be licensed by the California Department of Insurance. If you already have a life insurance policy, contact your insurance company first to see if that company will offer you the same arrangement. Be sure to have an attorney review any offer you receive for the equity you own in any life insurance policy.

Long-term care planning is complicated by the lack of a single way to pay for this kind of care and the complete unpredictability of the need for care. Some people will not need this care during their lifetime, while others will need care over an extended number of years. Some will be able to live at home with small amounts of assistance while others will have no choice but to live in a nursing home. Planning for this kind of care requires a careful review of all of your retirement plans, actual and expected income and resources, and expert advice from your trusted financial advisors.

Family members should also be consulted since adult children may be involved in the care needs of their parents. Free community legal services programs, elder law attorneys, and certified financial planners are all sources of help and information.

Long-Term Care Settings

In Home Supportive Services (IHSS) provides home care for the blind, disabled, or seniors who are eligible and cannot live safely at home alone. Services include domestic help, meal preparation, and non-medical personal care. People who are eligible for Medi-Cal or other state or federal cash assistance programs may qualify for this assistance. For specific eligibility information, contact your county DHCS office.

Alternative living arrangements often include long-term care as part of their package of services. These living arrangements can include retirement communities, assisted living arrangements, California VA homes, and even shared housing. These housing alternatives involve moving from your single family home or apartment into one of these congregate living arrangements where care will be provided.

Retirement Communities are alternative living arrangements, which can vary from place to place. They may be called retirement homes, continuing care retirement communities (CCRCs), assisted living, or life care communities. Some require a large up-front payment and a monthly maintenance fee; others are month-to-month rentals. Some also allow residents to purchase a home or condominium within the retirement community. Some include home and institutional care and allow residents to move from independent living through various levels of care within that living arrangement. Others provide a package of personal care services at extra cost or include those services in their monthly fee, but do NOT provide institutional care.

Fraternal Organizations or Faith-Based Groups sponsor some retirement homes or CCRCs. Members of these groups may find one of these homes to be a less expensive option.

California Veterans Homes may be an option for some veterans and their spouses. Veterans who need nursing home care may also be able to get care through the federal VA system. Call 1-800-827-1000 to find out if you are eligible to live in one of these California Veterans homes. Numerous veterans groups can also be very helpful in helping to assist veterans access these benefits. Some of these groups include:

the American Legion, Disabled American Veterans, and the Veterans of Foreign Wars.

Home Sharing may postpone the need for long-term care in an institution and could also be a financial benefit. Contact your Information and Referral (I&R) program for additional information on home sharing programs in your area.

Home Care or Care in the Community can be less expensive than institutional care when care is needed only a few hours each day, and more expensive when full time care is needed. Paid home care can be provided by licensed professionals or by home care aides. Community care can be provided in Adult Day Care Centers (ADC), or Adult Day Health Care Centers (ADHC). In many communities, there are various case management and community based services and programs designed to help frail older persons stay at home. Contact your local Information and Referral (I&R) program for additional information about these services in your community, or call 1-800-510-2020.