

A Quarterly Update on Long-Term Health Care

It's A Wonderful Life



From the Desk of:
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LONG-TERM CARE— AN IMPORTANT PART OF YOUR PLAN

The population of the United States is aging. Over the next 50 years, the population of Americans age 85 and older is expected to be the fastest growing segment of society.

Even if medical science is successful in reducing the frequency of chronic illnesses in the future, in all likelihood, we will still see an aging population heavily dependent on all aspects of health care delivery systems, including nursing home stays.

Who Pays?

Estimates for the current cost of a nursing home stay range from \$30,000 to \$90,000 annually (depending on the type and location of the facility), and the costs are expected to continue to rise. While your personal assets or Medicaid might cover the cost of a long-term nursing home stay for you or a loved one, a better option for your personal situation may be **long-term care insurance**.

Given the significant expense of a lengthy nursing home stay, your personal assets could disappear quickly. Furthermore, if you have any savings, you may not qualify for Medicaid, which is a government program designed to assist the poor. Under current rules, Medicaid eligibility generally requires “spending down” assets. In addition, many of the techniques (e.g., asset transfers) for shielding what would otherwise be considered countable assets, in order to qualify for Medicaid, have been severely restricted. Many people mistakenly believe that **Medicare** will cover long-term care. However, Medicare provides only very limited coverage (up to 100 days of skilled care), and **Medigap policies** generally will not pay for long-term care.

Long-Term Security

Given the limited public assistance available, it is important to plan for the possibility that you may require costly medical care in the future. Long-term care insurance pays for skilled, intermediate, or custodial care at a specified dollar amount per day for a certain number of days.

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VOLUME VI, ISSUE 4

WOMEN AND LONG-TERM CARE

Over one hundred years ago, men and women had very similar life expectancies—49 years in 1900. Today, as the longevity of Americans has increased overall by 20 years, women generally are expected to live five years longer than men. A newborn girl today has a life expectancy of approximately 80 years, compared to almost 75 years for a newborn boy (National Center for Health Statistics, 2005). Statistics, based on 2003 population data, reflect a similar disparity in today's aging population—women represent 58% of the population age 65 and older. The figures increase dramatically for women ages 85 and older, who comprise 70% of this senior segment of the population (National Center for Health Statistics, 2005).

Traditionally, women have been the caretakers of both the older and younger generations of their families. As more and more women enter the workforce, providing

care for family members becomes increasingly difficult, as doing so may require a leave of absence from work. These income disruptions greatly affect a woman's ability to save money, plan for retirement, and maintain financial security. In addition, older married women often find themselves in the position of providing care for their elderly husbands, which may deplete their resources in the process.

But, who will help the women when *they* require assistance? Even though younger family members may be more than willing to help out, the costs of health care often exceed the amount of disposable income available to the average family. It is estimated that women are twice as likely to live in a nursing home and live in poverty, as are their male counterparts. The statistics seem to indicate the time has come for women and their family members to look toward the future, and prepare for long-term care. ○

CAREGIVERS MAY QUALIFY FOR TAX CREDITS

As the baby boom generation makes its way toward retirement, many are finding that they are facing a new responsibility: providing care for their aging parents. According to the 2004 report, "Caregiving in the U.S.," by the National Alliance for Caregiving and the American Association of Retired Persons (AARP), family members provide 80% of care, with unpaid care provided by approximately one quarter of U.S. households. In order to provide care, six out of ten of these caregivers have had to readjust their work hours or leave work altogether.

Caregivers need help in many areas. For those with reduced work schedules and moderate incomes, financial concerns are

paramount. Many caregivers are simultaneously striving to raise children, save for retirement, and meet daily bills. Enter Uncle Sam. With the Child and Dependent Care tax credit, the federal government has recognized this financial strain and has tipped its hat to families providing care.

The Child and Dependent Care tax credit may be worth up to \$3,000 for one dependent or \$6,000 for two or more dependents. In addition to the number of dependents, the amount depends on your income and the cost of qualified expenses. Qualified expenses include home nursing care, licensed care centers, nursery school and kindergarten costs, and other necessary domestic help for the well-being of the

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CAREGIVERS MAY QUALIFY FOR TAX CREDITS

dependent. The dependent must live with you and be: a) under age 13; b) a physically or mentally disabled spouse; or c) incapable of self-care regardless of age. Like any tax credit, in order to claim it, certain qualifications must be met, including the following:

- Care-related expenses must be incurred in order for the provider to earn an income. Married couples claiming the credit must both work at least part time, with an exception for disabled spouses or those who are full-time students.
- The caregiver must be responsible for over 50% of the dependent's household maintenance expenses.
- Married individuals must file a joint tax return, unless they qualify under separation rules.



- Deductible household help must not have been paid to a child under 19, a spouse, or another dependent.
- If hired help provides care, the caregiver will be required to file the person's name, address, and taxpayer identification number with his/her tax returns.

It's clear that caregivers need all the help they can get, and the federal government is offering a small measure of relief to those who qualify through the Child and Dependent Care tax credit. The Family Caregiver Alliance (FCA) reports, "As a result of their caregiving, informal caregivers are estimated to each lose an average of \$25,494 in Social Security benefits, an average of \$67,202 in pension benefits, and an average of \$566,433 in wage wealth. Combined, the result is a loss of \$659,139 over a lifetime" (FCA, 2006).

In order to help combat these losses, caregivers can learn about local community-based services by calling the Eldercare Locator at 800-677-1116 or by logging on to www.eldercare.gov. For specific tax advice, consult your qualified tax professional. ○

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Skilled care encompasses around-the-clock care by a registered nurse under a doctor's supervision; intermediate care is occasional nursing and/or rehabilitative care under the supervision of medical personnel; custodial care generally means assistance with **activities of daily living (ADLs)** (not necessarily provided by trained medical personnel).

The cost of long-term care insurance varies with the comprehensiveness of services included: the amount of the daily bene-

fit, the duration of coverage selected, the amount of the deductible, and the elimination period (the number of days you must be in a facility before benefits commence).

While paying for long-term care can spell financial ruin for the unprepared, it need not do so if you have the additional financial security of appropriate long-term care insurance. You should, of course, seek professional advice as you plan for this possibility. ○

HEALTH NEWS

Longevity Is Increasing

According to the National Center for Health Statistics, part of the U.S. Centers for Disease Control and Prevention, the mortality rate in the U.S. is declining, and the gap between gender-based life expectancy is decreasing. For 2004, a woman's life expectancy was 80.4 years, while a man's was 75.2 years. This 5.2-year difference between the sexes was the lowest since 1946. Researchers speculate one reason for the decline in the death rate may be fewer instances of heart disease, stroke, and cancer. Dr. Eileen Callahan, of Mount Sinai School of Medicine in New York City, comments, "This is great news that people are living longer, and we want to make sure they are living as healthy as they should. There's only so much the medical system can do. People have to start taking care of themselves with exercise, appropriate diet and good medical care."¹

Dust Mites Break Down Skin Barriers

Scientists from the Atopy Research Center at Tokyo's Juntendo University School of Medicine may have linked the common dust mite to the development of skin-related allergies. In the study, hairless mice were treated with the enzymes produced by dust mites, and consequently, their skin lost water. After that, the mice were treated with allergens, and chemical penetration occurred. Toshiro Takai, a researcher on the study, explained, "In a healthy person, the barrier is complete and irritants can't get into the skin.

But partial disruption of the barrier facilitates passage of allergens and other irritants."²

Flu Vaccine Important for Those with Heart Conditions

The American College of Cardiology and the American Heart Association are advising those with cardiovascular disease to get annual flu vaccines. The advisory points out that these patients should not, however, receive vaccines in the form of nasal spray. Numerous studies have indicated that flu vaccines can reduce deaths for those with heart disease. According to Dr. Matthew M. Davis, lead author of the advisory, "If we vaccinated at least 60% of the 13.2 million people with coronary heart disease in the U.S. against influenza, we could prevent hundreds of deaths and thousands of cases of flu each year." Davis adds, "Most people with heart disease visit their cardiologists during the time when they should get the flu shot, but only about half of cardiologists in the U.S. stock the vaccine in their clinics."³

Caregiving in the U.S.

According to a 2006 study by The Caregiving Project for Older Americans, more than 12 million people in the U.S. need some form of long-term care, and 20% of those in need are unable to find assistance. Study results further showed that most adults who receive long-term care at home (80%) receive care exclusively from family, friends, or other volunteers, and with the aging of the baby boomers, the number of people who use caregiver services is projected to double by 2050.

¹ Source: Gardner, Amanda, "U.S. Death Rates Drop Dramatically," *HealthDay*, <http://health.msn.com/healthnews/articlepage.aspx?cp-documentid=100134622> (accessed September 2006).

² Source: Yahoo! Health News, "Dust mites disrupt protective function in skin," <http://health.yahoo.com/news/167096> (accessed September 2006).

³ Source: Yahoo! Health News, "Flu shot urged for heart disease patients," <http://health.yahoo.com/news/167073> (accessed September 2006).