

A Quarterly Update on Long-Term Health Care

It's A Wonderful Life



From the Desk of:

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LONG-TERM CARE— BETTER TO BE SAFE THAN SORRY

For individuals over the age of 65, 43% will ultimately require some form of long-term care (LTC). More than 70% of individuals requiring long-term care are women, and two thirds of them are widowed or divorced (U.S. Department of Health and Human Services, 2004).

Long-term care (LTC) refers to a wide range of health, rehabilitation, personal, and social services—whether offered in a nursing home, assisted living/residential care facility (ALF), or at home—for those who need assistance with daily living due to illness or disability. If long-term care enters the picture, your world could change dramatically, affecting not only your quality of life, but your financial situation, as well. According to the American Association of Retired Persons (AARP), the annual cost of a nursing home averages around \$50,000 per year, with specific costs varying in different parts of the country (*Starting the Nursing Home Search*, AARP, 2004). Home health care can also cost thousands of dollars per year.

Who Pays?

Many people mistakenly assume **Medicare*** covers long-term care costs. In fact, this program does *not* cover custodial and personal care, and even coverage for skilled nursing home care is quite limited. By default, **Medicaid*** funds long-term care, but generally requires recipients substantially reduce or even nearly exhaust assets before becoming eligible for assistance.

Unless you plan ahead, the high cost of long-term care could quickly deplete a lifetime of hard-earned savings. For couples, this is especially unsettling, since a spouse may have many years of life remaining after his or her partner begins long-term care. As you prepare for the future, it's important to understand what you can—and cannot—expect when it comes to paying for long-term care:

- **Medicare does not cover long-term care.** It does cover “skilled care,” which is medically necessary care that may be required for a limited period of time after a patient is released from a hospital. In certain instances, Medicare may also pay for “skilled care” given at home.

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*For more information regarding benefits provided by Medicare or Medicaid, visit www.cms.hhs.gov. Medicaid guidelines vary by state. Contact your local Medicaid office for details.

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YOUR FINANCIAL AFFAIRS— WHAT YOUR CHILDREN SHOULD KNOW

Many parents may find it uncomfortable, or may believe it unnecessary, to inform their children about their personal matters. Yet, preparing your family can help everyone feel better about your financial and health care wishes, and can ease the decision-making process in many areas.

As you grow older, it can be advantageous for your children to gain at least some awareness of your financial, estate, and medical arrangements that could affect the entire family. This knowledge need not include exact facts and figures but should include:

- **Life Insurance.** Life insurance is typically purchased to provide cash to help cover mortgages, liabilities, expenses, and estate taxes, as well as to help provide lost income. Knowledge of the existence and whereabouts of life insurance policies can be of critical importance. A policy locked in the deceased's safe deposit box may cause unnecessary delay or may never be found.

- **Other Insurance.** Adult children should be aware of any and all insurance policies—including health, disability income, and long-term care—that you may have. If you are age 65 or older, they should also have a basic understanding of **Medicare** coverage and be aware of any health insurance policies that go beyond coverage provided by Medicare. Older adults can greatly benefit when their children understand and follow appropriate procedures and submit any necessary forms in a timely manner.

- **Wills.** It is important to prepare a will in order to avoid leaving the disposition of your estate up to your particular state and its laws. To help ensure assets are distributed according to your wishes, both you and your spouse should prepare wills, review them

regularly, and make necessary updates as circumstances warrant.

Although the exact contents may be kept private, the existence and location of wills should be disclosed to all family members. Wills should not be kept in bank safe deposit boxes, which may be sealed at death. The original will can be left for safekeeping with your attorney.

- **Trusts.** Although wills accomplish many estate-related tasks, trusts may help protect your estate from unnecessary taxation or mismanagement by individuals who might lack the prudence to handle matters appropriately. Trust documents should be kept with wills for ease of access. You should discuss pertinent terms with those who will be involved. As children reach adulthood, it is common for parents to select a responsible son or daughter to act as a **trustee** in the event of the parents' deaths.

- **Living Will.** This document specifies your preferences regarding the administering or withholding of life-sustaining medical treatment. Under many state statutes, a patient must be considered “terminal,” “permanently unconscious,” or in a “persistent vegetative state” before life support can be withdrawn. Copies of living wills should be made available to anyone who would be involved with the care of you or your spouse, and the originals should be kept in a safe, readily accessible storage place.

- **Health Care Proxy.** This legal instrument allows you to appoint a person to act as an agent on your behalf to make medical decisions if you should become incapacitated. A copy of the health care proxy should be filed with your primary doctor and your hospital, if possible. The individual appointed as your agent should also retain a copy, and you both should carry

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- **Medicaid covers long-term care, with strict eligibility requirements.** In the AARP Public Policy Institute report, *Medicaid and Long-Term Services and Supports for Older People*, roughly one third of Medicaid spending goes toward funding long-term care (AARP, 2005). Medicaid also covers a limited amount of services offered at home, and in the community, for those who might otherwise require nursing home care. Unfortunately, without advance planning, you will generally be required to substantially reduce or even nearly exhaust all your financial resources before meeting Medicaid's stringent eligibility criteria.

- **Those ineligible for Medicaid generally use personal assets.** Unless you are covered by **long-term care insurance**, you will most likely have to rely on your personal funds before becoming eligible for Medicaid. With today's high cost of long-term care, you could see your savings vanish quickly.

- **Long-term care insurance can help pay for long-term care.** Private long-term care insurance can be used to help cover the cost of care. You may want to consider having a policy benefit period that is at least as long as Medicaid's "look back" period (the time during which the transfer of assets will result in the disqualification for Medicaid), so that you may be able to protect your assets from being used to cover the cost of long-term care.

Covering All Bases

It is important to realize that long-term care planning is important not only for your own psychological and financial well-being, but also for the peace of mind of family members or caregivers who may need to provide emotional and/or financial assistance in future years. Consider reviewing your financial situation with a qualified professional who has experience in long-term care issues. ○

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a copy with you at all times if you anticipate that medical care may be required.

- **Durable Power of Attorney.** With a durable power of attorney, an individual or financial institution may act as an agent to oversee your legal and financial affairs in the event of incapacity. Grown children need to be informed of the steps taken to ensure the competent direction of your affairs, but their actual *involvement* in your affairs can be limited, if so desired. A power of attorney automatically terminates upon the death of the principal.

- **Assets and Debts.** It can be beneficial for your children to know that a list of assets and debts exists, without necessarily seeing the list itself. An asset list, developed and updated regularly, may include information on your

bank accounts, real estate holdings, pension holdings, annuities, business agreements, brokerage accounts, boats, cars, works of art, collectibles or other valuables, and insurance policies. A debt list should include information on your current mortgages, consumer indebtedness, personal loans, and business obligations. Both lists should identify *where* paperwork and associated files can be found.

At first glance, preparing these lists and associated documentation may appear burdensome. However, once completed, both parents and children can enjoy a sense of confidence that the thoughtful planning they have implemented will ultimately be properly fulfilled. Planning ahead will ultimately make future events easier. ○

HEALTH NEWS

Exercise Lengthens Mobility

The May edition of *The Journal of the American Geriatrics Society* reports findings from a new study conducted by Dr. Marjolein Visser of Vrije Universiteit in Amsterdam. With the aid of 3,075 adults ages 70-79, Visser determined that seniors who exercise and remain active are less likely to develop trouble walking or climbing stairs. At the outset of the study, all participants said they could easily climb stairs or walk a quarter of a mile. Over a four and a half year period, 47% of women and 34% of men began to find these activities difficult, but inactive participants were two times as likely to struggle compared to those who exercised regularly. Even those who merely maintained an active lifestyle were less likely to develop motor impairments. The researchers suggest that just walking for over an hour per week may help greatly reduce future problems with movement.

(Source: *Journal of the American Geriatrics Society*, May 2005)

Friends Promote Longevity

The British Medical Association (BMA) has published a study that indicates older persons with groups of close friends tend to live longer than those without. Approximately 1,500 Australians were interviewed regarding health, economics and social backgrounds in 1992. In 2002, the researchers found that those with strong ties of friendship were 22% less likely to have died as compared to those who were closer to relatives. The researchers hypothesize that friends help encourage healthy lifestyles and also promote better psychological health and outlook.

(Source: *Journal of Epidemiology and Community Health*, 2005)

Fighting Breast Cancer: Risk Factors and Prevention

In the United States, breast cancer is the most common form of, and leading cause of, cancer-related deaths among women ages 40 to 59. It is second only to lung cancer in terms of cancer-related deaths for women. An estimated 216,000 women will be diagnosed with breast cancer this year; 40,000 of these women will die.

The reasons why some women develop cancer while others don't are linked to a variety of risk factors. Uncontrollable risk factors include getting older, having a family history of breast cancer, having a previous biopsy showing a pre-cancerous condition, having menstruation begin before the age of 12 or end after the age of 55, and having a genetic mutation in the breast cancer genes. Other risk factors include consuming more than one drink per day, exposing yourself to high doses of radiation or ultraviolet rays from the sun, and taking oral contraceptives for longer than a five-year period.

Doctors suggest three screening methods to look for breast cancer: monthly breast self-exams, clinical breast exams every three years after you turn 20 and every year after you turn 40, and mammograms. While these may not prevent you from developing cancer, early detection is still the number one tool in ensuring you can fight and ultimately survive.

(Source: Susan G. Komen Breast Cancer Foundation, www.komen.org, 2005).

