



Wealth Resources Network
The Wealth Achievement Center of CNY

LONG TERM CARE NEEDS

As people grow older, they should begin to make plans for later years. It is important to think about retirement and those activities you would like to pursue. It is important also to think about the possibility that, at some time, you or a loved one might require some help with ordinary everyday activities or need care over an extended period.

Usually, when people think of long term care, they think of nursing homes. Long term care means more than nursing home care. It also means, for example, home health, personal care or help with chores. However, many people have limited financial resources available and this is a major factor in one's ability to obtain the care or services needed.

Social Security was never intended as a complete security program for retired people. Medicare is not intended to cover long term care. Ordinary health insurance does not cover long term care. There are, however, long term care insurance policies becoming available in the marketplace. It is important to understand how the costs of long term care are paid and how to evaluate your needs and private insurance options that may be available to you.

WHERE THE NEED ARISES

Many think that long term care means nursing homes; in reality, it means much more. Long term care also means medical, personal and social services provided at home, in a community program such as an adult day care center or in a nursing home.

If an illness or disability made it impossible for you to carry on as you do today, would you know how to find help? Do you know what services cost? Do you know what protection Medicare and your current private insurance coverage offer regarding long term care?

Long term care is distinguishable from acute care such as that provided in a hospital. It refers to the level of care needed by those people with chronic illness or disability requiring continued support.

Private long term care insurance differs from the usual health care insurance with which most people are familiar. Long term care insurance is emerging as one way to cover the costs of caring for the chronically ill not typically covered by health insurance plans. It appears to be one option that makes up for the lack of public funding programs.

Private long term care insurance is beginning to appear in the marketplace. Although it is not yet widely available and policies vary considerably, this approach holds some promise as one way to cope with the high costs of chronic illness.

HOW SERIOUS IS THE NEED?

Long term care has become the greatest health care need of older people. It represents the primary catastrophic health care expense today.



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Every day, thousands of people in this country turn age 65. More than 2.5 million people are over age 85. The likelihood of chronic illness or disability increases with age. Nearly one person in five, age 65 or older will use a nursing home at some time. For every person in a nursing home, another two or three people in the community have at least the same, if not greater, need.

The nature of services required may vary widely. People may need help around the house, with shopping, or with transportation. They may need personal care (such as help with bathing or dressing), rehabilitative care such as that following a stroke or intensive long term skilled nursing care. Some may be fortunate enough to have family and friends to help. For many, however, the cost of receiving needed care and services can reach devastating proportions.

The only way to avoid crisis decision making and to cope with exorbitant financial demands is to plan ahead by thinking about your potential needs, your personal preferences and the costs associated with your choices.

THE COST OF LONG TERM CARE

Depending on the level of care provided, the cost of care in a nursing home averages \$58,000 a year, and can easily exceed \$100,000 or even \$125,000 depending on location and the level of care which is required.

Half of all nursing home expenses are paid directly by individuals and their families. A recent study conducted for the House Aging Committee found that approximately two-thirds of single older people and one-third of couples were impoverished after only 13 weeks of nursing home confinement.

Long term care provided at home is also costly. Home health care provided by licensed professionals can range from \$10,000 per year for skilled nursing services to \$20,000 per year for home health aides and other supportive services.

UNDERSTANDING THE COVERAGES

Medicare is not intended to cover long term chronic care. However, this care is very often critical to a person's ability to remain independent. Coverage for long term care is limited and currently pays less than two percent of the nation's nursing home bills. Such policies generally cover only 100 days of skilled nursing care if an individual meets specified criteria and even then, there is a substantial co-payment. They rarely cover custodial care, which is most commonly needed by those with chronic illness.

Medicare will pay for home health care, but only under certain conditions. Personal care and supportive services are usually provided by home health aides. Medicare covers this level of care only if it is provided in conjunction with skilled nursing, and that is rarely the case.

Medicaid is a federal/state-matching program that covers services for the aged, blind and disabled poor. A variety of services may be offered at the option of the state to those individuals determined to be financially eligible. Becoming financially eligible generally means that a person has depleted assets and life savings.

In recent years, Medicaid paid less than 40% of nursing home costs.



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States are required to cover skilled nursing home care as well as home health care. Most states provide intermediate and custodial care to the categorically or medically needy.

Medigap or supplemental health insurance does not generally cover additional services, but rather pays the costs Medicare does not for covered services (e.g., hospital deductibles and physician co-payments). Some plans may pay for drugs or services such as private duty nurses. It is important to understand the coverage and limitations of supplemental policies.

All people over age 60 are eligible to receive services under the Older Americans Act, such as home delivered meals, chore services, adult day care and homemaker services. Through the Social Services Block Grant, low-income older people may receive similar services, but one may have to wait before services can be made available.

In summary, those services most likely to be covered by existing programs are those that are of a medical nature provided in an acute care setting (e.g., hospital). These programs typically are not able to address the needs of an Alzheimer's victim, a person with crippling arthritis, a person whose rehabilitation potential following a stroke is limited or a person with extensive vision impairment. That continually increasing segment of the population coping with chronic and disabling conditions is virtually "on its own."

The private sector has begun to respond to these gaps in the financing system. Long term care insurance represents one response. In planning for potential long term care needs, consumers must be informed about how to evaluate policies based on individual needs and preferences.

Source: GE Financial, Long Term Care Division, GE Long Term Care Insurance Nursing Home Survey, March 2002.