



PAYING FOR LONG-TERM CARE

BY DANIEL PURTELL

The first step in planning for long-term care is realizing that most of us will need it for some period of time before we die, and that the cost of this care can be financially devastating for a family if it's not planned for in advance. The second step is determining how to pay for long-term care that may be needed for you, your spouse, or another family member.

Key Takeaways

- Long-term care is not covered by health insurance, disability insurance, or Medicare.

- You have limited options for how these expenses can be paid.
- The best way to plan for a long-term care expense is to accept it as a requirement in your overall financial planning and seek professional assistance.

Who Pays for Long-Term Care?

Many people are surprised to learn that long-term care is not covered by health insurance, disability insurance, or Medicare. Health insurance plans only cover nursing home expenses for

a short period of time while you recover from an illness or injury. Disability income insurance will replace part of your income if you're unable to work for a period of time, but does not pay for long-term care. Medicare, which covers most people age 65+, provides limited coverage for skilled care up to 100 days immediately following hospitalization. After that, you're on your own.

How Can You Pay for Long-Term Care?

- Self-insure by using your own assets. If you need long-term care,

pay for it from your own assets. If you don't need care, then you will not have spent money on insurance premiums and can set aside an amount for this specific purpose or have the expenses paid from a general investment fund.

- Long-term care insurance. This is traditionally a good option, especially if you have assets and income to protect, you want to avoid being a financial burden on others, and you want to have a say in the care you receive. Most policies give you the option of receiving care in your own home or a private-pay facility. As with any insurance, premiums are lower when you're younger and in good health; if you wait too long, the cost could be prohibitive and you might not qualify. In recent years, premiums have gone up because insurance companies underestimated the actual costs.

- Purchase life insurance and annuities with long-term care benefits. Some life insurance policies have accelerated death benefits that will pay if the insured has a care issue, as do some annuity products. The premiums will be higher, but may be worth exploring.

- Qualify for Medicaid. Medicaid pays for a large number of people in nursing homes today, but because the program is designed to provide services for those who cannot support themselves—children, the disabled, and the poor—you'll have to spend down your assets and be practically penniless in order to qualify for benefits. Your spouse

will also be limited to the amount of assets and income he or she can have, and you'll only be able to receive care from a facility that accepts Medicaid.

Explore a Medicaid Trust

When properly prepared, these irrevocable trusts can help people qualify for Medicaid without impoverishing the well spouse or spending the children's inheritance. Five years must pass between the time assets are transferred to the trust and when the person is deemed eligible for Medicaid. This is known as the look-back period. Long-term care insurance is often used to cover the look-back period if care is needed before qualifying for Medicaid. Assistance from an elder law attorney who has extensive experience with these trusts is essential.

The benefit of planning for long-term care costs is the peace of mind that comes from being prepared, and, if applicable, knowing that care can be provided without destroying the financial well-being of your family.

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ADVANCE HEALTHCARE DIRECTIVES

An advance healthcare directive is also known as a living will. It's important to put your legal and medical preferences in writing. Visit the Legal category in the General section for assistance to learn about the important options you have to protect your wishes if and when you are unable.

WISCONSIN MEDICAL SOCIETY
(866) 442-3800
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EMERGENCY PREPAREDNESS

Have a plan in place before an emergency. Communicate your plans with family, friends, and neighbors.

PACK AN EMERGENCY KIT

with first aid supplies, blankets or sleeping bag, battery-powered radio, flashlights, extra batteries, weather radio.

If you have a pet, plan ahead for pet needs, including supplies of food and water and a pet carrier.

Have prescription medications and any special medical supplies ready.

Place the following items in a plastic, lidded container:

- Three-day supply of water (about five gallons for each person)
- Three-day supply of nonperishable food
- Three-day supply of high-energy foods, such as granola bars, trail mix, peanut butter, jelly, and crackers

You can find more information on emergency plans and supply kits at [ready.gov](https://www.ready.gov).

