

What is Long-Term Care?

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In our last news letter, we considered the cost of Long Term Care in comparison to the value of an acre of farm land. Now let us consider - Just what is Long Term Care – besides expensive. When people consider the subject of long-term care, they often think about nursing homes. In fact long-term care has little to do with nursing homes. Understanding the difference can help you protect your family and finances.

The Consequences of Living Longer

Long-term care is a continuum of care services and housing you will need when you live a long life. Think you won't live a long life? If you truly think this is correct, why have you worked so hard for your retirement/investment account? You have a family history? Think back 25 years ago. If you had a stroke, cancer or a stroke, you simply died. Few ever heard of Alzheimer's. Today it is the leading cause for long-term care services. The longer you live, the more likely you are to need care. The question is not who will take care of you, because your family will most often, but rather what providing that care will do to your family and finances.

Long-Term Care is Usually Custodial Care

Long-term care is defined as needing assistance with your activities of daily living (toileting, bathing, dressing, eating, transferring from one point to another and continence). It also includes cognitive impairment so severe that the individual needs constant supervision. The key here is “assistance” in performing the activities. Custodial care is simply maintaining your current degree of function or activity – not getting better or worse.

If you need custodial care, chances are it will be delivered in the home or community, not in a nursing home. Many of you have heard compelling statistics from The New England Journal of Medicine stating that 43% of those over age 65 will need nursing home care. When used in a sales presentation, this is a scare or pressure tactic to get you to purchase a product. What the article actually said is statistically, that number of folks may spend some time in a facility. The fact is, few end their days in a nursing home.

Every study conducted finds that care is overwhelmingly provided at home. The key questions, of course, are who is going to provide the assistance and who will pay for it?

Who Provides the Assistance?

Based on my own family experiences, the by and large most assistance is being provided by the spouse, or in their absence, the children and/or in-laws. A major obstacle to this arrangement, especially with spousal caregivers is pride. A parent – either the one needing care or the caregiver is reluctant to ask for help for fear of being a burden on their children/family or fiends. They are used to being seen as the one who provided for the family needs and independent. They absolutely do not want to be seen as being incapable of handling life's daily challenges. I've personally seen this situation take place where after several months of 24/7 caring for a spouse, the caregiver has keep a image up as if everything is great – not asking for any assistance and then ends up themselves in as bad or worse shape than their “impaired” mate. When children care for their parents, problems can also arise due to their own family situations, siblings having different views on “Momma's” care needs, employment obligations and our mobile society moving children away from the home place.

Besides the obvious family or friend care giver, assistance can be provided by Home Health Agencies, Community Based Care Centers, Adult Day Care Centers, etc.

Covers the Cost?

Medicare, the primary health care program for retirees pays only for skilled or rehabilitative care, not custodial care in any venue. In other words, for Medicare to pay for services, it must be medically based services where the patient is improving in their condition.

Medicaid, a federal and state program for financially needy individuals will pay for custodial care, but primarily in nursing homes. Funding for home care and assisted living is very limited and based on availability of funds.

Veterans believe that the VA will pay for home care, adult day care or assisted living. As with Medicaid, funding is limited and generally based on service-related disability. In fact the federal government has as much said this to veterans by encouraging them to purchase long-term care insurance through the new Federal Long-Term Care Insurance program.

The result is that consumers are forced to pay privately for their care. Unfortunately, the best thought-out retirement plan rarely takes into consideration living a long life. Put another way, those assets and income have been allocated to pay for retirement, not for the consequences of living a long life. This results in the need to invade principal and divert income. As a result, one of the seniors' greatest fears of outliving their assets may literally come true.

The Role of Long-Term Care Insurance

The use of long-term care insurance thus becomes an important part of planning for disability caused by living a long life. The product has two roles: helping keep families together and allowing your retirement portfolio to execute for the purpose for which it was intended, namely retirement.

From your own family perspective, you need to consider who will be providing your care. Like it or not, children will play a key role. Long-term care insurance (LTCI) doesn't replace the need for family involvement in providing care but rather builds on it. It pays professionals to assist the person with the toughest tasks such as toileting, bathing, feeding and continence. This, in turn, allows the family to provide care better and longer at home. That leads to a critical question: have YOU planned for the consequences of living a long life?

From a financial point of view, LTCI allows your retirement plan to stay in tact. That is particularly important given the recent steep decline in portfolio value. The product, in effect protects the balance of your account value. LTCI also protects income. Although you may qualify for Medicaid to pay for nursing home costs by transferring assets, your income (pension, social security, IRA and or 401k payout) cannot be protected.

When buying this insurance, look for a long-term care specialist. Consider their training, educational credentials and commitment to help solve your long-term care needs. The key is whether they talk first about a plan or a product. If they are interested in the plan, you are dealing with a professional. If focus first on product and price, consider getting another opinion.

Mark H Davis has earned the designation "Certified in Long-Term Care" or CLTC, after completing a rigorous multidisciplinary course focused on the profession of long-term care. Additional information may be obtained by calling the NC State Grange Office at 1-800-432-4857, or by e-mail at ncgrangelifebenefits@direcway.com and a NC Grange Agent in your area will be in contact with you.