

# How Much Do You Really Know About Long-Term Care?

*Separating some eldercare facts from some eldercare myths.*

Provided by Caritas Financial

**How much does eldercare cost, and how do you arrange it when it is needed?** The average person might have difficulty answering those two questions, for the answers are not widely known. For clarification, here are some facts to dispel some myths.

**True or false: Medicare will pay for your mom or dad's nursing home care.**

**FALSE**, because Medicare is not long-term care insurance.<sup>1</sup>

Part A of Medicare will pay the bill for up to 20 days of skilled nursing facility care – but after that, you or your parents may have to pay some costs out-of-pocket. After 100 days, Medicare will not pay a penny of nursing home costs – it will all have to be paid out-of-pocket, unless the patient can somehow go without skilled nursing care for 60 days or 30 days including a 3-day hospital stay. In those instances, Medicare's "clock" resets.<sup>2</sup>

**True or false: a semi-private room in a nursing home costs about \$35,000 a year.**

**FALSE**. According to Genworth Financial's most recent Cost of Care Survey, the median cost is now \$85,775. A semi-private room in an assisted living facility has a median annual cost of \$45,000 annually. A home health aide? \$49,192 yearly. Even if you just need someone to help mom or dad with eating, bathing, or getting dressed, the median hourly expense is not cheap: non-medical home aides, according to Genworth, run about \$21 per hour, which at 10 hours a week means nearly \$11,000 a year.<sup>3,4</sup>

**True or false: about 40% of today's 65-year-olds will eventually need long-term care.**

**FALSE**. The Department of Health and Human Services estimates that close to 70% will. About a third of 65-year-olds may never need such care, but one-fifth are projected to require it for more than five years.<sup>5</sup>

**True or false: the earlier you buy long-term care insurance, the less expensive it is.**

**TRUE**. As with life insurance, younger policyholders pay lower premiums. Premiums climb notably for those who wait until their mid-sixties to buy coverage. The American Association for Long-Term Care Insurance's 2018 price index notes that a 60-year-old couple will pay an average of \$3,490 a year for a policy with an initial daily benefit of \$150 for up to three years and a 90-day elimination period. A 65-year-old couple pays an average of \$4,675 annually for the same coverage. This is a 34% difference.<sup>6</sup>

**True or false: Medicaid can pay nursing home costs.**

**TRUE**. The question is, do you really want that to happen? While Medicaid rules vary per state, in most instances a person may only qualify for Medicaid if they have no more than \$2,000 in "countable" assets (\$3,000 for a couple). Countable assets include bank accounts, equity

investments, certificates of deposit, rental or vacation homes, investment real estate, and even second cars owned by a household (assets held within certain trusts may be exempt). A homeowner can even be disqualified from Medicaid for having too much home equity. A primary residence, a primary motor vehicle, personal property and household items, burial funds of less than \$1,500, and tiny life insurance policies with face value of less than \$1,500 are not countable. So yes, at the brink of poverty, Medicaid may end up paying long-term care expenses.<sup>4,7</sup>

Sadly, many Americans seem to think that the government will ride to the rescue when they or their loved ones need nursing home care or assisted living. Two-thirds of people polled in another Genworth Financial survey about eldercare held this expectation.<sup>4</sup>

In reality, government programs do not help the average household pay for any sustained eldercare expenses. The financial responsibility largely falls on you.

**A little planning now could make a big difference in the years to come.** Call or email an insurance professional today to learn more about ways to pay for long-term care and to discuss your options. You may want to find a way to address this concern, as it could seriously threaten your net worth and your retirement savings.

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#### **Citations.**

1 - [medicare.gov/coverage/long-term-care.html](http://medicare.gov/coverage/long-term-care.html) [6/5/18]

2 - [medicare.gov/coverage/long-term-care.html](http://medicare.gov/coverage/long-term-care.html) [6/5/18]

3 - [fool.com/retirement/2018/05/24/the-1-retirement-expense-were-still-not-preparing.aspx](http://fool.com/retirement/2018/05/24/the-1-retirement-expense-were-still-not-preparing.aspx) [5/24/18]

4 - [forbes.com/sites/nextavenue/2017/09/26/the-staggering-prices-of-long-term-care-2017/](http://forbes.com/sites/nextavenue/2017/09/26/the-staggering-prices-of-long-term-care-2017/) [9/26/17]

5 - [longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html](http://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html) [10/10/17]

6 - [fool.com/retirement/2018/02/02/your-2018-guide-to-long-term-care-insurance.aspx](http://fool.com/retirement/2018/02/02/your-2018-guide-to-long-term-care-insurance.aspx) [2/2/18]

7 - [longtermcare.acl.gov/medicare-medicaid-more/medicaid/medicaid-eligibility/financial-requirements-assets.html](http://longtermcare.acl.gov/medicare-medicaid-more/medicaid/medicaid-eligibility/financial-requirements-assets.html) [10/10/17]