



Feature Article  
January 2021

## LTC (Long-term Care): A Potential Funding Conundrum

### *Don't Let LTC Derail Your Retirement Plan*

(Word Count: 738)

No one expects to need long-term care, nonetheless it's important to plan for it. The odds of needing long-term care are high. As of 2018, the U.S. Department of Health and Social Services reports that 70 percent of those 65-years old, will need long-term care at some point in their lives. Of that group, about 21 percent will need it for more than five years.

While that is not the typical example, still the average long-term stay is about two and a half years. The cost can be quite expensive in a **skilled care nursing facility**, even for a short stay. The average daily rate in 2019 for a semi-private room in Wisconsin was \$315 per day, according to Genworth Financial; annually, that's nearly \$115,000.

There are other long-term care options that are less onerous, but they will still devastate many retirees living on a fixed income. **Assisted living facilities**, where people don't need skilled care but can get help with essential routine tasks, are less expensive. Still, the annual costs average nearly \$54,000, according to Genworth.

For those able to stay in their home, the cost of a visiting home health aide typically costs \$27-28 per hour. A lower cost option, adult day care, can allow someone to continue to live at home with family; it costs, on average, \$75 per day.

It's very important to note that Medicare is not an option for Long Term Care. Coverage of skilled nursing care is limited to a 100-day benefit period and requires at least three days of hospitalization before being admitted to a facility. It is fine for someone who is recovering from recent surgery or an acute case of pneumonia and needs recovery or rehabilitation, but it's not an answer for someone with Alzheimer's disease or a debilitating chronic condition.

Moreover, "covered" doesn't mean free. While Medicare pays all expenses for the first 20 days, the next 80 cost a resident \$176 a day—that is, *if* coverage for the full 100 days is approved. Consumer advocates report that approval for much shorter stays is more likely.

Medicare will also cover an unlimited number of days of *part-time home healthcare for homebound seniors*, although getting approval can be challenging. Medicare will not cover care in assisted living facilities.

### **Answer-1: Can You Pay Out of Pocket?**

Self-funding is for the financially fortunate. It is especially attractive to those who don't wish to buy long-term care insurance or who would be turned down for medical reasons. It hardly needs to be said that reasonably substantial assets that provide steady cash flow are necessary. "Substantial" income depends on where you live, among other things, but generally it means at least a few thousand dollars each month. If you have a very good income from a pension, from Social Security or from investments, you may be able to self-insure without depleting all your assets.

### **Answer-2: Can You Buy Long-Term Care Insurance?**

A long term-care insurance policy may enable you to transfer a portion of the economic liability of long-term care to an insurance company in exchange for regular or lump sum premiums. A long-term care policy pays a specified daily amount for *nursing home care* for a specified number of years or for the policyholder's lifetime. It can cover care in other settings as well, such as in the home or in an assisted living facility. Clearly, insurance can help to protect you and your family from the potentially devastating cost of a long-term disabling medical condition, chronic illness or cognitive impairment.

### **Answer-3: Do You Qualify for Medicaid Spend Down**

Medicaid is a joint federal and state program that covers medical bills for the needy. If you qualify, it may help with some of your long-term-care costs, however, the Medicaid program is essentially welfare and to qualify, you generally must have a very small amount of assets or, you must spend down your existing assets to an approved level.

We actively and carefully help our clients determine their best options. It is never too early to begin weighing your choices, to determine how you intend to fund long-term care, and to engage professional help to guide you through the process.

Call **Oak Tree Financial Services in Brookfield** for assistance, at 800-757-6837 or email either Brad Olson or David Wahl, at [Brad@OTFSllc.com](mailto:Brad@OTFSllc.com) or [David@OTFSllc.com](mailto:David@OTFSllc.com). Oak Tree's newly refreshed educational website is [OTFSllc.com](http://OTFSllc.com).

**Oak Tree Financial Services, LLC**  
**13555 Bishops Court, Suite 255**  
**Brookfield, WI 53005**  
**800-757-6837 (Website: OTFSllc.com)**

Securities and investment advisory services offered through Woodbury Financial Services Inc., member FINRA/SIPC. Woodbury Financial Services, Inc., is separately owned, and other entities and/or marketing names, products or services referenced here are independent of Woodbury Financial Services, Inc.