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Coordination of Long-Term Care with Government Benefits





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What does "coordination with government benefits" mean?

In the context of long-term nursing home care, a number of governmental (and governmentally regulated) programs and tools exist to help you pay for this care. Medicare, Medicaid, Medigap, and long-term care insurance (LTCI) (combined with Medicare) can each assist you to pay for your long-term nursing-home care, assuming you meet their respective qualifications.

What is long-term care?

Long-term care refers to a broad range of medical and personal services designed to assist individuals who have lost their ability to function independently. The need for this care often arises when physical or mental impairments prevent you from performing certain basic activities, such as feeding, bathing, dressing, transferring, and toileting.

Long-term care may be divided into three levels:

- Skilled care--continuous "around-the-clock" care designed to treat a medical condition. This care is ordered by a physician and performed by skilled medical personnel, such as registered nurses or professional therapists. A treatment plan is established, and it is usually contemplated that the patient will recover at some point.
- Intermediate care--intermittent nursing and rehabilitative care provided by registered nurses, licensed practical nurses, and nurse's aides under the supervision of a physician.
- Custodial care--care designed to assist one perform the activities of daily living (such as bathing, eating, and dressing). It can be provided by someone without professional medical skills but is supervised by a physician.

What is Medicare and to what extent does it subsidize long-term care?

Medicare is a federal health insurance program for people age 65 and older, certain disabled individuals under age 65, and people of any age with permanent kidney failure. Medicare is divided into two parts: Part A is a hospital insurance program, and Part B is a medical insurance program:

- Part A covers: (1) inpatient hospital care, (2) inpatient care in a skilled nursing facility (SNF), (3) home health care, and (4) hospice care
- Part B covers: (1) doctors' services, (2) home health care services (for persons not covered by Part A), and (3) certain other outpatient medical services and supplies not covered by Part A

Medicare was not designed to address custodial and intermediate long-term care needs at institutional facilities. Although Medicare will subsidize skilled medical care in nursing facilities, it will pay for only a certain number of days per year and requires a co-payment after a period of time. In addition, numerous rules exist governing when a beneficiary will qualify for benefits. To qualify for Part A's SNF care benefit, the patient must have been hospitalized for at least three days before entering a Medicare-approved SNF. (The patient has 30 days from his or her hospital discharge date to enter the SNF.) Furthermore, a doctor must certify that the patient needed and received skilled nursing care or skilled rehabilitation on a daily basis at the SNF. Assuming these conditions have been met, Medicare will pay for skilled care in the following manner:

- Medicare will pay the full cost of SNF care for the first 20 days in each benefit period (year).
- The patient must pay a daily co-payment for days 21-100. This co-payment figure increases each year and amounts to \$164.50 per day in 2017.
- After the 100th day of SNF care, the patient must pay all costs.

Example(s): Hal was eligible for Medicare, had a stroke, and was hospitalized for four days. Subsequently, he entered an SNF and remained there for the rest of the year (receiving skilled care for the first 30 days and custodial care for the rest of the year). The daily cost of care in his SNF is \$250. Hal's expenses for the year may be calculated as follows:

Days 1-20.

Medicare pays 100% (20 x \$250) = \$5,000



Days 21-30.	Hal pays at rate of \$164.50 per day (10 x \$164.50) = \$1,645
Days 21-30.	Medicare pays balance (10 x \$85.50) = \$855
Days 31- 365.	Hal pays full amount (335 x \$250) = \$83,750

Example(s): Therefore, while Hal ended up paying \$85,395 out-of-pocket for his long-term care over the course of the year, Medicare paid only \$5,855.

The preceding example illustrates the inadequacy of Medicare when it comes to paying for long-term care in a nursing facility. In such facilities, Medicare will pay for skilled care only--it will not pay for custodial care. Medicare is more valuable when it comes to home health care.

What is Medigap insurance and to what extent does it subsidize long-term care?

Medigap is supplemental insurance sold by private insurance companies to fill in some of Medicare's gaps in coverage. Medigap is an individual health plan that provides benefits for all or part of the deductible and coinsurance amounts not covered by Medicare. Certain benefits not covered by Medicare, such as payment for prescription drugs, may also be covered under particular Medigap plans.

With respect to long-term care, some (but not all) Medigap plans will subsidize the \$164.50-per-day co-payment for days 21-100 of skilled nursing home care under Medicare Part A. Thus, your first 100 days in a given year of skilled care provided in an SNF will be free of charge. However, you will still have to pay the full cost out-of-pocket for the rest of the year. And bear in mind that Medigap will not pay for intermediate and custodial care in nursing homes.

Example(s): Victor owned a Medigap policy that covered the SNF \$164.50 co-payment for days 21-100. After a six-day hospitalization, Victor entered an SNF, where he received skilled medical care for 90 days and custodial care for the rest of the year. The daily cost of care in his SNF is \$250. Victor's expenses for the year may be calculated as follows:

Days 1-20.	Medicare pays 100% (20 x \$250) = \$5,000
Days 21-90.	Medigap co-pays (70 x \$164.50) = \$11,515
Days 21-90.	Medicare pays balance (70 x \$85.50) = \$5,985
Days 91-365.	Victor pays full amount (275 x \$250) = \$68,750

What is Medicaid and to what extent does it subsidize long-term care?

Medicaid is a joint federal-state program providing medical assistance to low-income individuals who are aged, disabled, or blind (and to needy, dependent children and their parents), and who cannot otherwise afford the necessary care. Medicaid pays for a number of medical costs, including hospital bills, physician services, and long-term nursing care.

To qualify for Medicaid's long-term care benefits, you must be financially and medically eligible. Financial eligibility is based on the amount of your income and assets, and although many people are not financially eligible for Medicaid when they first enter a nursing home, many states allow elders to "spend down" their assets to become eligible.

Typically, Medicaid beneficiaries must require some skilled medical care (e.g., intravenous feeding, treatment of dressings), but a medical condition requiring assistance with activities of daily living can also be part of the eligibility requirements. Thus, intermediate care in an institution will be subsidized in most states, as will home health care and personal care services at home.

Medicaid is the largest single payor of nursing-home bills in America and is the last resort for people who have no other way to finance their long-term care. Unfortunately, however, because Medicaid mandates income and asset thresholds, many people are forced to exhaust their lifetime savings to become eligible for Medicaid.

What is long-term care insurance (LTCI), and to what extent does it



subsidize long-term care?

Long-term care insurance (LTCI) pays a selected dollar amount per day for a set period for skilled, intermediate, or custodial care in nursing homes and other long-term care settings. Because Medicare and other forms of health insurance do not pay for intermediate care in a nursing facility and custodial care in general, many nursing home residents have only three alternatives for paying their nursing home bills: cash, Medicaid, and LTCI.

Most policies will let you select the amount of coverage you want, typically running anywhere from \$50 to \$350 or more per day. A very comprehensive LTCI policy will cover skilled care, intermediate care, home care, adult day care, hospice care, and assisted living care.

Example(s): Dick and Martha are a married couple considering the purchase of an LTCI policy. Each policy pays \$150 per day. Policy A offers a 20-day elimination period and charges a \$3,500 annual premium. Policy B offers a 90-day elimination period and charges a \$2,000 yearly fee. If Martha enters a nursing home after 10 years, requires 20 days of skilled care during her first year, and intermediate care for the remainder of that year, benefits may be calculated as follows:

Example(s): Policy A:

Days 1-20.	Medicare pays 100%; policy pays nothing
Days 21-365.	Policy pays all charges

Example(s): Policy B:

Days 1-20.	Medicare pays 100%; policy pays nothing
Days 21-90.	Medicare pays nothing for intermediate care Martha pays 70 days x \$150 = \$10,500
Days 91-365.	Policy pays all charges

Example(s): Under Policy A, Martha paid 10 years' worth of annual premiums at the rate of \$3,500, for a total of \$35,000. Under Policy B, she paid 10 years' worth of annual premiums at the rate of \$2,000, for a total of \$20,000.

Example(s): An element of risk is always involved in the decision-making process. Martha and Dick need to consider whether entering a nursing home is a substantial likelihood, and, if so, approximately how many years shall pass before entry is required. They must also consider how much extra cash they have to spend on premiums now, and whether they'll be able to continue those payments well into the future.

Most policies provide that benefits will be "triggered" by certain physical and/or mental impairments. The most common method for determining when benefits are payable is based upon your inability to perform activities of daily living (ADLs). The most common ADLs are eating, bathing, dressing, continence, toileting, and transferring. Typically, benefits are payable when you're unable to perform a certain number of the ADLs, such as two out of the six or three out of the six.

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