

Understanding Long-Term Care

By Peter Murphy

During my career as a Retirement and Estate Planning Specialist, I discovered the principal impediment to understanding long-term care (LTC) begins with its definition. Simply stated, LTC is a variety of medical and non-medical services for people who have a chronic illness or disability. The purpose of LTC is not to cure these conditions, it is designed to allow patients to attain and maintain an optimum level of functioning and dignified living. In general terms, a long-term care situation exists when a person becomes cognitively impaired or unable to perform 2 of 6 activities of daily living. These six activities of daily living are bathing, dressing, eating, toileting, transferring (walking) and continence.

The likelihood of requiring LTC increases as we age, and unfortunately many of us are emotionally and financially unprepared for this situation. According to U.S. Census projections, the number of Americans age 65 or older will double by 2030 and two-thirds of today's 65 year-olds will require some period of LTC later in their lives. AARP indicates in its 2009 report "Across the States - Profiles on Long-Term Care and Independent Living" that the number of New Mexicans age 85 or older will grow by 123% between 2007 and 2030, only to be outgained by 4 other states in our country. Although LTC needs affect our elderly disproportionately, it's important to also recognize that almost 40% of people receiving LTC are between the ages of 18 and 65.

There are many misperceptions on how LTC is financed. Individual and group health care plans do not cover these costs. Medicare is a health care plan for our aged, not a LTC plan. Medicare will cover a portion of LTC expenses, in specific situations where skilled medical care is required for a limited period of time (up to 100 days). Otherwise, there are only three ways to pay for long-term care: personal resources, long-term care insurance or state welfare (Medicaid). All three methods are appropriate depending on a person's specific situation, but prudence dictates formulating a plan before a long-term care situation develops. LTC is expensive and can deplete a retiree's assets prematurely if not considered in the retirement planning process.

LTC services are available through many different facilities including; nursing homes, assisted living facilities, continuing care retirement communities, adult day care centers and in-home care. Many LTC recipients prefer in-home care, however Medicaid funding for the Home and Community-Based Services (HCBS) which provide in-home care is determined by individual states. Many states decline to fund HCBS from Medicaid resources, forcing LTC patients to enter a nursing home environment. Fortunately for New Mexicans, our state leads the nation in providing Medicaid funding for HCBS. Furthermore, US Census Bureau statistics demonstrate the cost to care for one LTC patient in a nursing home can provide support for nearly 3 adults with physical disabilities in a HCBS setting. Other states are beginning to follow New Mexico's lead in offering a larger percentage of Medicaid funding for HCBS to maximize limited federal and state resources.

For those of us who plan on leaving a portion of our accumulated wealth to our loved ones or charities, Medicaid is not an option. The remaining alternatives require additional savings to pay for a possible LTC event or purchase of a long-term care policy.

Many insurance companies offer LTC plans and the variety of options are plentiful. From full coverage – to cost share – to hybrid long-term care/life insurance/annuity products, each policy can be individualized to meet specific goals. Selecting the right LTC policy is no easy task. It requires research and discussion with LTC insurance professionals. Similar to life insurance, LTC insurance costs increase with age, as does the likelihood of being declined coverage. A 2008 survey of 250,000 LTC applicants conducted by the American Association for Long-Term Care Insurance providers, determined that 13.9% of applicants in the 50-59 age group were denied LTC coverage, and 22.9% of those in the 60-69 age group were likewise denied LTC coverage. LTC insurance is not the right answer for everyone, however if you want to maintain control of your life and resources as you age, and prefer to pass on your accumulated wealth to others, then LTC insurance might be your best option.

For more information on LTC, I recommend you visit the New Mexico Aging and Long-Term Care Services Department website at <http://www.nmaging.state.nm.us/> and AARP's website <http://www.aarp.org/>

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