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

Separating some eldercare facts from some eldercare myths.

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.¹

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.²

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.^{3,4}

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.⁵

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.⁶

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.^{4,7}

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.⁴

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 need 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](https://www.medicare.gov/coverage/long-term-care.html) [6/5/18]

2 - [medicare.gov/coverage/long-term-care.html](https://www.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 [5/24/18]

4 - 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 [10/10/17]

6 - 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 [10/10/17]