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**Government Programs or Private Resources:  
Alternatives for Paying for Long Term Health Care**

Due to continued improvements in lifestyle and medical technology, it comes as no surprise that as the first Baby Boomers began turning 60 in 2006, Americans are also living longer. When today's 40-year-olds reach age 65, over 17 percent of the nation's population will be age 65 or over. As a result, at least two out of five Americans can expect to need some form of long term health care during their lifetimes.

Today, all long term care in the United States is paid for in one of four ways: Medicare, Medicaid, Private Pay, and Long Term Care Insurance.

**Medicare** is an employment related federal health insurance benefit which pays for limited recuperative care associated with an illness or injury (such as a broken hip). This "convalescent" care is limited to qualifying physician-prescribed home health care, and/or a nursing home stay of no more than 100 days. Medicare does not pay for long term institutional care on an ongoing basis.

**Medicaid** is a jointly funded and administered state and federal welfare program that pays certain medical expenses for individuals whose financial resources fall short of the program's established minimums. It is the *only* government program that pays for *ongoing* long term care, albeit only for those persons deemed "medically needy," and only in nursing facilities which accept Medicaid.

While Medicaid also pays for limited home health care services, as a practical matter home care providers who accept Medicaid often have long waiting lists, thus limiting the availability of this option for many applicants. Even then, numerous ancillary items are not covered by Medicaid.

Restrictive changes to the Medicaid program have been made at the state level in 1996 and 2004, and at the federal level in 1993 and 1996. Additional federal law changes are likely. It has also become much more difficult for individuals who enter nursing homes as Medicaid recipients to find an acceptable facility in a convenient location that is willing to admit them.

**Private Payment** is an option that is available to individuals who have accumulated sufficient assets to generate enough monthly income to pay the costs of their care. More people than realize it *can* afford to pay privately if their assets are safely but more wisely invested to yield a reasonable rate of return.

**Long Term Health Care Insurance (LTCI)** is another option available to many individuals, but capitalizing upon it requires advance planning. Since the earlier the policy is purchased, the lower the premium, time is of the essence. However, even if not purchased early, LTCI is still available to most individuals regardless of age — it's simply a matter of cost. And a discount is oftentimes offered when spouses purchase LTCI simultaneously.

Consider the following when selecting a LTCI policy:

- **Stability of the Company.** Be sure that the company will still be there when you need it — possibly decades in the future.
- **Services Covered.** Numerous options are available today for long term care. These include not only nursing home care, but also home health care, assisted living residences, adult day care, respite care, and hospice care. Ask questions and learn about each one as you make your decision.
- **Daily Benefit.** Today, a benefit of \$110 to \$150 per day is standard. However, consider the effects of inflation and purchase a policy which increases your daily benefit annually to keep pace. Also, inquire about a Waiver of Premium during the period when the benefits are being received.
- **Elimination Period.** If you can afford to pay for your care for some period of time before the policy begins paying, you will realize savings in your premium. For example, a ninety day elimination period will result in a lower premium than a thirty day elimination period.

- **Term.** You must determine whether you want limited term or lifetime coverage. Inquire about Benefit Restoration which reinstates your full benefits after they have not been used for a specified period.
- **When are Benefits Payable?** LTCI policies establish the eligibility requirements for the payment of benefits. Most require that a physician certify that care is medically necessary. There may also be an assessment of the insured's ability to perform common Activities of Daily Living (ADL's), such as bathing, dressing, eating, toileting and transferring. However, because an individual with a cognitive impairment such as Alzheimer's Disease may still be able to accomplish the ADL's with little assistance, it is important to purchase a policy that also covers cognitive impairment, and does not require a hospital stay before benefits will be paid.

When compared to relying on state and federal programs, paying privately and purchasing LTCI are ideal and allow the individual more options and ultimate control over the availability, the location, and the quality of his long term health care.

