



## Careful planning can curb catastrophic long-term care costs

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No one likes to think about getting older, facing chronic illness or becoming too frail to safely live on our own.

But it happens, and when it does, seniors and their families are often unprepared, emotionally and financially.

In fact, because of poor planning, the Urban Institute reports that long-term care is a leading cause of catastrophic out-of-pocket costs for families.

Fortunately, there are steps we each can take to protect our assets and ensure that we have greater choice in long-term care options as we age — but only if we carefully plan ahead.

First, let's dispel a few myths.

A recent national poll found that most Americans believe that Medicare, Medicaid or Social Security will pay for their long-term care needs.

They are wrong. Social Security won't, Medicare won't except in very specific situations, such as short-term rehabilitation following surgery, and Medicaid only covers care for the very poor.

With 77 million baby boomers on the verge of retirement and our nation's entitlement programs stretched to the limit, it's never been more important for each individual to plan for his or her future needs.

For many seniors, one of the best ways to prepare for care is through long-term care insurance. This insurance can provide coverage for a full range of services, including home care, adult day care, personal care home/assisted living and nursing homes. It can also help families safeguard hard-earned assets.

Pennsylvania passed a new law last year that encourages the purchase of long-term care insurance by allowing residents to protect those assets on a dollar-for-dollar basis as well as offering possible federal tax incentives.

For example, the purchase of \$100,000 in long-term care coverage allows residents to keep \$100,000 in assets and still receive Medicaid if and when their insurance coverage runs out.

While there is no single rule of thumb to follow regarding coverage, financial experts say that unless you are poor enough to qualify for Medicaid, or wealthy enough to pay for your care as you do other bills, you should consider long-term care insurance. But be sure to compare policies and prices among insurance providers, as they can range greatly.

And be sure to buy a policy that covers in-home services as well as assisted living and nursing homes.

If you own your home, and are over age 62, a reverse mortgage may be another option. A reverse mortgage lets you tap into your home equity, and you don't have to pay back the loan for as long as you live there. Funds from a reverse mortgage could pay for renovations to make the home safer for an elderly loved one, for home health care, to provide family caregivers with funds for out-of-pocket expenses or to purchase long-term care insurance.

Some seniors choose to transfer assets to family members so they can qualify for Medicaid. If you do this, you must follow state and federal rules. The transfer of assets must take place a minimum of five years before care is needed or Medicaid eligibility will be denied. The risk is that if something unexpected happens, it's possible to have no assets to pay for care and no Medicaid coverage.

Finally, if you are over age 50, you may want to take advantage of "catch up" contributions to your 401(k) or IRA plans. You can shelter additional contributions and build a larger nest egg. Talk with a certified financial advisor who can help you understand how to best manage and protect your assets.

Perhaps the simplest step to take is to start talking now — husband to wife, children to parents. It may not be an easy conversation, but it's necessary.

The more you plan ahead, the more "golden" your senior years will be. For more information about planning for your long-term care, visit [www.phca.org](http://www.phca.org).

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