



Long-Term Care Planning Beyond Insurance

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A GROWING NEED

- People are getting older:
 - Seniors (65+) make up 14% of US Population.
 - Seniors will make up 20% within the next 20 years.
- 10,000+ people are turning 65 every day.
- People are living longer:
 - People are living longer than ever and "dramatic" gains in life expectancy show no sign of slowing down. (WHO 5/13/13)

A GROWING NEED

- People need help with long-term care.
 - 70% of people turning age 65 can expect to use some form of long-term care during their lives. (longtermcare.gov)
- Cost of long-term care going up.
 - Care costs will continue to grow (Genworth 2017 Cost of Care Survey).
 - Median daily rate for skilled care, semi-private \$235 (\$267 for private).
 - \$7,148-\$8,121/mo. (nationally)

SELF INSURANCE

- Having enough resources to pay for long-term care.
- Having enough principal to generate enough income pay for long-term care without erosion of principal.
- Having enough liquidity or cash flow to pay.
 - If the resources don't provide enough cash flow, advance planning may still be needed.

LONG-TERM CARE INSURANCE

- I am not opposed to long-term care insurance.
- A healthy person who can afford it will find it makes life easier.
- There are 2 major obstacles that a person faces when pursuing insurance:
 - High Cost
 - Strict Underwriting

MEDICARE

- Most people think it covers more than it does.
- Only covers 100 days in a skilled nursing facility.
- 100-day preceded by 3-day minimum hospitalization.

MEDICAID

- **Public-private partnership.**
- Requires a spenddown of assets.
- Does not require total impoverization.
- Penalty for transfer of assets.

VETERANS ADMINISTRATION

- Limited eligibility requirements.
- Requires a spenddown of assets.
- Does not require total impoverization.
- Penalty for transfer of assets (**AFTER 10/18/18**).

ASSETS EXEMPT FROM SPENDDOWN

What does not count towards the Medicaid Spenddown?

- **House (below equity limit)**
- **1 Vehicle**
- **Pre-Paid Funeral or Irrevocable Funeral Trust (at or below county limit)**
- **Personal Property**
- **Qualified accounts held by the community spouse**
- **Assets converted into Medicaid-compliant annuity**

MEDICAID ELIGIBILITY

- Strict asset limits:
 - Single Medicaid patient must spend down available assets to: \$2,400 (+\$6,000 asset disregard if income <\$2,205/mo).
 - Home equity below: \$560,800 (2018)
 - Both spouses in NH: \$3,000.
 - Married patient with spouse in community:
 - Formula: $\frac{1}{2}$ of all assets
 - with a cap of \$123,600 (2018)
 - and a floor of \$24,720 (2018)
- Average Cost of Nursing Home (2018): \$9,792.65 (Also transfer penalty divisor)
- 5-Year Look Back on transfers

MARITAL SPENDDOWN EXAMPLE

How much must be spent down?

EXAMPLE 1:

Total Countable Assets: \$300,000

$\$300,000 - \$123,600$ (CSRA max) = **\$176,400 SPENDDOWN**

EXAMPLE 2:

Total Countable Assets: \$200,000

$\$200,000 \div 2 =$ **\$100,000 SPENDDOWN**

EXAMPLE 3:

Total Countable Assets: \$40,000

$\$40,000 - \$24,720 =$ **\$15,280 SPENDDOWN**

VA AID & ATTENDANCE ELIGIBILITY

4 Pillars of Eligibility

- SERVICE REQUIREMENT
 - Wartime Service
 - Veteran, Wife or Widow
- CARE REQUIREMENT
 - Claimant must need care
- **NEW** ASSET TEST
 - Assets + Income = Net Worth
 - Net Worth <\$123,600
- INCOME TEST
 - Care costs must exceed income to get maximum benefit

VA BENEFIT AMOUNT (2017)

- Widow \$1,176
- Single Veteran \$1,830
- Married Veteran \$2,169

VA WARTIME SERVICE PERIODS

World War I	04/16/1917 - 11/11/1918
World War II	12/07/1941 - 12/31/1946
Korea	06/27/1950 - 01/31/1955
Vietnam	08/05/1964 - 05/07/1975
Persian Gulf War	08/02/1990 - TBD

VA GIFTING RULES

- 36-month lookback period
- Only for amount over protected limit

1. PLAN AHEAD

- GIFT AND WAIT
 - Gift assets to a:
 - Person or persons
 - Trust
 - Wait out the 60-month lookback for Medicaid
 - Wait out the 36-month lookback for VA Aid and Attendance

2. ACCELERATE SPENDDOWN

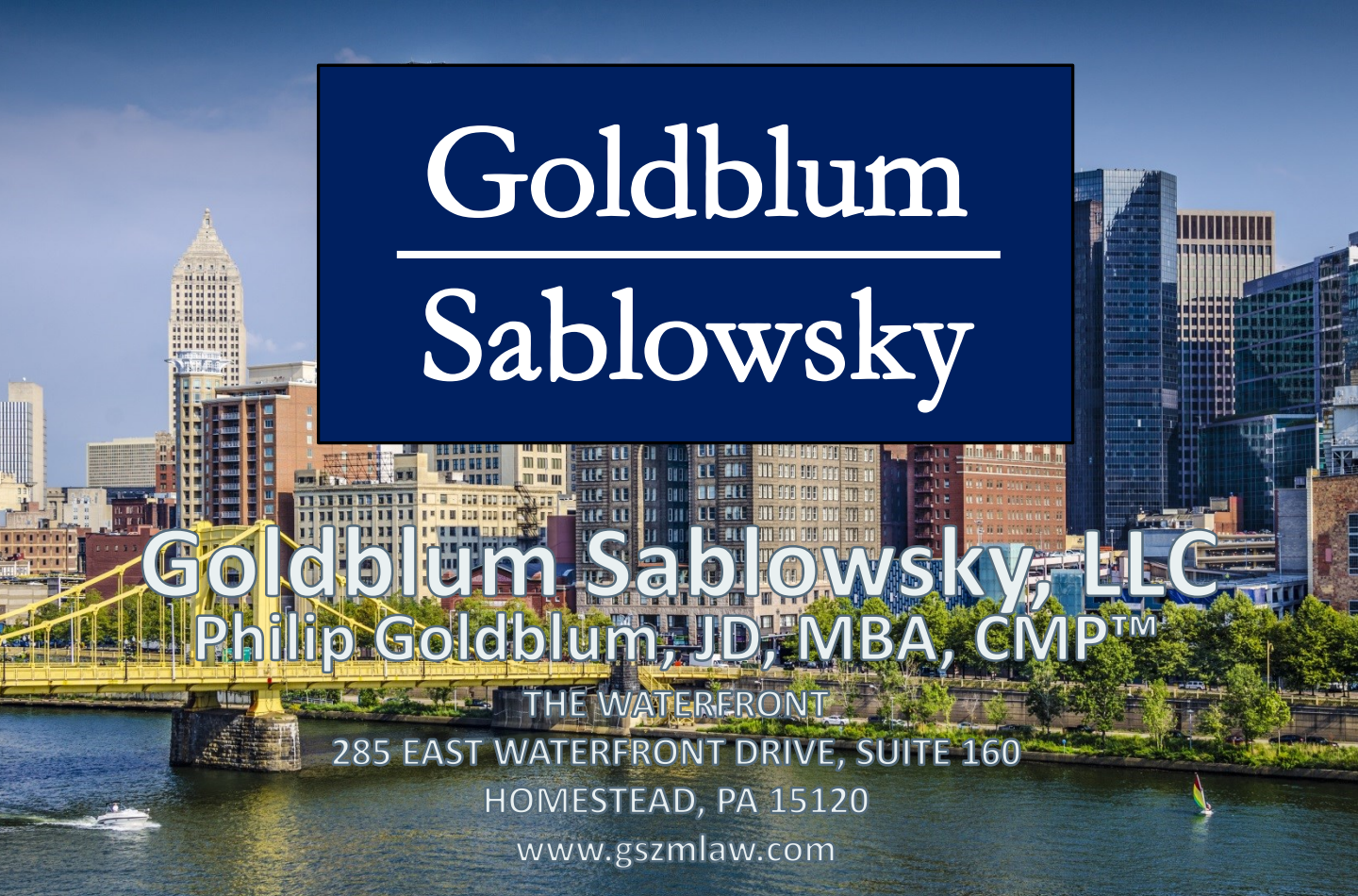
- PERSONAL CAREGIVER AGREEMENT
 - Pay a family member or friend for care at home.
 - Pay maximum amount weekly.
 - Shift assets to the family member or friend.
 - BONUS: Use care costs to justify the VA Aid & Attendance benefit if otherwise eligible.

3. CRISIS PLANNING (MARRIED COUPLE)

- ASSET CONVERSION
 - Determine total amount of exposed excess resources.
 - Use the “Asset-to-Income” rule to convert excess resources to income for healthy spouse.
 - Apply for Medicaid after conversion.
 - BONUS: Conversion works on IRAs for Veterans Aid & Attendance benefit, but subject to 36-month lookback rules.

4. CRISIS PLANNING (SINGLE)

- MODERN HALF-A-LOAF
 - Gift a portion of assets.
 - Purchase Medicaid compliant annuity with a portion of assets.
 - Apply for Medicaid and trigger a penalty.
 - Use annuity proceeds to pay through the penalty period.



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