

Paying for Long-term Care: Can I Count on Medicare and Medicaid?

If you're like everyone else, you're probably confused about the role of government in providing long-term care. You know that the two government programs targeted at healthcare for seniors are Medicare and Medicaid, but you're unsure of what each program covers and whether you'll be eligible.

Medicare

There are two parts to Medicare, hospital insurance (Part A) and supplemental medical insurance (Part B).

Part A is generally provided automatically and free of premiums to

- Persons age 65 or over who are eligible for Social Security or Railroad Retirement benefits;
- Workers and their spouses aged 65 or older with a sufficient period of
- Medicare- only coverage in federal, state, or local government employment;
- Individuals who have been entitled to Social Security or Railroad Retirement disability benefits for at least 24 months; and,
- Government employees with Medicare-only coverage who have been disabled for more than 29 months.

Part A eligibility is also extended to certain individuals with kidney disease (end stage renal disease) as well as to some otherwise ineligible aged and disabled beneficiaries who voluntarily pay a monthly premium for their coverage.

Part A covers (1) inpatient hospital care (2) limited skilled nursing facility care (3) limited home health care and (4) hospice care.

All U.S. citizens aged 65 or over and all disabled persons entitled to coverage under Part A are eligible to enroll in Part B on a voluntary basis by payment of a monthly premium.

Part B covers physicians' and surgeons' services, laboratory tests, outpatient rehabilitation facility services, mental health care services, radiation therapy, certain transplants, durable medical equipment for home use, and drugs that cannot be self-administered.

Thus, on the surface it appears that Medicare's coverage is extensive enough to meet most long-term care needs. But closer inspection reveals that Medicare is primarily designed to pay only for the cost of acute injury or illness, requiring a finite episode of care. This is because:

- . • Inpatient hospital care is limited to 90 days during a benefit period, and a copayment is required for days 61-90.
- . • Skilled nursing home care is covered only if the stay follows within 30 days of a hospitalization of three days or more and is certified as medically necessary. Furthermore, Medicare only pays for 100 days per benefit period with a

- co-payment required for days 21-100.
- Medicare payments for home health care are limited. Only part-time care is covered and for care delivered on or after January 1, 1998 Part A pays only for the first 100 visits following a three-day hospital stay or a skilled nursing facility stay.

Taken together these limitations mean that payment for long-term inpatient, nursing home, and extended home health care must come from resources other than Medicare.

Medicaid

Medicaid is a joint venture between state and federal governments. It pays for medical and health-related services provided to individuals who are below poverty level or have had to spend down their assets to meet Medicaid eligibility requirements. Determining eligibility for Medicaid can be complicated. One reason is that under federal law there is more than one category of eligible beneficiaries. Another reason is that eligibility requirements differ from state to state.

One category of eligibles are people with low incomes and limited resources. If your income and assets are low enough, you may fall into this category. In general, the 2005 monthly-maximum earned income level is \$1,213 for an individual, \$1,777 for a couple.

Health Care Financing Administration, 2005 SSI FBR, Resource Limits, 300% Cap, Break-even Points, Spousal Impoverishment Standards, <http://www.cms.hhs.gov/medicaid/eligibility/ssi0105.asp>

Also, as a general rule, an individual may retain no more than \$2,000 in resources to qualify for Medicaid, while a couple may keep no more than \$3,000 in resources.

<http://www.cms.hhs.gov/medicaid/eligibility/ssi0105.asp>

Another category of eligibles is the medically disabled. Most States extend Medicaid to individuals who may fall into a higher income bracket, provided they spend down to meet Medicaid eligibility requirements by incurring medical and/or remedial care expenses.

A key consideration is which income and resources to count and which to exempt in making the Medicaid eligibility determination. As a general rule, all income, earned and unearned, is counted. In most States, no more than \$30 to \$50 a month is exempted for personal needs. Also, in most States, all resources are counted except for the home, household items, and one car.

Because the eligibility for Medicaid requires impoverishment or spending down to poverty levels, an issue that often arises is whether a spouse who remains at home following admission of the other spouse to nursing home care, must also become impoverished so that

Medicaid will pay for the institutionalized spouse's care. The law has evolved to protect the "at-home" spouse. The "spousal impoverishment" provisions apply when one member of a couple enters a nursing home and is expected to remain there for at least 30 days. As a general rule, the "at home" spouse can retain \$95,100 of assets in 2005.

<http://www.cms.hhs.gov/medicaid/eligibility/ssi0105.asp>

For individuals qualifying for Medicaid nearly all expenses of long-term care are covered. However, access to Medicaid facilities and the selection of providers of care, is limited.

Implications

The inescapable conclusion is that neither Medicare nor Medicaid is an ideal solution for long-term care. Medicare is targeted primarily at acute care and Medicaid is generally only available to those living below poverty level, or those who are medically disabled and have to spend themselves into poverty.

The ineffectiveness of these programs, especially for middle-income individuals and couples, underscores the importance of long-term care insurance. Although each situation is unique, an individual couple with even a modest net worth (say \$100,000 exclusive of their home) should seriously consider the purchase of long-term care insurance.

The individual or couple's net worth is large enough to result in disqualification for Medicaid, but may not be large enough to cover the potential costs of long-term care, meet retirement needs, and fulfill estate planning objectives.

A licensed financial services professional can help you determine whether you need long-term care insurance, how much, and how to pay for it.

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