



CoreCap Investments

27777 Franklin Road, Ste.
700
Southfield, MI 48034
888-296-3360
info@corecapinv.com



Coordinating Long-Term Care Insurance with Government Benefits

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If you're a senior, the future may present more of a concern than it once did--you may wonder what you'll do if your health deteriorates. If you must enter a nursing home, for example, how will you pay for it? Fortunately, you may have several options. One such option is long-term care insurance (LTCI). Government-regulated programs can also help. These include Medicare, Medigap, and Medicaid.

If you lack sufficient resources to pay for long-term care on your own, should you buy LTCI, rely only on government programs, or use an LTCI policy to supplement government benefits? Before you can answer this question, you'll need to know what types of long-term care are covered under each program. Figuring out where one program leaves off and another begins can be a challenge, so here's an overview.

The three types of long-term care

There are basically three types of long-term care: skilled care, intermediate care, and custodial care. You need to understand how these types of care are defined, and the extent to which you can obtain coverage for each of them.

What is skilled care?

Skilled care is continuous round-the-clock care required to treat a medical condition. It is ordered by a doctor and usually delivered by a skilled medical worker (e.g., a registered nurse or professional therapist). A treatment plan is established and supervised by a doctor.

Medicare's coverage of skilled care

Medicare is a federal health insurance program for people age 65 and older and certain others. It provides 100 percent coverage for the first 20 days in each benefit period (year) that you're in a skilled care facility--as long as certain conditions are met:

- Before moving into a skilled care facility, you must have spent at least 3 consecutive days in the hospital for the same condition
- This hospital stay must be within 30 days of the time you enter the skilled care facility, and
- Skilled care must be provided in a certified facility
- You are required to pay a daily co-payment for the 21st through 100th day in a skilled care facility, but Medicare covers any expenses beyond this amount. Medicare provides no coverage for expenses incurred after the 100th day.

• Medigap's coverage of skilled care

- Medigap is supplemental health insurance sold by private insurance companies (under federal guidelines) to fill in some of the gaps in Medicare's coverage. Most Medigap plans cover your daily Medicare co-payment for the 21st to 100th day of skilled care.

• Long-term care insurance's (LTCI's) coverage of skilled care

- LTCI pays a selected dollar amount per day for a specified period for certain forms of care in nursing homes and other settings. You'll need LTCI if you want coverage beyond the 100th day of care in a skilled care facility. Because many people who enter such facilities stay for several years, LTCI can provide valuable financial protection.

• What is intermediate care?

- Intermediate care is care needed on only an occasional basis (daily or a few times a week), and is less specialized than skilled care. It is provided by trained medical workers under the supervision of a doctor.

• Medicare and intermediate care

- Medicare may cover certain types of intermediate care, but only under specific conditions. For example, it covers skilled nursing care, physical therapy, and speech therapy services provided in your home, but only if you are confined to your home and a doctor orders the services. Intermediate care in a nursing home is typically not covered by Medicare.

• Medigap and intermediate care

- Most Medigap policies provide an additional amount per at-home visit for intermediate care, but only if a doctor orders the services as a follow-up to an injury or illness. Intermediate care received in a nursing home is typically not covered by Medigap.

• LTCI and intermediate care

- Most LTCI policies provide coverage for intermediate care services provided in the home or in a facility. (Home health care and care in a facility can be purchased separately or together.) If you have the coverage for either home or facility care, LTCI will cover all three levels of care. In addition, many LTCI policies cover care received in continuing care retirement communities, assisted-living centers, and adult day-care centers.

• What is custodial care?

- Custodial care is provided to assist in performing the activities of daily living (e.g., bathing, eating, and dressing). It does not require a doctor's orders and can be performed by someone without professional medical skills. This type of care can be provided at home or in a facility.

• Medicare and Medigap don't cover custodial care

- Medicare provides no coverage for custodial care, because these services are generally nonmedical in nature. Medigap also provides no coverage for custodial care.

• LTCI does cover custodial care

- If you are concerned about coverage for custodial care, an LTCI policy may be appropriate. Along with coverage for personal care, many policies may also include coverage for light housekeeping, meal preparation, and laundry services, among other things. If you have the coverage for either home or facility care, it will cover all three levels of care. When you're shopping for an LTCI policy, keep in mind that most long-term care is custodial in nature.

• Using Medicaid to pay for your long-term care expenses

- Medicaid is a joint federal-state program that provides medical assistance to low-income individuals who are aged, disabled, or blind. To qualify for Medicaid's long-term care benefits, you must be financially and medically eligible. Financial eligibility is based on the amount of your income and the value of your assets. In most states, Medicaid will pay for all three levels of care if you meet the same general medical requirements that would be present in an LTCI policy.
- Unfortunately, meeting Medicaid's financial requirements is difficult. In fact, many people are forced to exhaust their life savings to qualify for Medicaid. Others will not meet the requirements for Medicaid and

will be unable to rely on the government to care for them. A comprehensive LTCI policy can help pay for long-term care costs and preserve family assets.

- Note: The Deficit Reduction Act of 2005 gave all states the option of enacting long-term care partnership programs that combine private LTCI with Medicaid coverage. Partnership programs enable individuals to pay for long-term care and preserve some of their wealth. Although state programs vary, individuals who purchase partnership-approved LTCI policies, then exhaust policy benefits on long-term care services, will generally qualify for Medicaid without having to first spend down all or part of their assets (assuming they meet income and other eligibility requirements).

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