Three Ways to Finance Long Term Care

By Wesley E. Wright and Molly Dear Abshire, as published in the Houston Chronicle Senior Living Section on June 22, 2011.

When an elderly loved one's needs exceed his ability to care for himself, it's time to consider options for long term care. There are three basic ways to finance long term care.

The first option is to privately pay for care and services. This will immediately start to make a dent in the individual's and/or the families' bank account. Depending on the level of assistance needed, a senior may require part time caregivers, adult day care programs, a full-time assisted living complex or they may need 24-hour nursing home facility care. Each of these services are typically privately paid, and they can quickly exhaust an individual's resources.

Long term care (LTC) insurance is the second way to finance long term care. Over the past decade many people have learned something about or have become familiar with the concept of LTC insurance, but for varying reasons many people do not have their own policy. A variety of LTC insurance plans are available, offering a wide range of options. Some plans only help pay for nursing home care, while others help with assisted living and/or in-home services. There are some reoccurring obstacles with this type of insurance including the situation where many people wait until they are too elderly, ill or disabled to qualify for a policy. LTC insurance was originally hailed as a wonderful solution to financing LTC, but relatively few seniors choose to obtain LTC insurance, most likely because they feel it may be unnecessary and cost prohibitive. In addition to waiting too long to purchase a policy, there are a number of other reasons many elderly individuals do not have valuable LTC coverage. Most people are mistakenly convinced they will never need LTC until the day they are actually confronted with that need and a crisis develops. One's health should not already be in an accelerated state of decline before deciding to purchase this type of coverage. This is especially true with regard to all forms of dementia. Once the onset of dementia occurs, it is virtually impossible to obtain LTC insurance.

There is a joint effort between private insurance companies and the state of Texas to encourage individuals to purchase long-term care insurance. This new agreement is called the Long-Term Care Partnership. If an individual purchases a qualified long-term care insurance plan then, when determining Medicaid eligibility, an amount equal to the value of benefits can be disregarded from the countable resources of the applicant. This does not automatically make an individual eligible for Medicaid benefits because all Medicaid eligibility requirements must be met.

A third way to pay for long term care is utilizing government benefits such as Medicaid and Veterans' Assistance programs. Ninety percent of Texas nursing home residents will exhaust their resources and reach the poverty level after an average of only 26 weeks of long term care. Seventy-eight percent of all Texas nursing home residents (including those who have not yet exhausted their resources) qualify for Medicaid. For most people, the time they can postpone Medicaid eligibility by paying privately is at best very short and the cost can be their entire savings. In situations where there is a spouse that will continue living at home (sometimes with a long retirement to plan for), accelerating Medicaid eligibility can become a life or death imperative. If you see the possibility of VA and Medicaid benefits in your future, a knowledgeable Elder Law Attorney should be consulted to coordinate these benefits. Contacting an experienced Elder Law Attorney is important to keep from jeopardizing one benefit while qualifying for another.

If it's time to consider in-home care, assisted living, or full time nursing home care, be fully aware of the three options of financing care in order to preserve as much in the way of assets and income as the law allows.