

FINANCES

WHO'S GONNA PAY?

More than 60 percent of Americans who reach the age of 65 will require some type of long-term health care. In today's dollars that care would cost more than \$70,000 a year. So, who's going to pay for the care that your parents are likely to require? First of all Medicare is not the answer. Many people have misconceptions about what Medicare covers. We talk at length about this in the insurance section, but here is a review.

Medicare is a governmental insurance program that workers contribute to during their employment years. In order to receive free Medicare A benefits you must have contributed for 40 quarters of employment of 10 years. It is still available to individuals over the age of 65 who have contributed for fewer quarters than this, but there is a charge. Specific costs can be found on their website www.medicare.gov. Medicare doesn't pay for long-term health care, nor does Medigap or the Medicare Advantage Program. Medicare will pay for skilled nursing care when ordered by a physician but with very specific parameters. The patient must be hospitalized for at least three days, after which the attending physician orders "medically necessary treatment" such as rehabilitative therapy or other specific medical care. Most of us have known someone who has had a stroke or taken a bad spill and required some stay in a skilled nursing facility. Many of these patients return home, but for some the medical conditions may be permanently debilitating.

In these situations Medicare will provide coverage for exactly 20 days, after which Medicare's coverage drops off dramatically. For the next 80 days Medicare covers some of the care and the patient is responsible for the remainder (\$100 or more). On day 101 the patient is on his or her own.

Medicaid was created to assist the poor with these kinds of catastrophic medical costs. It is not specific to the elderly but they are primary recipients as the program requires demonstration of a financial need, low income and minimal assets. Medicaid only covers medical costs such as doctors, nurses, hospitals, dentists, drugs, medical equipment, physician-prescribed long-term health care, insurance premiums and transportation to medical facilities and appointments.

If your parents have Social Security income, retirement income or pensions and/or assets, they will likely have to cover the expenses of long-term care out-of-pocket until their assets are depleted at which time Medicaid will step in to cover costs. Not all facilities accept Medicare and Medicare insurance. Check with the individual facility.

Long Term Health Care. Most experts agree that long-term health insurance is a wise investment. These policies cover long-term health care for specific periods at a specified daily rate which usually increases with inflation. As with any insurance based on life expectancy, the earlier you purchase a policy the more reasonable the premium is likely to be. Inquire whether your parents have such insurance. It may not be too late. Find out if the type of insurance would be feasible given their current age and medical conditions. Although this type of insurance is typically purchased to cover the costs of skilled nursing home care, most policies cover in-home health care services at a reduced rate (perhaps 50 percent).

How Long Will the Money Last? Be practical. The math is fairly straightforward. If you parents decide to move from their home to an apartment, you can easily help them determine what rental amount and living expenses make good economic sense for them. If they would prefer or, are in need of, an assisted living community the math gets a little more complicated. If it is strictly a rental property there will be a monthly fee for the unit with some services included. Many other services are available but most likely come with an additional charge. We have known many residents who found themselves surprised, and a bit short of cash, after their first couple of months in their new home. All because they failed to understand what was included and how much it cost for the extras.

Take a copy of this with you when assessing assisted living facilities and their costs:

Monthly Rental Fee	\$ _____
Meals # _____	\$ _____
Housekeeping (times per month) _____	\$ _____
Laundry (times per month) _____	\$ _____
Linen Service (times per month) _____	\$ _____
Additional Meal Package # meals _____	_____
Housekeeping Service	\$ _____
Laundry	\$ _____

Linen Service (times per month) _____	\$ _____
Medication Management	\$ _____
Personal Care Assistance (bathing, dressing, etc.)	
\$ _____	
Cable Television	\$ _____
Telephone Charges	\$ _____
Transportation	\$ _____
Field Trips	\$ _____
Beauty/Barber Shop Charges	\$ _____
Other	\$ _____
Other	\$ _____
Total Monthly Costs	\$ _____

Jim Miller in The Savvy Senior makes the point that “nationwide, over 20 percent of seniors 65 and older live strictly on their social security retirement benefits.” Some parents may require financial assistance from family and/or outside agencies. If there is a shortfall, talk with your parents and family members to decide what each is willing to contribute. But if you cannot assist financially, know that there are programs and resources available to help.

Most seniors wish to live in their own homes as long as possible. Before you sell the ol’ homestead, explore in-home health care options that would allow them to do so. Emotionally and financially this makes sense.

Most seniors are mortgage-free and have much of their worth tied up in their home. While they reside in the home Medicaid may still be available to them if they income-qualify for coverage. However, once the home is sold, the proceeds then revert to assets and are calculated for qualification. Seniors who wish to leave “something” to their children may decide to deed the home to the children while they live independently. The government sees this as a way to skirt the rules and frowns on the practice. In order to qualify as a legitimate sale and transfer, the property must change hands at least 36 months in advance of application for Medicaid benefits.

Your parents may remain in the home under a couple of scenarios

- Deed the home to their children and reserve for themselves a life estate status allowing them to live there until they are no longer able or no longer wish to.

- Consider a reverse mortgage. If your parents are cash poor but have paid all or most of their mortgage, a reverse mortgage is a way to borrow against the equity in their home. When considering this option you need to do your homework. Ask lots of questions and thoroughly understand the documents signed. You may want to visit www.aarp.org/revmort for the free booklet “Home Made Money: A Consumer’s Guide to Reverse Mortgages.”

Whether in crisis or non-crisis mode, it may simply be time to sell the family homestead. Here are a few things to consider:

- Selling a home requires lots of work. Preparing the home to capture the best market price requires time, energy and money. If family and friends are not available to help, hire professionals.
- Selling an older home often requires hiring and coordinating the efforts of specialists who will handle the sale, the updating, the code compliance, and similar matters. Get references and hire people you can trust.
- Housing markets are currently suffering from a sub-prime mortgage crisis. There are fewer buyers than houses for sale. You will need to make a decision on how quickly you need to sell your parent’s home and then price it accordingly. The faster you need to sell, the more reasonable the price will need to be. If the sale of a residence is a pivotal part of the plan, you will need to position the property as best you can, price it appropriately and temper everyone’s expectations for sale. It may take several months, not days or weeks, for the property to sell.
- Be aware of the tax implications when making any major financial decision. Check with your attorney, accountant or visit www.irs.gov .

We would offer one final piece of advice. We have watched many families devour each other in battles over their parent’s finances. Try to *always* remember whose money it is. Be kind.