



Long Term Care Planning

One of the most important issues facing older adults is long term care. By definition, long term care includes a wide array of services ranging from assisted living to skilled nursing home care.

A recent study shows 40% of adults reaching age 70 will need some type of long term care during the rest of their lives, but only 7% have done any planning for their long term care needs.

How do I pay for long term care?

Estate planners frequently encounter this question from seniors. Self insurance is the most common method of paying for long term care. It means that almost all long term care costs are paid directly from assets owned by the individuals needing care until those assets are depleted to the point where state assistance may be necessary.

Medicaid assistance is available for skilled nursing home care if the applicant meets certain eligibility guidelines. Medicaid is a state program administered by the Michigan Department of Community Health and the Department of Human Services (DHS). Basically, an individual can qualify for Medicaid assistance if he or she has \$2,000 or less in countable assets. Applicants are surprised to find that IRAs and the cash surrender value of certain life insurance policies and annuities are considered countable assets. Some assets are not counted (or exempt) in the qualification process. These include a residence, a car, a pre-paid funeral contract, and personal property. Also, spouses of nursing home residents are allowed to keep one-half of the couple's countable assets, up to \$95,160. This number is adjusted every year by DHS. The nursing home individual's monthly income is paid to the nursing home and the balance of the nursing home bill is paid by Medicaid. To date, Michigan is the only state which has not adopted a form of estate recovery. In states that implement estate recovery, the state may collect from the estates of deceased Medicaid recipients for the costs of services paid by Medicaid.

Another method of paying for long term care is to purchase a long term care insurance policy. While a long term care policy can help defray skilled nursing home costs, they can also be used for other long term care services, such as in-home care, assisted living, or foster care. Premiums are based on age, health, and length of the insurance benefit, among other factors and options. Some experts say that purchasing a short term, modest policy is a good idea if it's not cost prohibitive. According to a recent study, most long term care insurance claims were for care that lasted less than four years.

How do I plan for long term care?

In addition to planning financially for long term care, it is very important to have a good set of estate planning documents. In the long term care planning arena, the two most important documents are (1) the durable power of attorney and (2) the health care power of attorney.

A durable power of attorney document allows an individual to appoint an agent to step in and manage that person's financial and personal affairs in the event of disability. If properly drafted, the agent can assist a person who needs long term care in organizing assets and applying for benefits in anticipation of long term care. In most cases, use of the durable power of attorney document will avoid the need to appoint a guardian and conservator through the probate court.

Michigan statutes also allow the appointment of a patient advocate through a health care power of attorney document. A patient advocate follows the principal's instructions in the document for medical treatment, including the giving or withholding of life sustaining treatment. In the long term care setting, this document can provide comfort and direction for loved ones who are involved in an individual's end of life treatment.

Other estate planning documents include a Last Will and Testament and Living Trust, depending on distribution goals and the types of assets involved. If long term care issues are a concern, or are imminent, it is best to consult an estate planner that also deals with elder law issues.

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