Estate Planning: A Focus on Long Term Care

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What is Long-Term Care?

• Long-term care includes medical services, such as nursing care or therapies.

• It also includes supportive services, such as:
  – bathing
  – dressing, getting in and out of bed
  – taking medicines
  – preparing meals
  – continence
  – toileting
Where is this Long-Term Care Provided??

1. Nursing Home Care
   – Skilled Nursing Care
   – Intermediate Care
   – Personal or Custodial Care
Where is this Long-Term Care Provided??

2. Community Based Long-Term Care
   – Home Health Care
   – Assisted Living Facility
   – Adult Day Care
   – Respite Care
   – Hospice Care
Who Needs Long-Term Care?

In WI (2005), 4.3% of all people age 65 and over resided in a nursing home. That number increased to 15% for persons above age 85.

Lifetime Chances of being in a nursing home
(if you are now 65 years old)

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>67%</td>
<td>48%</td>
</tr>
<tr>
<td>Less than 12 months</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>4%</td>
<td>13%</td>
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</tbody>
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How Much Does Long-Term Care Cost?

In Wisconsin (2005), the average cost for a day in the nursing home was approximately $164.

Home health aide personal care services provided by a home health agency can cost $50 to $60 per hour.
Who Pays for Long-Term Care?

• If a nursing home stay is approved by Medicare:
  – The 3 nights and 30 days rule
  – Medicare pays in full for up to 20 days of skilled care in a skilled nursing facility approved by Medicare.
  – From the 21st to the 100th day (all but $128/day)
  – From 101st day on...

  – VERY FEW NURSING HOME STAYS ARE COVERED BY MEDICARE

  – MOST HOME HEALTH CARE VISITS DO NOT MEET MEDICARE’S DEFINITION OF MEDICALLY NECESSARY CARE. THEREFORE, MEDICARE WILL NOT PAY FOR THEM.
How long do people stay in long-term care facilities?

- 36% stay less than 1 year
- 32.5% stay from 1 to 3 years
- 14% stay from 3 to 5 years
- 17% stay 5 years or more

- National Center for Health Statistics
What are the Alternatives?

• Medicaid

• Rely on Individual’s spouse and other family members to provide for care (Dependence)

• Individual may pay for coverage using existing assets (Self Insurance)

• Long Term Care Insurance
Medicare Savings Programs for Medicare Beneficiaries
2008 Guidelines

Categorically Needy Medical Assistance
(Medicaid, Title 19)

<table>
<thead>
<tr>
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<th>Income Limit</th>
<th>Asset Limit</th>
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</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$866.67/month</td>
<td>$2,000</td>
</tr>
<tr>
<td>Couple</td>
<td>$1166.67/month</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

BOALTC #65 vlb 01/08
Issues in Community Property States

• As a general rule, each spouse has a legal duty to support the other spouse, and both community and separate property can be reached to provide for such support.

• Community property assets can be reached to pay the debts and obligations of either spouse incurred during the marriage.

• If one spouse becomes incompetent, the law varies as to whether the other spouse may take over sole management of the assets or has to work with a guardian or conservator for the incompetent spouse.
Spousal Impoverishment Protections

• Special provisions in Medicaid law give married people some financial protection when one of them enters a nursing home or becomes a participant in a community waiver program.
The Personal Residence

• The home of the applicant is exempt if it is the primary residence of the applicant and if the applicant evidences an intent to return to the home.

• Under the Deficit Reduction Act, the amount of the homestead exemption is capped at $500,000. Each state is allowed to increase the exemption amount up to $750,000. It is unknown whether Wisconsin will adopt a higher value.
Marital Property Agreements

• Can this help...??

• For how Long...??

Consult your qualified Estate or Elder Care Attorney for more details
Estate Recovery Program

- An estate includes all assets owned by an individual at the time of death.

- Wisconsin has an estate recovery program through which the state seeks repayment of Medicaid payments for care received while the recipient resided in a nursing home.

- The recovery is made from the estate of a recipient or the estate of the recipient’s spouse.
What are the Alternatives?

• Medicaid – not a good option for estate planning

• Rely on an individual’s spouse and other family members to provide for care (Dependence)... NO

• Pay for coverage using existing assets (Self Insurance) – not a reasonable option assuming a goal of preserving an estate

• Long Term Care Insurance – The Solution?
Types of Long-Term Care Insurance Policies

• Long-Term Care Insurance Policies
  – Institutional and Community Care

• Nursing Home Insurance Policies
  – Only Institutional Care

• Home Health Care Insurance Policies
  – Only Community Care
Potential Federal Tax Benefits

• Qualified Plans for 2007
  - This amount can be added to other medical expenses in excess of 7.5% of your adjusted gross income (AGI) (See IRS Publication 502)
    – $290 if age 40 or less
    – $550 if age 41 to 50
    – $1110 at age 51 to 60
    – $2950 at age 61 through 70
    – $3680 at age 71 and older

• For Self-Employed Individuals, LTC tax breaks are more attractive (potentially all premiums paid)

• Watch for AMT !!! Consult your tax advisor.
Potential State Tax Benefits

• In the taxable year beginning January 1998:

  – You can subtract the amount paid for long-term care insurance from your Wisconsin income tax.

  – This policy applies to:
    • policies designated for federal income tax purposes as tax-qualified
    • policies that are non-tax-qualified.
What is available?

- State of Wisconsin, University of Wisconsin, and University Hospital & Clinic:
  - Employees
  - Annuitants
  - Spouses
  - Parents

Have the option of purchasing a long-term care insurance policy authorized by the Group Insurance Board for payroll deduction.

- This plan does not have an initial enrollment deadline. Therefore, employees can enroll at anytime.
Things to keep in Mind...

Authorization for payroll deduction should not be construed as an endorsement of a plan by the Group Insurance Board, the Department of Employee Trust Funds or the University of Wisconsin.
Current Plan Offerings

John Hancock Long-Term Care Insurance Plan (Custom Care II)

Mutual of Omaha’s, United of Omaha, Assured Solutions Plus Policy
UW Affiliated Long Term Care Insurance Providers

• Senior Care Insurance Services, Inc.
  – (608) 273-3443 or (877) 578-8400
  – www.seniorcareinsservices.com

• HealthChoice Long-Term Care Solutions (Life Investors Insurance Company of America)
  – (608) 833-5823 or (800) 833-5823
  – www.healthchoice.com
NON-UW Affiliated Long Term Care Insurance Providers

• A list of Long-Term Care Insurance Approved Polices in Wisconsin is available free via download from the Office of the Commissioner of Insurance

• [http://oci.wi.gov/pub_list/pi-046.htm](http://oci.wi.gov/pub_list/pi-046.htm)
Comparing Policies

• Law of Large Numbers... What exactly is Different??
  – Compound Benefit
  – Organic vs. Inorganic
  – History of Premium Increases
  – Attained Age
  – Reimbursement vs. Indemnification
  – Network Affiliations
Options for Continuing Education

• The Office of the Commissioner of Insurance (OCI) publishes a free Guide to Long-Term Care (PI-047) to help you evaluate your needs.

• Please contact the OCI at 1-800-236-8517 if you would like a copy of the Guide to Long Term Care.
Options for Continuing Education

• The Wisconsin Commissioner of Insurance in cooperation with The Department of Health and Family Services

• 8 credits $89  Friday, June 27th, 2008 (8:15 AM) - Madison

• Kaplan Financial Enrollment
  – Lakeland College 3591 Anderson St. Suite 101 Madison, WI 53704
  – 1-800-521-3395 or www.kaplanfinancial.com
Web Sites to Explore

• AARP www.aarp.org
• Medicare www.medicare.org
• National Senior Citizens Law Center www.nsclcn.org
• Centers for Medicare and Medicaid Services www.cms.hhs.gov