

# Financing the Cost of Long Term Care

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One of the most frequently identified concerns of older adults and their families is the cost of long-term care. Today the primary payer of nursing home care is Medicaid. In addition to nursing home care, in 1996 the Health Care Financing Administration (HCFA), now known as the Center for Medicare and Medicaid services approved The Assisted Living Waiver in New Jersey. This waiver was intended to help eligible individuals “age in place”, at home or an assisted living facility, rather than be cared for in a nursing facility.

The terms Medicaid and Medicare are often confused and sometimes used interchangeably. However, they are not synonymous. Medicare is available to virtually all Americans over the age of 65 and to the disabled, regardless of income. Medicare typically does not pay for Long Term Care, but for Short Term/Acute and Sub-Acute care. Medicaid health insurance, on the other hand does pay for chronic, everyday care for older adults,

but is only available to individuals with very limited assets.

Medicaid was designed in 1965 to pay for health care services for low-income individuals, which includes those who never had financial resources or those who no longer have sufficient assets available to cover the cost of Long Term Care - they have “spentdown”. Although federally regulated, both the federal and state governments share the cost of the Medicaid program resulting in states differing in eligibility guidelines. Elder Life management has been assisting families and their loved ones obtain Medicaid since 1986. Through the years we have been able to identify the

## Top 8 Medicaid Mistakes:

**Applying for Medicaid too early.** This can result in a longer ineligibility period in some instances. Medicaid can be applied for only after incapacity has occurred. In New Jersey, eligibility for Medicaid is based on medical need as authorized by a physician, screened by a Medicaid nurse, and on financial approval. Two different government offices are involved: Office of Community Choice Options and the county Board of Social

Services, adding to the confusion.

## Applying for Medicaid too late.

This can mean the loss of many months of eligibility. To establish financial eligibility, enough time has to be allotted to assure a timely transition on to Medicaid. Elder Life Management recommends seeking Medicaid consultation when resources are below \$60,000 recognizing Medicaid can only be approved after resources are below the \$2,000 amount. This phenomenon of using the available financial resources is called “spending down”.

## Thinking it’s too late to plan.

It’s almost never too late to take planning steps, even after your loved one has moved to a nursing home.

## Thinking you will never need Medicaid.

Elder Life Management advocates long-term care planning for every adult regardless of age and resource picture. The longer the period of incapacity, the more money that will need to be available. Without appropriate planning in advance of incapacity, individuals and families are faced with the stressful financial realities of paying for long term care services, until such time that Medicaid eligibility can be established.

**Giving away assets will put you at risk for future entitlements.**

There is currently a five year look back period. Giving away assets during any part of this five year period will delay or even prevent Medicaid eligibility. You should not confuse IRS gifting allowances with Medicaid regulation. Medicaid will not exempt gifts that were innocently given to loving family members within the 5 years prior to needing Medicaid to pay for Long Term Care services.

**Not knowing allowable transfers.** Certain transfers are allowable without jeopardizing Medicaid eligibility. These include: transfers to disabled children, caretaker children, and into trust for child who is disabled and under age 65;

**Failing to take advantage of protections for the spouse of a nursing home resident.**

The Medicare Catastrophic Coverage Act of 1988 provided for limited protection of assets of the community spouse. Thorough knowledge of the provisions and interpretations of the Medicaid regulations is necessary to assure maximum protection for spouses remaining at home. There are times when more money is paid to the nursing home or assisted living facility than is necessary and this is not reimbursable.

**Not getting expert help.** This is a complicated field that most people deal with only once in their lives. Tens of thousands of dollars are at stake. It is “penny wise and pound foolish” not to consult with professionals with proven expertise in public entitlements and applications. Understanding the financial, emotional and elder care options available is of utmost importance when you find yourself in this situation.

Elder Life Management is frequently called upon to assist with the Medicaid application process. In addition to providing information and guidance about Medicaid, our services include collecting the required documentation for making the application and following through to the final approval.

Presently, there are no actual state or national efforts to cover the long term cost of nursing home care, although long-term care has been an important topic for many years. Until there is a long range, permanent plan and solution to the financial realities of long-term care, the Medicaid program will continue to be of importance. Only by being educated consumers can we best approach the extreme financial realities of Long Term Care.

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