

# Saving For That Rainy Day? Knowing When to Reach For An Umbrella

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Long-term care is very expensive, actually much more costly than paying for the most expensive Ivy League College. Ask anyone who is paying for nursing home, assisted living or live-in home care. In truth, with the average New Jersey monthly nursing home costing more than \$7,500 a month, it is no surprise that regardless of the amount of savings someone has, if you live long enough and are unfortunately incapacitated for any extended period of time, eventually all your resources will become exhausted. AARP reports approximately 50 percent of older couples become impoverished after either spouse enters a nursing home. This number increases to 70 percent for widowed or single people.

No one is ever heard saying “Yippee! I have worked my entire life so that I can spend all my money on my care as a dependent, incapacitated, confused old person.” We don’t even hear the expression “I am saving for a rainy day” anymore. Maybe, we all face too many rainy days along the way.

More likely, when speaking of finances and our estates what is said is “I want my grandchildren to benefit from all my hard work...” with the incorrect assumption that traditional insurance will somehow cover the cost of long-term care.

While it is fact that Medicare is available to nearly every American age 65 and older that has contributed to Social Security while employed, Medicare does not pay for chronic long-term care. Medicare has actually been a wonderful insurance that pays for acute care needs. However, it only pays for “Sub Acute” skilled

nursing home level of care (now often called Sub-acute Rehab) for up to a maximum of 100 days. Even then, payment is dependent on very strict skilled guidelines. Therefore, Medicare can never be the answer to the long-term care financial dilemma. Contingency plans for long-term care financing must be developed, hopefully prior to a crisis.

Many people confuse Medicare and Medicaid as funding sources for long-term care simply because they are so similar in name; However, they are distinctly different. 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. In 2006, the federal government made substantial changes to the Medicaid law specifically in the area of gifting and transferring assets. These changes

left many older adults and their families with considerable challenges for financing long term care. The trick to remembering the difference between Medicare and Medicaid is that MedicAID is AID, and therefore, eligibility must be proven -- which is why it is an extremely stressful and cumbersome application process.

Today, the primary payer of nursing home care is Medicaid, a program designed to pay for health care services primarily in a nursing home setting for those proven eligible, and therefore, entitled. In addition to Medicaid covering nursing home care, it can also pay for certain services for individuals living at home or for financially eligible individuals living in Assisted Living Facilities. The Assisted Living Waiver was originally approved in 1996 by the Health Care Financing Administration (HCFA), with New

Jersey being one of a few states that has this program. This waiver was intended to help eligible individuals “age in place” rather than be cared for in a nursing facility.

While Medicaid can be the best payer source for long term care it only pays for individuals who meet strict financial and medical criteria. This is where many individuals and families have most difficulty...knowing where to find quality care, and when and how to pay for that care. The emotional realities of watching a loved one’s health decline, needing to find quality care available and make difficult decisions all converge on what recently a client called their “perfect storm” of long term care. Add to this the many different long-term care options now being marketed, navigating the maze has become very complicated.

Knowing WHO to trust, WHAT to do, WHERE to find the care necessary, and HOW to proceed summarizes what most family feel.

There are solutions to these difficult problems. Beginning with a comprehensive assessment and identification of care options, including the cost of that care, guidance and direction is available.

Elder Life Management advocates long term care planning for every adult, regardless of age. Without appropriate planning made in advance of incapacity, individuals are faced with the financial realities of paying for long term care services with their valuable assets, until such time that Medicaid eligibility can be established. Only by being an educated consumer can we prepare for our future care needs.

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