Paying for Long Term Care

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Costs of Long Term Care

- Long term care is very expensive. Most people cannot afford to privately pay for long term care services for very long.

- Downstate, average nursing home costs vary from $494 per day in the Northern Metropolitan area to $502 per day in New York City, which is approximately $180,288 per year in the Northern Metropolitan area to $183,384 per year in New York City. It is estimated that persons in nursing homes stay for less than 2½ years on average.

(Source: New York State Partnership for Long Term Care)

- The average cost of **in-home care** in the United States is **$5,500 per month**.[1]
  - Studies at Stanford Center on Longevity state that most seniors could safely take $5,120 per year (**that's only $427 per month**) to supplement income.[1]
  - *"Those closest to retirement today, on average, only have about $100,000 saved. But even with Medicare, they should expect a minimum of $30,000 to $40,000 in health care costs during retirement. And when you add long-term care costs, the amount they need 'suddenly balloons to over $300,000".* Stanford Center on Longevity.

Long Term Care Insurance

- Long Term Care Insurance may be able to cover some of the costs of home health care, assisted living or nursing home.
- They can provide reimbursement for out of pocket, pay providers directly, or provide a fixed payment
- Usually there is an "elimination period" of 90 days.
- Premiums are based on age and health.
- Look for "inflation riders" and premium waivers.
- NYS offers a tax credit for some qualified policies.

New York State Partnership for Long Term Care



- Starting in 1993, providers began offering policies under this New York State approved program which allowed people to protect assets.
- After the benefits paid under the program are exhausted, e.g., after 5 years of home care or 3 years of nursing home care, then the policy holder will receive Medicaid automatically, regardless of their assets (total protection) or up to a certain amount (dollar for dollar).
- Income must still be paid to the nursing home.
- Portability is limited to participating states which have similar programs.
- Currently, no Partnership policies have been offered since 2021.

Where can one get Long Term Care Insurance Coverage?

Most Long-Term Care Insurance Policies are extremely expensive and difficult to get. Many insurers have left the space.

There are some Life Insurance Policies with Long Term Care Riders, but there are health and underwriting requirements and premiums for someone over 60 are extremely high. One out of three people do not qualify.

Lifetime Benefit Annuity Products are a possible solution, but they are not readily available in New York.

HECM Reverse Mortgage To Self-Insure for Long Term-Care

For homeowners who plan to remain in their home, establishing a HECM reverse mortgage line of credit as early as age 62 can provide a growing line of credit that will be available to pay for home modifications, caretakers or any other expense needed to age in place.

Medicare

- Non-means tested
  - Requires work history
- Has deductibles and co-payments
- Covers rehabilitative stays in a nursing home
  - 100 days maximum (20 days w/o co-pay; $217 per day in 2026 for days 80-100.)
- Covers home care with rehabilitative component
  - Certified Home Health Agency (CHHA)
  - Provide Skilled Care and Rehabilitation
  - Limited hours

Home Care Options

- Licensed Home Care Services Agency (LHCSA)
  - Generally privately paid. The average is $24 hourly.
  - Can be covered through Long Term Care Insurance.
- Medicaid Programs:
  - Managed Long Term Care (MLTC)
  - Personal Care
  - Consumer-Directed Personal Assistance
  - Adult Day care services
  - PACE (All inclusive care)
  - Nursing home transition and diversion

What are Activities of Daily Living (ADLs)?

- ADL's are generally considered to be the following:
  - Eating
  - Bathing
  - Getting dressed
  - Toileting
  - Transferring
  - Continence

Currently, long term care insurance usually requires assistance with two Activities of Daily Living (ADLs) to authorize care. Medicaid requires assistance with more than 2 ADLs or, if there is a diagnosis of dementia, more than one ADL to receive MLTC.

Residential Options

- **Assisted Living Facilities** - mostly private pay. ALP facilities are covered by Medicaid.
- **Adult homes** (Independent Living) – may use Medicaid to pay for home care aides. Room and board is private pay.
- **Continuing Care Retirement Communities** – All inclusive, private pay.
- **Skilled Nursing Facility** – Private pay, Medicare, and Medicaid.

Medicaid – Financial Eligibility

- Means tested – with income and resource limits
- Covers nursing home, adult day care and home care
- Income limit is $1,836 in 2026 and $2,489 for a couple with a $20 unearned income exclusion.
- For Managed Long Term Care, a non-applying spouse can retain up to $4,066.50 per month in income, and the applying spouse can keep $653.
- Income in excess of the standard will not make a person ineligible; however, the excess income (known as “surplus” or “spenddown”) must be spent on medical or home care expenses before Medicaid will pay.
- The income surplus may be paid into a Pooled Community Trust and then used for non-medical needs.

Medicaid

- Resource limit is $33,038.00, $44,796.00 for a family of two.
- For MLTC and nursing home coverage, a "community spouse" can keep up to $162,660 in assets.
- If a non-applying spouse's assets would make the applying person ineligible, the spouse can refuse to provide support and the applicant will be approved for Medicaid based upon his or her individual assets. This works for home care and nursing home care. The Medicaid agency can sue for spousal support contributions.

Medicaid

- Transfers create ineligibility for **nursing home** coverage, called a penalty period
- Financial "Lookback" is 3 months for home care
- Financial "Lookback" is 60 months for nursing home care
- Penalties begin on the date of application
- Annuities, Promissory Notes, and Mortgages may be transfers
- Limit on home equity for home care ($1,130,000) per person. If spouse or minor or disabled children are living in residence, it is exempt from the limit.

Transfers

- What is a transfer penalty?
  - Uncompensated transfers (not for fair market value) or gifts, create a period of ineligibility for Medicaid coverage in a nursing home.
  - Does not currently apply to community Medicaid or MLTC, but may start sometime in 2025.
  - Establishing an irrevocable living trust is a transfer; however, after five years, the assets are not counted.

Home Care Lookback

- There is a pending "Lookback" period of 30 months for home care Medicaid. Prior to this there was only a lookback period for nursing home Medicaid.
- The law became effective October 2020, The Department of Health delayed implementation due to Covid-19, but has indicated that the effective date for requiring the lookback on applications will be pushed to 2027, but federal approval is still pending.
- New home care applications will have to submit up to 30 months (2.5 years) worth of financial records, and, if any gifts or transfers for less than fair market value are made, a penalty period will be imposed, with no Medicaid coverage during the penalty.

Lookback period for nursing home coverage

- Financial documentation for the past 60 months must be submitted on the date of the application.
- For transfers to a trust, 60 months must be submitted.
- All transfers are subject to a five year lookback.
- Generally, all transactions over $2,000 will be reviewed.

Penalty Period

- The penalty period starts on the date that a person is applying for Medicaid and "otherwise eligible for coverage"
- Otherwise eligible means
  - In a nursing home OR receiving long term care that could otherwise be covered by Medicaid.
  - Less than $33,038 in assets
  - Medicare and other insurance policies are exhausted or insufficient to pay for care

Example – Transfer penalty

1. If the Medicaid applicant transferred the sum of $145,690 in November 2022.

2. Individual has no more assets, needs care and applies for Medicaid in September 2026. The lookback period is September 2021 to August 2026 (60 Months). Because a transfer occurred during the lookback, a penalty is assessed.

3. Westchester's regional rate is $14,569, so the penalty is $145,690 divided by $14,569 = 10 month penalty period.

4. Penalty starts September 1, 2026 and ends June 30, 2027.

5. Person is eligible for Medicaid coverage on July 1, 2027.

Not all transfers are penalized

- You can transfer your homestead to
  - Spouse
  - Disabled child of any age
  - Caretaker child living in the homestead for two years prior to institutionalization
  - Sibling with equity interest living in homestead for one year before institutionalization

  - For other transfers
    - Transfers to a spouse will not incur a penalty period
    - Also, a transfer to another or to a trust for the "sole benefit" of the spouse
    - Transfers for the sole benefit of a disabled child are exempt
    - The transfer can also be to a trust for the sole benefit of a disabled child, or
    - To a Supplemental Needs Trust or trust for the sole benefit of any disabled individual under age 65.
    - To a pooled trust operated by a not-for profit entity, if under 65.

Not all transfers are penalized (continued)

- Transfers for fair market value do not create a penalty, for example, arms-length transactions
- Transfers exclusively for a purpose other than to qualify for Medicaid (hard to prove)
- Personal Services Contracts may, in certain instances, be considered transfers for fair market value

Home Equity (Home Care cases)

- If the equity value of the home exceeds $1,130,000, the excess is considered available
- Does not apply if the home is occupied by a spouse, or a minor or disabled child
- For jointly owned property, each individual owner is presumed to own an equal share, and will be entitled to the $1,130,000 exemption
- Home equity can be reduced with use of a reverse mortgage or home equity loan

Where to Get More Information

- Social Security Administration http://www.ssa.gov/
- Medicare http://www.medicare.gov/
- Centers for Medicare and Medicaid Services http://www.cms.hhs.gov/
- New York State Department of Health http://www.health.state.ny.us/
- Westchester Dept. of Social Services http://www.westchestergov.com/social/
- Westchester Dept. of Senior Programs and Services http://www.westchestergov.com/aging/
- Information on Medicaid, Medicaid and other programs http://wnylc.com/health/