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### **HOW WILL YOU PAY FOR LONG-TERM CARE?**

Many baby boomers are just coming to grips with saving for retirement, and now they're being nudged to think about another big expense – long-term care. If you've had a personal experience with long-term care, you're well aware of the costs, both financial and personal. If not, let me illuminate you.

Long-term care is assistance you may need over an extended period of time to manage, rather than cure, a chronic condition or to compensate for a limited ability to function. Long-term care can be provided in your home, the community (i.e. adult day care or an assisted-living facility), or in a nursing home. Most of us don't want to think about it but that doesn't change the fact that many of us will need long-term care for some amount of time at some point in our lives. Unfortunately, if we wait until retirement to start thinking about possible long-term care needs and expenses, a number of us will find our options limited.

What options do we have should we require long-term care? Most long-term costs today are paid from three primary sources – one's personal resources, private insurance and government options.

Currently, 80% of those requiring long-term care are able to stay at home, thanks to devoted and caring family members who are able to help them with "activities of daily living" such as eating, bathing and dressing. Will that be an option for you? Are your spouse or children available and willing to provide care for you if needed? Have you discussed this with them? What limitations do they have? Do they live nearby or are they willing to move to be close to you? If not, what assistance can they provide from a distance? Planning early may help reduce the potential for misunderstandings and conflict when long-term care proves necessary.

Home equity can provide the resources to pay for in-home care and not require repayment until you sell, leave or transfer the home's title. Families may choose to sell their home or do a reverse mortgage to tap into the equity accumulated.

Can you afford to pay for a range of long-term care costs and for how long? Income may include pensions, Social Security, savings and income from trusts and annuities. Quality care can quickly add up to more than one's monthly income requiring the use of your savings. If you're concerned about leaving an inheritance, however, this won't be a viable option for you.

A life insurance policy may offer you the opportunity for a loan or withdrawal of the cash value. In addition, a person who is terminally ill may arrange for an accelerated cash lump sum death benefit from his life insurance company or for a cash lump sum (viatical settlement) from an outside firm.

Long-term care insurance, although expensive, is one other way you may pay for long-term care. This product was first offered in the 1980s as nursing home insurance but has changed a lot and now covers much more than nursing home care. Whether you should buy a long-term care insurance policy will depend on your age, health status, overall retirement goals, income and assets. For instance, if your only source of income is a Social Security benefit or supplemental Security Income (SSI), you probably shouldn't buy long-term care insurance since you may not be able to afford the premium.

On the other hand, if you: have and want to protect your assets, have sufficient income to pay for the premiums today and in the future; want to pay for your own care and stay independent of the financial support of others but don't have enough income and assets to be able to self-insure, long-term care insurance would be worth investigating.

Don't count on Medicare. In reality, Medicare pays only for short-term skilled care in nursing facilities after hospitalization and limited skilled care at home – but for short periods of time under specific conditions.

Medicaid is the joint federal-state funded health care program that pays nursing home care for those who are low-income and who have spent most of their assets. To get Medicaid help, you must meet federal and state guidelines for income and assets. Many start paying for nursing home care out of their own funds and “spend down” their income until they are eligible for Medicaid. Medicaid may then pay part or all of their nursing home costs.

There are no “magical” or right payment options for long-term care. What's right depends on what is most important to those involved, their personal values and financial goals, as well as what options are legally available. Choices will be influenced by whether or not a person is eligible or qualifies for an alternative given their financial resources and health status. Most families rely on a variety of financing alternatives, not one single source.

If you would like to learn more about long-term care insurance, request the free consumer packet “Long-Term Care Insurance: Is It Right For You?” from the Long-Term Care Insurance Resource Center, 480 North Main Street, Canandaigua, NY 14424 (585-394-3977 ext. 39 or e-mail [pwc5@cornell.edu](mailto:pwc5@cornell.edu)). The Resource Center is funded by the New York State Office for the Aging through the Ontario County Office for the Aging.

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