FINANCING OPTIONS FOR NON-MEDICAL HOME CARE

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Self-Financing
Individuals may have enough financial assets to pay for their non-medical home care. Of course, the person’s assets may be tied up in a home and in various investments and insurance policies. Family members or client representatives such as medical or financial powers-of-attorney, trust officers, elder law attorneys or geriatric case managers may have to do some detective work to locate them all.

Life Insurance
You may be able to use the person’s life insurance policy(s) to raise cash. Here’s how:

Viatical settlements: In recent years, special brokerage firms—viatical settlement companies—have made a business of buying life insurance policies for cash. The viatical firm has a physician examine the policyholder, assesses how long the person is likely to live, and then offers to buy the policy for an amount that gives the policyholder immediate cash for long-term care while still living and, at the same time, gives the brokerage and its investors a return on the investment. Viatical settlements typically range from less than 60 percent of the death benefit if the person appears to have more than two years to live, to around 90 percent if the person appears likely to die within a few months.

Say the policy death benefit is $100,000, and the viatical company believes the person’s life expectancy is four years. The firm might offer $45,000. The family can then use this money to pay for non-medical home care, and the brokerage collects the $100,000 when the person dies. If the person dies sooner, the brokerage makes more money. If the person survives longer, the firm loses money.

Pre-death sale of life insurance policies were originally developed to cover the cost of AIDS care, however the concept has been expanded to include Alzheimer’s disease and other conditions that require extended non-medical home care. For more information about pre-death sale of life insurance policies, contact an insurance broker through the Viatical Association of America.

Loans from life insurance policies: If your loved one has a “whole life” or “universal life” policy, it is usually possible to borrow against its cash value. Cash value is different from the death benefit—check the paperwork or call the insurer to find out the cash value. You have to repay the loan with interest. If you repay it in full by the time the person dies, the beneficiary receives the full death benefit. If not, the insurer reduces the death benefit by the amount of the unpaid loan balance.

Reverse Mortgages
A reverse mortgage is a special type of home loan that is only for Senior Citizens. Reverse mortgages allow people age 62 or older to convert home equity for their primary residence into monthly income that can be used to cover caregiving costs, usually without ever having to make a payment. Instead of you making payments to the bank, the bank pays you. Unlike a regular mortgage in which you own more and more equity over time, with a reverse mortgage the bank buys equity from you and when it comes time for you or your heirs to sell the house, the bank owns a portion of it—or possibly all of it. The only time you would need to pay back the money is if:

- You move out of the house (it is not your primary residence)
- You allow the house to fall into disrepair
- You allow the taxes or insurance to lapse
- You pass away

Instead of getting paid monthly payments, the bank lets the interest accrue over time and takes payment when you decide to sell your house, or when your heirs inherit the home. At that point, your heirs have 2 choices: 1) keep the home by paying the loan off with cash or another loan, or 2) sell the home and pay off the loan with the proceeds. Any money that is left over is theirs to keep. It is important to know that you or your heirs will never owe more than the home is worth because the rules governing this program guarantee that! It is also important to know that you will always hold the title to your home.
The money you get from this loan is not considered income and will not cause problems with Medicare or Social Security. You are free to spend it as you wish. Many people invest their money wisely and end up with more money than they borrow.

Reverse mortgages are good alternatives for people with early Alzheimer’s disease who want to stay in their homes or in cases where a caregiver moves into the affected person’s home. They work best, of course, for those who have considerable equity in their homes.

Reverse mortgages are available through many banks, the Federal Housing Administration (FHA), and the Federal National Mortgage Administration (Fannie Mae). In general, FHA reverse mortgages are most attractive to those with less than $150,000 of home equity. Fannie Mae reverse mortgages tend to be most attractive for those with home equity of $150,000 to $225,000. Private bank reverse mortgages are usually most attractive to those with home equity or more than $225,000.

For more information, contact your bank or consult the U.S. Government listings in your phone book for FHA or Fannie Mae.

**Long-Term Care Insurance**

With nursing home care costing $25,000 to $50,000 a year and the rising costs of non-medical home care due to increased insurance rates for bonding, commercial liability coverage, professional liability coverage and workers’ compensation, not to mention the government periodically threatening to cut Medicaid payments for long-term care, many people have turned to long-term care insurance as a way to guarantee payment of nursing home care and non-medical home care. One major problem is that consumer groups complain that long-term care insurance policies rarely pay out as the purchasers hoped, so be sure to shop very carefully when selecting policies that are tailor-made to meet your long-term care needs.

Long-term care policies must be purchased before the policyholder needs long-term care. The time to buy is as soon as possible after an Alzheimer’s diagnosis. Unfortunately, some long-term care insurers do not sell policies to people with pre-existing conditions, such as Alzheimer’s disease. Be sure to examine excluded conditions before you buy a policy.

Long-term care insurance rarely covers the entire cost of care for the remainder of the person’s life. Most long-term care policies offer benefits that range from $50 to $200 a day, with a maximum number of days stipulated in the policy.

The cost of long-term care insurance varies tremendously depending upon:

- The age and health of the policyholder—the older and sicker you are, the more expensive the coverage.
- The daily payout—the more money paid out, the more expensive the coverage.
- The payout duration—the longer the payout, the more expensive the coverage.

Some policies cover both—check the coverage before you buy. Most policies have deductibles and elimination periods. You must pay a certain amount before the policy pays anything, and you must pay for a certain period of time before the policy coverage begins.

Some policies have fixed premiums. In others, the premiums increase annually.

Some policies require continued payment of premiums while the policyholder is in long-term care collecting benefits. Others have “premium waiver” that allows policyholders to stop paying premiums while they are receiving benefits.

Some policy payouts offer inflation protection, while others do not.

Read the fine print before you buy. Talk with several brokers before you buy.

For more information, review the following website: [www.safenet.org](http://www.safenet.org).

**VA Benefits**

If the person is an armed forces veteran, placement might be possible in a Veterans Administration facility. For information, contact the Veterans Administration or, depending upon the diagnosed disease, organizations such as the Alzheimer’s Association.

**Family**
Family members might decide to pool their resources and pay for nursing home care or non-medical private duty home care. In some states, relatives are required to provide a certain amount of support for a certain time. Check your state’s regulations.

**Medicare**
Medicare pays for up to 150 days of nursing home care in cases of serious illness in those who need intensive rehabilitation. Diseases such as Alzheimer’s disease or Parkinson’s disease do not qualify because currently there is no possibility of rehabilitation. However, if a person with Alzheimer’s, for example, also has some other condition such as a stroke, Medicare financing may be possible for a time. For more information, contact a Medicare office, social worker or the person’s physician. Medicare covers skilled nursing care, but it does not cover non-medical home care services.

**Medicaid**
Medicaid is a federal safety-net program administered by the states. It pays for health care, including long-term nursing home care, for those who have no other financial resources. In most states, it is known as Medicaid, but some state programs have different names (for example, California’s program is called Medi-Cal).

Some people recoil from Medicaid because it feels like welfare, however there is no shame in receiving benefits. It is rather like Social Security. For example, people with Alzheimer’s disease paid taxes before they were stricken with the disease, and some of that money went to Medicaid benefits for other people. Now that they need Medicaid, it is there for them. Medicaid currently pays the bills for about two-thirds of the nation’s nursing home residents.

Eligibility criteria differs from state to state, but in most states, people in nursing homes receiving Medicaid cannot have more than a few thousand dollars in total personal assets (which can be used for gifts and personal items). Individuals must “spend down” their own funds until they qualify for Medicaid, and then the program assumes the cost of their care for the rest of their lives.

In cases where one spouse has a disease such as Alzheimer’s and the other needs money to live on, asset transfers can be arranged. This strategy enumerates the couple’s assets and divides them in two. The couple’s home is exempt as long as the unaffected spouse continues living in it. The half belonging to the affected individual can then be spent on nursing home care until Medicaid eligibility has been established. The half belonging to the unaffected spouse can be used by that person with no restrictions, and those assets in no way make the spouse with Alzheimer’s ineligible for Medicaid.

Asset transfers, however, can be tricky. They must be arranged at least 30 months before the affected individual applied for Medicaid. In addition, you must keep detailed records and present them for inspection when you apply. Professional organizations such as the Alzheimer’s Association can help you arrange things. You might also need an accountant and an attorney. If you need a lawyer, find one experienced in handling Medicaid applications. For a referral, contact your local Bar Association.

It may be a struggle to obtain Medicaid benefits—even if you are confident that the person qualifies. The reason is that states generally interpret eligibility criteria conservatively in order to save money. Be persistent. File appeals if necessary. For more information, contact the National Citizen’s Coalition for Nursing Home Reform at 1424 16th St., NW, Suite 202, Washington, D.C. 20036-2211; phone number: (202) 332-2275. You may have to hire an attorney.

For more information on Medicaid, contact the nursing home you are considering, or your local or state Departments of Health, Social Services, or Welfare.

To locate an Elder Law Attorney, contact the National Academy of Elder Law Attorneys, Inc. at 1604 North Country Club Rd., Tucson, Arizona 85716, phone number: (520) 881-4005, fax number: (520) 325-7925; or you can access the NAELA Directory through their website: www.naela.com.

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