

Learning Curve LTCi Education Key in Controlling Health Care Costs

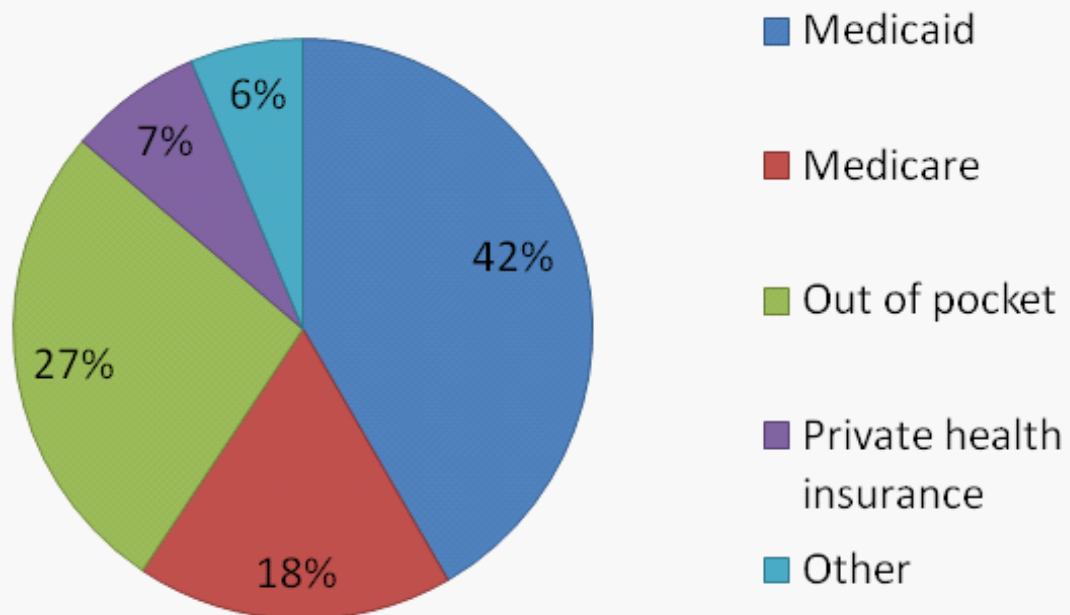
It hasn't gotten a lot of attention on Capitol Hill or in the media during the health care debate, but make no mistake: Long-Term Care insurance has an integral role to play in containing health care costs for both seniors and the government.

With regards to conventional health care, if the proposals currently on the table eventually do pass, we will find ourselves in an environment where government is picking up an unprecedented amount of the tab for expenses. We see Long-Term Care moving in the exact opposite direction.

Currently, Medicaid pays for a whopping 42% of nursing home costs. Another 27% is paid for by consumers out of pocket, and only 7% of long-term care costs are being reimbursed or paid for by some type of private insurance.

This is a tremendous opportunity to educate consumers on the importance of LTCi, not just for protecting their own individual nest eggs, but also for sparing our government and tax payers the cost of supporting so many seniors who receive long-term care benefits from Medicaid.

Who pays for nursing home costs?



Government Involvement

Recognizing this, the government is actually getting involved in helping the insurance industry to educate the public. In order to encourage seniors to rely less on Medicaid, many states have implemented private-public long-term care Partnership programs. States with Partnership programs have also launched awareness campaigns that include [LTC Planning Kits](#) that educate consumers about their risks and their LTCi options and letters from the governors of every partnership state. These awareness pieces are available to download at www.longtermcare.gov.

LTCi Education Still an Uphill Fight

The reality is that despite the many benefits of LTCi, many seniors with financial means will intentionally turn to Medicaid for their long-term care rather than pay for it out of pocket or pay for LTCi insurance. These individuals have several options at their disposal to legally impoverish themselves so they qualify for Medicaid.

Transfer assets – Sometimes seniors will transfer all their assets to their children so they can meet the Medicaid threshold.

Divorce – This strategy is a divorce where the “well spouse” retains joint property while the “ill spouse” receives little of value.

Set up irrevocable trusts – Also known as Qualified Income Trusts, these trusts allow seniors to assign their investment income to the trust, which is designed to limit how the funds are distributed. Trust funds can be used to make certain payments including insurance premiums, support for a spouse and \$60 per month for personal needs. These trusts effectively allow people to hold back income that otherwise would go to reduce Medicaid’s cost for long-term care.

LTCi is Still the Best Option

First of all, if someone is going to take the above measures to reduce their assets, they must do it way in advance. When a state is determining the eligibility of a senior for Medicaid coverage, federal law allows it to “look back” and include as assets any funds that a senior transferred within five years of applying for long-term care benefits. So that is one drawback to the approaches above.

Another drawback is that having LTCi opens up your options for where and how you will receive coverage. Agents should be educating their clients on the fact that Medicaid nursing home care is not for those who want to maintain the high standard of living they’ve grown accustomed to. It’s not for those who wish to remain at home for their care.

Put it to your clients this way: LTCi is a method of asset protection; the alternative is asset depletion. Which sounds better to them? Plus Partnership plans allow them the option of taking advantage of Medicaid when their LTCi benefits run out, while preserving a portion of their assets—combining asset protection with access to care and maintaining the ability to leave a legacy for their loved ones.

To learn more about LTCi or the partnership program in your state, visit
www.LTCforAgents.com.