



Protecting the Spouse of a Client Needing Long-Term Care



Many young and middle-aged adults have had to face a nightmare scenario: a parent or a spouse needs long-term care. But what about the *other* spouse: the one who is healthier, the one with increased responsibilities? Sometimes the struggle is just as difficult for them.

The Cost of Long-Term Care

Long-term care is a persistent problem for so many elderly Americans. And the cost of treatment is truly shocking. According to a March 2019 article in *USA Today*, the median cost of a private room in a nursing home is \$8,365 per month.¹ In other words, the cost is higher than many people can afford.

What if someone needs long-term care, but doesn't necessarily need to reside in a nursing home? Genworth Financial has estimated that the median cost at an assisted living facility is \$4,000 per month, and the median cost for a home health aide is \$4,195. Of course, there are things you can do to help with these costs, such as long-term care insurance and Medicaid. If you've had a family member with this type of need, then you probably already know a lot more than you ever thought you would about this topic.

Very often, the need for long-term care is assessed through what are called the "activities of daily living" or ADLs. These include things such as eating, bathing, dressing and mobility. For most long-term care policies, coverage begins when someone needs help with at least two ADLs.

The *other* spouse—sometimes referred to as the "Community Spouse"—is in many cases the unsung hero in this situation. The Community Spouse is the one initially tasked with meeting the needs of the ailing partner, often referred to as the "Institutionalized Spouse."

The primary focus is almost always on the needs of the Institutionalized Spouse, and with good reason. But once the situation has stabilized, some of the focus needs to turn to the Community Spouse. All too often this person's needs get pushed aside. And if both parties aren't extremely careful, before long, everything they've saved could be gone.

Medicaid as the Default Option

Keep in mind that if you're eligible for *Medicare*, it doesn't cover long-term care beyond 100 days. Under certain circumstances, you are covered 100 percent for the first 20 days. For days 21 through 100, you will be responsible for a daily copayment of \$170.50. So for a surprising number of people, *Medicaid* becomes the default option. But this, of course, creates its own issues. Medicaid is often the option of last resort, simply because the ailing spouse has no other options.

But there are some misconceptions that might make Medicaid seem worse than it really is. For one thing, Medicaid does have provisions that can protect the assets of a Community Spouse.

There are income and asset limitations that apply to Medicaid. A general rule of thumb is that a single individual, 65 years or older, must have an income of \$2,313 per month or less. This generally applies for both Medicaid's nursing home and assisted living benefits. The limits are different if the applicant is married. For a married couple, each income is generally counted separately, so this can work to the advantage of the Community Spouse.



The asset limit, sometimes referred to as Medicaid's "asset test," is very complicated. In most states a single person age 65 or older is permitted up to \$2,000 in countable assets; married couples with both spouses applying are allowed to have \$3,000. But these numbers can vary. In New York State, for example, you can have up to \$15,450 in assets.² And there's some good news: your home and home furnishings are, in most cases, considered exempt from these limits. But watch out: there is also a five-year "look back" on asset transfers. So you can't give everything away and then expect to get Medicaid.

Here's where Medicaid can provide a real benefit to a Community Spouse. If it's only one spouse that's applying, the Institutionalized Spouse can *transfer assets to the non-applicant spouse*. This is known as a Community Spouse Resource Allowance (CSRMA). As of 2019, the Community Spouse can have countable assets up to \$126,420.³ And of course, the home is not included, assuming the Community Spouse actually lives there, and assuming the home equity does not exceed \$585,000 (or more in some states).

These programs—and their limitations—can be quite confusing. Anyone who may need help should seek the assistance of a qualified Medicaid planner.

What About Long-Term Care Insurance?

Long-term care insurance is a lot more expensive than it used to be. And the number of companies offering it is much fewer than just a few years ago. Still, it can provide peace of mind to both the Institutionalized and the Community Spouse. But keep in mind the timing issue.

Just like with life insurance, it gets more expensive as you get older. For it to be more affordable, you may have to fund the policy relatively early. And if you do that, you don't know which spouse is eventually going to need the benefit. If you do know who needs it, then it's probably too late.

But perhaps the biggest issue with long-term care insurance is the cost: the rates aren't guaranteed. And for years we've seen the renewal costs of existing policies go up and up for the same amount of coverage.

Chronic Illness Riders Can Be Used to Help Address the Financial Burden of a Chronic Illness

Chronic illness riders on a life insurance policy, such as the rider offered by Security Mutual,⁴ can help manage chronic illness costs. With limitations, a chronic illness rider allows the policyowner to access a portion of the death benefit, and use the proceeds for any purpose, including nursing and assisted care, home health care through an attendant or family member and non-medical services, such as shopping and household cleaning. The beneficiary will receive any unused amount of the life insurance benefit that remains. If the rider is never used, the beneficiary will simply receive the full amount of the policy's death benefit. Chronic illness riders may be available at no charge at time of policy issue; however, a charge will typically be assessed at time of exercise.

Contact your local Security Mutual life insurance advisor today to coordinate your financial plans and help achieve your goals and objectives.

For more information, visit us at smlny.com/smlpodcast.



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¹Tamara Holmes, "Cost of nursing home care makes planning ahead crucial for financial security," *USA Today*; <https://www.usatoday.com/story/money/2019/03/04/nursing-home-cost-care-makes-planning-ahead-important/3004694002/> (Accessed 4.25.19)

²Medicaid Eligibility: 2019 Income, Asset & Care Requirements for Nursing Homes & Long-Term Care; <https://www.medicaidplanningassistance.org/medicaid-eligibility> (Accessed 4.25.19)

³Special Needs Lawyers, PA; <https://specialneedslawyers.com/blog/2019-social-security-and-medicaid-income-and-asset-limits/> (Accessed 4.25.19)

⁴The Chronic Illness Accelerated Death Benefit Rider is attached to a life insurance policy. The rider accelerates the death benefit on account of chronic illness. **It is not a health insurance policy or rider providing long-term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long-Term Care Partnership program or similar programs in other states and is not a Medicare supplement policy or rider.** Note: The payments under the Chronic Illness Benefit Rider are intended to qualify for favorable tax treatment under Section 101(g) of the Internal Revenue Code. However, payments made under this rider may be taxable depending upon specific facts and circumstances. Accordingly, the policyowner should consult with his or her tax advisor to determine the tax consequences before requesting the payment of an accelerated benefit under this rider. Receipt of accelerated death benefits may affect eligibility for public assistance programs. All guarantees and benefits of the policy are subject to the claims-paying ability of the Insurer. Eligibility requirements apply. A benefit payment results in reduced death benefits and cash values. Product availability and features may vary by jurisdiction. Consult your life insurance agent for availability. Rider Form Nos. IO-9334-NY and IO-9335-NY-WL; ICC12-IO9334; ICC14-IO9335-WL; Series IO-9334, IO-9335-WL, and IO-9335-NF-WL.

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