

Who Should Pay for Long Term Care in Your Family?

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Different opinions and beliefs about who should pay for long term care are normal and should be expected. Do you know what your parents, in-laws, a spouse/partner, or adult children think about responsibility for long term care? If not, take time to learn if you agree or disagree. Most long term care costs today are paid for from three primary sources. These sources are personal resources, private insurance, and government options. Your beliefs about responsibility for long term care financing should influence what combination of these three financing options you select.

Personal Resources

Current income and life savings of elders and family members are one source of payment for long term care costs. Income from elders may include Social Security, pensions, savings, and income from trusts and annuities. While children may choose to contribute, they are not required by law to do so. Families may also choose to sell their home or do a reverse mortgage to tap into the equity they have accumulated.

Another personal resource, unpaid caregiving, actually covers 75% of all long term care needs. Working caregivers provide an average of 22 hours per week of unpaid care. At times, caregiving responsibilities last as long as 8-10 years. Working caregivers lose an average of \$650,000 in lost wages, lost Social Security contributions, and lost pension contributions.

Questions to ask about personal resources as an option include:

- Do I have unpaid caregivers (spouse or children) available and willing to help?
- Do I have sufficient income and assets available to pay for my long term care?
- Are my children able and willing to help me financially?
- Will my children be expected to return any monetary gifts I have given to them?
Have they agreed to do so?
- Am I willing to sell my home or do a reverse mortgage?

Insurance

People choose to purchase long term care insurance as a risk protection strategy. At this point, less than 10% of the population has purchased long term care insurance. Long term care insurance can be purchased directly from a company or may be offered as a group plan, especially through employers as a workplace benefit. If you choose to purchase insurance to help protect against long term care costs, realize that there is no

policy that will protect against all costs. Carefully compare policies and coverages before purchasing.

Questions to ask about long term care insurance as an option include:

- Can I qualify for long term care insurance?
- Can I afford to pay the premiums now and long term?
- Do I have assets that I need to protect and is long term care insurance the best way to do so?
- Will long term care insurance help achieve my financial goals?
- What information do I need to access before making a decision about a specific policy?

Government Programs

Medical Assistance is a safety net for people who cannot afford to pay for long term care. Medical Assistance requires people to “spend down” their income and assets to meet low-income guidelines. It is designed to provide income protection for spouses and to allow them to keep their home. Medical Assistance is not designed to pay for long term care costs for everyone.

Several other government programs are funded under the Older American Act-Social Services Block Grants. The programs available vary by state and may include such services as senior nutrition sites, Meals on Wheels, respite care, chore services, transportation, and adult day care. Users often pay on a sliding fee scale with the costs dependent on their financial situation.

Questions to ask about government programs as an option include:

- Do I currently qualify for Medical Assistance?
- What would I need to do to become Medical Assistance eligible?
- What types of long term care services and options are paid for by Medical Assistance?
- What other government programs are available in my community that I could access to help with my long term care needs?

Here's Help

Help is available to jump-start your conversations about who should pay for financing long term care. Complete a checklist to identify how you feel about individual, family, insurance, and government responsibility for financing long term care. Visit a decision-making resource center for families at www.financinglongtermcare.umn.edu. Click on Decision Making Toolkit, Planning Tools, and then “Who Should Pay for Long Term Care?” to complete the checklist on-line or using paper/pencil.

This web-based center provides up-to-date, objective, and user-friendly educational resources, with no sales gimmicks. In addition to this conversation starter, you will find many proven planning tools to help:

- Understand the risk of needing long term care;
- Understand the costs and potential financial impact of long term care;

- Learn about financing options and consequences; and
- Create and carry out your decisions.

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