

## **Medicare, Medicaid, Medigap, Long Term Care Insurance** **What are they and what do they pay for?**

Statistically, a person age 65 can expect to live another 18 years or more. Most of us assume that some combination of investments, Social Security, Medicare, Medicaid and our insurance will take care of retirement medical expenses, but few people understand what these programs pay for and what they don't.

**Medicare** is the Federal health insurance for people over age 65, and for some disabled people under age 65. Enrollment is automatic at age 65 if the person is receiving Social Security.

Medicare has two parts:

**Part A** pays for

- hospital bills
- a limited amount (up to 100 days) of nursing home care for skilled nursing care (which must follow a hospital stay of at least three days)
- limited home health care, and hospice care.

Part A is free, but with a deductible (\$992 in 2007), co-insurance and co-pays.

**Part B** is optional insurance that pays for

- doctor's bills
- emergency room services and ambulance transport
- durable medical equipment
- outpatient care and some medications.

Part B costs \$93.50 (in 2007), which is deducted from the monthly Social Security check, and also has a \$100 annual deductible.

Medicare was designed to help pay for major medical expenses, but not to pay for all medical expenses, and there are many expenses that are not covered, for example:

- Private hospital rooms
- Outpatient prescriptions
- Routine physical exams
- Dental care and dentures
- Eyeglasses and hearing aids
- In-home care - personal care or homemaker or meals (unless it follows a hospital stay of at least 3 days)
- Nursing home (unless it follows a hospital stay)

Medicare will pay for some skilled care in the home or in approved nursing homes, but only in certain situations. Medicare's skilled nursing facility (SNF) benefit does not cover general nursing home care, but rather relatively intensive skilled care after acute care hospitalization.

### **Won't Medicare pay for a nursing home?**

Medicare pays for 20 days for recovery after a hospital stay, and will pay a portion of the cost for an additional 80 days. But Medicare won't pay for "custodial" care, and that's the type most people will need - help with eating, dressing, bathing, because of physical limitations, dementia or Alzheimer's disease. Medicare also does not pay for homemaker services, nor

does it pay for custodial care provided by home health aides.

**Medigap Insurance** is private insurance to fill the "gaps" in Medicare and pay the co-pays. Most people on Medicare will need supplemental insurance, unless they choose to join a Medicare HMO. Medigap policies were standardized into 10 policies (Plan A through Plan J) to make it easier to compare policies from one insurance company to another. Medigap insurance does not pay for nursing homes or assisted living. However, Plans D, G, I and J do contain an at-home recovery benefit that may pay up to \$1600/year for short term at home assistance for those recovering from an illness or injury or surgery.

**Medicaid** is for low-income persons and is funded partially by the federal government and partly by the states. People apply for Medicaid in their county of residence, and counties have different application procedures. Medicaid eligibility is based on income and assets. It covers the costs of medical care, assisted living, some in-home care, nursing homes and personal care. The states determine their own rules and also limit the number of beds in nursing homes that will be paid for by Medicaid, so one may not be available when you need it or where you need it (i.e., in a facility of your choice).

You may not know that Medicaid isn't a gift. When a person accepts Medicaid, a lien is placed against their property and, when the person dies or the property is sold, Medicaid may recover the amount it has paid out. For this reason, It is advisable for homeowners to consult with an elder law attorney before filing for Medicaid.

So, in order for Medicaid to pay for nursing homes or any other care, you need to deplete your savings and assets to poverty level --\$2000. Many people have to pay for nursing home care out of pocket and spend down their assets until they become eligible for Medicaid. Many people also plan to transfer their assets to their children in order to qualify for Medicaid. Medicaid will look for this kind of transfer, and may delay or deny eligibility. However, there are legal estate planning tools (such as Medicaid trusts) that can be used so that the remaining spouse bears little responsibility for the Medicaid expenses of the deceased spouse.

**Medicare Assistance Programs** are State- managed programs to help Medicare recipients who cannot afford Medicare's premiums and other costs but whose income or assets are too high to qualify for Medicaid. Eligibility is based on income, as is the amount they pay of Medicare costs.

**Long Term Care Insurance** is private insurance to pay for in-home care, assisted living or nursing home expenses. It typically goes into effect after the person has demonstrated an inability to perform at least two activities of daily living (ADLs), such as bathing, eating, dressing.

Policies can cost between \$900 to \$8,000/year, depending upon the age of the buyer and the benefits chosen.

Roughly one in four people who apply don't qualify because of preexisting health problems. Insurance companies usually won't provide long term care coverage for people who have M.S., Alzheimer's, Parkinson's, and a variety of other ailments; or who are already bedridden with physical or mental disorders. But most policies do cover these conditions if they are contracted after signing up.

#### **Long Term Care Insurance isn't right for everyone**

Long term care insurance is a growing industry, and it can be a terrific way to preserve assets and not burden the children, but it is not right for everybody. Consumer Reports advises against Long Term Care insurance policies for those who qualify for Medicaid or will qualify soon after entering a nursing home. It is not advisable for those who do not have a fair amount of assets they wish to bequeath to their heirs. It is also not advisable for those who

are unlikely to be able to continue paying the premiums for the rest of their lives. There are no hard and fast rules about who should buy a policy, but the United Seniors Health Cooperative suggests the following guidelines:

- At least \$75,000 in assets, not including home and car
- Retirement income of \$35,000; i.e., sufficient to cover living expenses
- Ability to pay LTC premiums for the rest of your life, even if rates increase. No more than 7% of your annual income should go toward the cost of LTC coverage.

**For more information:**

General Information: Seniors! Inc at (303) 300-6940

Social Security: 1-800-772-1213 or [www.ssa.gov](http://www.ssa.gov)

Long Term Care Insurance: Contact the Colorado Division of Insurance at (303) 894-7499, x355 for "Shoppers Guide to Long Term Care Insurance."

Medicare: 1-800-MEDICARE or Health Care Financing Administration - (303) 844-4024 or [www.medicare.gov](http://www.medicare.gov)

Medicare Supplements ("Medigap" policies): Colorado Division of Insurance - (303) 894-7552

Medicaid: <http://www.cms.hhs.gov/home/medicaid.asp>