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Options for long-term care here

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Here are the options available for coverage for long-term care along with their benefits and restrictions:

Medicare

The federal program pays for the cost of a nursing home for 20 days after hospitalization of at least three days. For the next 80 days, the patient pays \$101.50 a day and Medicare covers the rest. There is no coverage after 100 days. The average nursing home cost in Hawai'i is \$230 a day.

If you have Medicare supplemental insurance, it will pay for your \$101.50 deductible. You can buy this coverage from most insurance companies.

Medicaid

This is the last resort for many people who need long-term care. Medicaid, a state program, would pay for skilled medical care in nursing homes but only if you meet its financial criteria.

If you're single, your assets cannot exceed \$2,000. This would not include your principal place of residence, cars, funeral expenses and burial plot.

If you're married, your spouse is allowed to have \$90,660 in assets, excluding your main home and cars, according to the state Department of Human Services.

If you die, the state tries to recover its nursing home expenses from your estate.

But if your spouse dies first, the assets are transferred back to you. You have to find a way to whittle your eligible assets to \$2,000.

Parents used to transfer assets to their children to qualify for Medicaid, Ralph Matsuda said. That's what they did in his father's case.

But the government has closed that loophole; now there's a penalty. If a widow transferred \$70,000 to her kids, and the cost of her nursing home is \$7,000 a month, Medicaid won't pay

out for 10 months.

Private insurance

Traditional insurance for long-term care can be a good idea, providing consumers are aware of restrictions.

Monthly premiums vary widely, depending on your level of coverage, age, health, gender and other factors. In general, the earlier you buy the insurance, the less expensive it is.

According to the Coalition for Affordable Long Term Care, a standard John Hancock policy for a 40-year-old is \$600 a year while a 75-year-old pays \$4,838 annually. The policy pays up to \$125 daily for four years, inflation adjusted for 5 percent.

Under a State Farm insurance policy, a married couple who are both 40 years old could pay \$86 a month total. The daily benefit is \$150 for three years and it's adjusted for inflation. There is a 90-day "elimination" period during which the patient has to wait before coverage starts.

For a couple both 50 years old, the premium rises to \$135 a month, according to Carolyn Fujioka, a spokeswoman for State Farm. For 65-year-olds, the cost goes up to \$323 a month.

Usually, the rate is locked in but that's not a guarantee. Insurers may opt to raise rates for a class of people — e.g., those born in 1953.

But there are restrictions before you can get coverage. For instance, many insurers insist that you be unable to perform at least two of specified daily activities, such as bathing or eating, for a certain period before they start paying benefits.

Some policies specify that you can use only certain funds for nursing home care; others allow you mix-and match services within the pool of money.

Also, insurers may reject you from coverage if you have certain pre-existing conditions, usually chronic conditions such as diabetes or Alzheimer's disease, said Rodney Chang, a financial adviser at Morgan Stanley.

Being overweight, smoking and having a family history of disease lead to higher premiums, he said.

So who should buy insurance for long-term care?

Empty nesters — those whose children are self-sufficient and have moved away, said Harry Kananow, head of Kananow & Associates: Wealth Management.

Younger folks should focus more on paying for current needs, such as their mortgages, children's college education and other pending bills.

Of course, the younger you are, the lower your premiums. You're also probably healthier and could more easily qualify. But you have to balance paying the premium against your other needs.

If your mortgage could be in jeopardy, think twice about buying insurance. Such a cash crunch could force you to stop paying your premium one day — and you'll lose your benefits.

According to the National Association of Insurance Commissioners, here's what you should look for in policy offering long-term care:

- At least one year of nursing home or home healthcare coverage, not limited to just skilled care.
- Coverage for Alzheimer's disease.
- Protection from inflation.
- A clear outline of the policy's coverage.
- A guarantee that your policy can't be canceled because you got older or developed an illness.
- The right to cancel the policy within 30 days.

Make sure the insurance company is financially strong so it'll be around in 20 or 30 years when you need your benefits. Check its credit rating as compiled by companies such as A.M. Best, Moody's, Standard and Poor's, and Fitch. You can ask your insurance agent or go to the rating agencies' Web sites for third-party information.

\$10-a-month state program

A legislative bill to help pay for long-term care in Hawai'i was passed by this year's session. It mandated a \$10 monthly payroll deduction from each working adult above the poverty level beginning in 2005. If signed into law by Gov. Linda Lingle, the measure would create a program that would be the first of its kind in the nation.

The premium rises yearly, maxing out at \$23 a month by the eighth year of the plan and remaining at that level during the life of the program.

The money would go into a trust fund that would be handled by professional money managers, said Laura Manis, legislative chairwoman of the Coalition for Affordable Long Term Care.

The first payouts would start in the third year of the program, phasing in at a rate of 10 percent a year. That means by 2008, you would get a third of the benefit. You become fully vested — eligible for full benefits — after 10 years.

Participants would receive \$21 a day for 365 days in the third year, up to \$83.58 daily in the seventh year and beyond, pending periodic review by trustees. The 365 days of benefits don't

have to be consecutive.

Manis said the amount received could be used in any way as long as it related to long-term care. You could use it to pay expenses of a relative who's caring for your parent or to offset nursing home costs.

To be eligible, you should be in need of help performing at least two daily tasks such as eating or bathing, or have a cognitive disorder. There is a 30-day waiting period before payouts.

The program also is mandatory for people who aren't working but have enough income that they pay state taxes. However, it's voluntary for folks who don't pay taxes and live on their pensions, she said.

If you lose your job, your benefits are protected for a year. After that, it declines by 10 percent a year, Manis said.

Life insurance policies

Another option is to take out a life insurance policy that gives you access to benefits when a terminal illness strikes or long-term care is needed, Morgan Stanley adviser Chang said.

You don't have to wait until you die before benefits are paid out; you can tap into them when you need it. However, premiums with this option could be high, depending on your health, gender and other factors, he said.

Pay your own way

You can opt to pay for your long-term care yourself, with careful saving and savvy investing.

For more information, call the city's senior hot line at 523-4545.

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