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New Incentive Helps Texans Facing a Decision Over Long-Term Care

Consumers can qualify for state assistance and keep more of their savings.

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The Savvy Consumer

Texas is campaigning to get residents to buy long-term care insurance, and it's sweetening the pot by allowing consumers to qualify for state assistance while keeping more of their life savings.

The new Texas Long-Term Care Partnership addresses a difficult decision Texans face when they or a spouse need to move into a nursing home: State rules severely limit the assets a household can own to qualify for Medicaid, the federal-state health program for the poor that pays for two-thirds of Texans in nursing homes today.

That restriction means individuals generally must spend down their assets to become eligible.

But under the state's partnership program, participating insurers allow policyholders to shield a specific amount of their assets from the state's formula for determining eligibility. Such policies are called "asset disregard benefits."

They work like this:

Say a person purchased a Long-Term Care Partnership policy with \$100,000 in benefits. Later, that person enters long-term care, but uses up the benefits in the policy, which typically has a term of three to five years. At that point, the state will exclude \$100,000 in household assets when determining Medicaid eligibility for additional long-term care.

Long-term care includes nursing homes, assisted living, home healthcare and other services related to disability and aging. Long-term care insurance helps pay for those services, typically on a per-day basis, such as \$100 a day for a nursing home, for a fixed period, such as three years.

In contrast, Medicare, the federal program for Americans age 65 and older, limits benefits to 100 days in a nursing home, and that's only after a hospital stay for skilled care.

"For folks who would ordinarily plan for the future, long-term care is the one piece that is most often overlooked," said Geoff Wool, spokesman for the Texas Health and Human Services Commission. "But a lot of people don't realize just how expensive it is and what a drain it is on their assets."

Only 405,000 Texans have long-term care insurance, Wool said.

According to the commission, the average nursing home cost in Dallas-Fort Worth is \$166 a day - \$60,590 a year. In comparison, the monthly premium for a 55-year-old could be about \$800 a year, although rates vary widely.

Those figures, and other information about long-term care, are available at www.longtermcare.gov and at the Texas agency's web site, www.OwnYourFutureTexas.org.

Financial planners say the asset protection element of the Long-Term Care Partnership is a winner for consumers.

"From a planning perspective and a way to maintain financial

Long-term care costs

Average expenses for long-term care in Dallas-Fort Worth:

Nursing home: \$166/day private room, \$118 day semi-private

Assisted-living facility: \$2,763/month

Home health aide: \$34/hour

Homemaker services: \$17/hour

Adult day-care service: \$43/day

Source: U.S. Health and Human Services Department

independence, long-term care insurance is the way to go,” said Steve Blankenship, a fee-only financial planner with Heritage Financial Planning in Grapevine. “Now there is some added incentive to staying off the Medicaid rolls.”

Texas is one of 34 states with a long-term care partnership, said Ana Smith-Daley, deputy commissioner of life and health insurance at the Texas Department of Insurance. Asset protection applies in the other states as well, so policyholders who relocate will receive the same protection if they apply for Medicaid, she said.

Burk Rosenthal, president of Rosenthal Retirement Planning in Fort Worth, recommends the partnership policy for most clients.

“Just about half of my clients have it,” he said. “Most people are not at a point to self-insure, but they have enough assets where the government isn’t going to pick up the tab.”

Approximately 70 percent of people over age 65 will need long-term care services, according to the health commission.

“For a single person, it’s a personal decision,” Rosenthal said. “Are you comfortable with spending all of your money on care and then letting the government take care of you?”

For a married couple, the decision is more complex, he said.

“You could leave the healthy spouse destitute if you have to spend down your assets to qualify for Medicaid,” he said.

Cathy Flanagan, who oversees long-term care sales in Dallas-Fort Worth for Long-Term Care Financial Partners, said her business is up in the past year because clients are less confident that investment gains will generate enough money to cover long-term care expenses.

“People are buying long-term care insurance for peace of mind,” she said. “Most don’t want to work their lifetime and invest, only to spend it on long-term care.”

Buying a plan isn’t simple. Considerations include the level of benefits you want and for how long, as well as your age and health, Flanagan said.

“They’re extremely complicated products,” said Amanda Walker, an editor who writes about insurance for *Consumer Reports*. “It really does make sense to get impartial advice from someone like a fee-only planner.”

Many of the plans carry commission rates of 40 percent to 50 percent of the first year’s premiums, Blankenship said, so it’s important that your adviser either not sell the policy to you directly or that you’re offered a variety of plans that can be tailored to your needs.

There are some tax incentives to buying long-term care insurance as well.

If you itemize and reach the threshold of 7.5 percent of annual gross income for medical expenses, the premiums can be deducted from your federal taxes, Flanagan said.

To get a free long-term care planning kit from the U.S. Health and Human Services Department, call 866-752-6582 or download it at www.OwnYourFutureTexas.org.

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