

THE COMMONWEALTH OF PENNSYLVANIA HAS CRAFTED A SILVER LINING

A fifty-something friend wryly observed, “I am just glad when I wake up in the morning and nothing hurts.” Despite the considerable effort *I* have placed on eating right and exercising during my adult years, his remarks elicited a heartfelt laugh of understanding. Aging comes with physical challenges that we may not be able to avoid - no matter how diligent and thoughtful our lifestyle choices.

Longevity-spawned health care needs have prompted a number of states to create planning incentives for families. Their goal is to reduce state-paid Medicaid - *Medical Assistance* - payments that, frankly, cost the taxpayers substantial amounts of money. States are concerned about this open-ended financial liability - despite restrictive rules requiring that most of the assets of an individual - or healthy spouse - be spent down prior to even triggering Medicaid eligibility.

The purchase of long term care insurance can be the answer for funding future needs. However, because few welcome the payment of an additional annual insurance premium, the Commonwealth of Pennsylvania has crafted a silver lining. Governor Ed Rendell signed Act 40 into law on July 17, 2007, thereby establishing a “Long-Term Care Partnership.” This Partnership encourages Pennsylvanians to purchase long-term care insurance by providing asset protecting coverage equal to the benefits paid by the policy.

What does this mean? When qualified Partnership Policies - targeted for this fall - are launched, families will be permitted to retain assets equivalent to the pool of benefits purchased in their policy. It means dollar-for-dollar *asset protection*. For example, a person whose qualifying policy paid for \$250,000 of care would be entitled to keep \$250,000 in family assets, should they needed to apply for Medicaid in the future.

Take note that most well-written long term care policies have inflation protection. This can be powerful - particularly in light of the Pennsylvania Long-Term Care Partnership. Suppose your policy begins with a money-pool benefit worth \$250,000, and compounded inflation protection of 5%.

You faithfully pay your *level* annual premium* for ten years. Now, your money-pool benefit is worth just over \$400,000 – a \$150,000 increase for future health care needs. And, a \$150,000 increase in the amount of assets *your family keeps* – even if Medicaid benefits are ultimately triggered.

The U.S. Department of Health and Human Services and the Centers for Medicare and Medicaid Services have established the *Own Your Future* campaign and selected Pennsylvania as a participant. The intent is to help all citizens plan for potential future long-term care needs. Consumers can visit: www.longtermcare.gov/campaign or call 1-866-PLAN LTC to learn more.

Resistance to planning for long term care is often founded on rationalizations such as: Medicare or Medigap coverage pays for long term health care, or, the expectation that a daughter – or other family member - will be the caregiver. It is important to be aware that Medicare coverage is restrictive and very limited. Research indicates that it pays for only about 5% of long term care needs. Medigap policies do *not* include long term care coverage.

Children – usually daughters – currently provide more than 50% of informal care to elderly parents. The burgeoning need has led to as many as 50 million Americans now serving as caregivers. Families can be torn apart emotionally as these responsibilities are doled out. Efforts to ‘save’ money, inequitable sharing of the time burden of providing care, and disagreements about what a loved one really needs may result in animosity and resentment.

Studies indicate that the stress experienced by a *spouse* acting as caregiver has led to an increase in depression - and even premature death – among the healthy spouses who persevere in single-handedly shouldering the burden of care for their beloved partner.

Kudos to the Commonwealth for assuming leadership in this growing health care arena. I encourage all readers to begin today to evaluate their own family’s situation. Contact your financial professional for assistance or e-mail me: joslyn@entrustfinancial.com with your questions.

*Highly-rated companies make every effort to maintain date-of- purchase premiums.

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CRR: 8918 05/2008