

WAYS AND MEANS OF FINANCIAL CARING

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PAYING FOR CARE

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Finding a way to pay for necessary services and support can be one of the biggest challenges many caregivers face. Given the opportunity, you and your loved one may be able to prepare for future expenses by exploring these payment options:

- 1) Private health insurance
- 2) Long-term care insurance

If care has already begun, however, these options may not be in place or simply may not meet all your loved one's needs. You may want to examine:

- 3) Federally-funded programs and Medigap insurance
- 4) Local and state resources

Finally, in cases of special financial need, you may choose to investigate these alternatives:

- 5) Tapping life insurance
- 6) Reverse mortgages

1) Private health insurance

Review your loved one's insurance policy to determine if additional coverage is needed. Try talking with a certified financial planner or even a managed care ombudsman. Either individual should be familiar with insurance companies and their rules, and can offer advice to get the most out of coverage. Some basic points to remember:

- l Disability insurance may include more than just wages. Physical therapy or other services may also be covered.
- l Group insurance offered by an employer is usually the least expensive type of insurance. Possibilities include health maintenance organizations (HMOs), preferred provider organizations (PPOs) or fee-for-service plans.
- l If your loved one isn't employed, group plans may be available through membership in labor unions, professional or alumni associations, clubs, or other organizations.

Individual insurance may be the only option if your loved one isn't covered by a group policy. These plans may not offer a large scope of benefits but can still help pay for care. Keep these tips in mind when shopping for insurance:

- l Contact different insurance companies. Use the checklists at the end of this section to compare and contrast the services and costs of each policy.
- l Determine whether the policy is guaranteed renewable or non-cancelable. Both terms mean the policyholder will receive coverage as long as premiums are paid. Insurance companies may raise the cost, but can never cancel the policy.



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- | Review conditionally renewable policies. This means the company can cancel your loved one's policy only if all similar policies are cancelled. So, while your loved one cannot be singled out, he or she isn't protected from losing coverage, either.
- | Make sure the policy protects your loved one from large medical costs. Recent estimates have placed costs for the average hospital stay (just under 5 days) as high as \$12,000.
- | What procedures are excluded from coverage? Does the policy provide the kind of coverage your loved one needs?
- | Know when the policy actually starts. There may be a waiting period.
- | Search for a policy that has a "free look" clause. Most companies offer ten days to review a policy. If your loved one decides it isn't a good fit, the policy can be canceled within this period and the premium refunded.
- | Avoid single-disease policies. If your loved one already has health insurance, it most likely will provide the necessary coverage. Check existing policies thoroughly before purchasing additional coverage.

2) Long-Term Care Insurance

Consider long-term care insurance in your financial planning. Without it, most home care and about half of nursing home costs will have to be paid out of pocket because long-term care isn't fully covered by Medicare and may not be covered as part of individual health insurance, either.

Costs for these policies vary greatly, so it's wise to shop around and compare policies. Counseling services can help with the final decision, but here are some general questions to consider:

- | Will income cover long-term care expenses and other ongoing expenses?
- | Can your loved one afford the deductible and coinsurance premiums?
- | Can he or she afford the monthly premiums? What if they rise?
- | Will he or she be able to pay for upgrading benefits to meet inflation?
- | Is there a cancellation period on the policy? This will allow your loved one to cancel and receive a refund on the first premium.

If your loved one does decide to purchase long-term care insurance, consider these issues as you compare policies and companies:

- | See if the policy only applies to facilities that have been certified by Medicaid or Medicare. In



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WAYS AND MEANS OF FINANCIAL CARING

many cases, long-term care insurance will not cover any other type of facility.

- | Be sure the policy does not base coverage on medical necessity or require prior hospitalization before entering a nursing home. Are prior nursing home stays required for home health care?
- | Verify that the insurer can only cancel your loved one's policy for nonpayment of premiums, not for any other reason.
- | Make sure the policy includes realistic inflation protection.
- | How long are pre-existing conditions excluded once the policy is in effect? Are there exclusions for illnesses like Alzheimer's disease?
- | Contact the state insurance commissioner or consumer affairs offices in your loved one's area to validate the financial stability and reputation of the long-term care insurance company.

3) Federally-funded programs and Medigap insurance

Your loved one may also be eligible for one or more of these insurance plans:

- | Medicare
- | Supplemental Security Income (SSI)
- | Social Security Disability Insurance
- | Medicaid
- | Medigap (Medicare Supplemental Insurance)

While the following guidelines can help you examine what's available, contact the Social Security Administration concerning qualifications for assistance

Medicare involves both hospital and medical insurance. Hospital insurance is considered "Part A," while medical is "Part B." In general, if your loved one is over age 65 and receives Social Security or disability benefits, he or she should qualify for Medicare. If your loved one hasn't received benefits in either instance, he or she must file an application.

- | Part A covers in-patient hospital care, skilled nursing care, and other services. It is funded by a portion of the Social Security tax.
- | Part B helps pay for items such as doctor's fees, outpatient visits, and other medical services and supplies. Choosing Part B coverage usually means paying monthly premiums.

If your loved one has a low income, few assets, and is 65 or older or disabled, he or she may qualify for monthly **Supplemental Security Income**. SSI benefits can be paid to both children and adults. If your loved one qualifies for SSI, he or she may also qualify for:



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WAYS AND MEANS OF FINANCIAL CARING

- | Medicaid
- | Food stamps
- | Other assistance

Social Security Disability Insurance is available for workers, their children, and surviving spouses who qualify for Social Security coverage. Your loved one may qualify if he or she:

- | Is an adult with a physical or mental problem that prevents him or her from working or is expected to result in death.
- | Is a child with a physical or mental problem that keeps him or her from doing things that children normally do.

For more details on eligibility and how to file for benefits, call the Social Security Administration at 1-800-772-1213. You'll need the following information when making contact with these agencies:

- | Your loved one's Social Security number
- | Medical records
- | Laboratory and test results
- | Names and contact information for doctors, clinics and hospitals
- | Names of all medications your loved one takes
- | Names of your loved one's employers and job duties for the past 15 years

Medicaid is jointly funded by the federal government and individual states. Eligibility is based on need and through an examination of the applicant's income and assets. The program covers:

- | Children
- | The elderly
- | Blind and/or disabled persons
- | Others who are eligible to receive federal support

While there's no age requirement, individual states have very different conditions for coverage, and these change from year to year.

Medicare Supplemental Insurance policies are referred to as **Medigap** insurance. Your loved one doesn't need a Medigap policy if he or she is enrolled in a Medicare managed care plan or covered by Medicaid. If your loved one is enrolled in Medicare Plan A, however, you may want to consider purchasing a Medigap policy that will help pay for care that isn't covered.

Medigap policies generally cover:

- | Outpatient prescription drugs
- | Preventive screenings (cholesterol, hearing tests, diabetes and thyroid)

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- | Emergency medical care while traveling out of the United States
- | Health care provider excess charges

The insurance assistance program in your loved one's state can provide information on which plans are available.

4) Local and state resources

Look into these programs or organizations in your loved one's area to find out more about special programs and funding:

- | SHIPs (Senior Health Insurance Information Programs) have counselors who might be able to answer your questions about whether there are any government programs that will help with nursing home expenses.
- | The Older Americans Act (OAA) provides federal funds for state and local social service programs to help frail or disabled individuals 60 years or older to stay independent. Contact the local Area Agency on Aging, which will provide information directly or in cooperation with local organizations.
- | Disabled veterans are often eligible for home health care coverage provided by the Veterans Administration (VA). Services are delivered through VA hospital-based home care units.
- | Hospital discharge planners, social workers, and the United Way are also excellent sources of information about local resources and organizations.

5) Tapping life insurance

After you've finished exploring all of the standard payment methods, you and your loved one might need to consider some alternatives. One possibility could be your loved one's existing life insurance policy, and there are two options:

- | Living Benefits (or advance or accelerated benefits)
- | Viatical Settlements

Living benefits are proceeds from life insurance policies that may be paid before death. Most companies offer this provision within policies and generally offer 25 to 100 percent of the death benefit as an early payment. However, the conditions under which these payments are made are very specific.

- | To determine if your loved one's life insurance policy offers advance payment alternatives, call the state insurance commission or check with the insurance company's claims department. Ask whether your loved one's policy pays these benefits and how much they cost.
- | Accelerated benefits are sometimes added to policies for an additional premium, usually computed as a percentage of the base premium. Some companies offer the benefits at no



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WAYS AND MEANS OF FINANCIAL CARING

extra premium, but charge for the option when it is used.

- l The company will almost always reduce the benefits advanced to the policyholder before death to compensate for interest lost on the early payout. There may also be a service charge.

Viatical settlements refer to life insurance policies sold to viatical settlement companies. These businesses offer terminally ill people a percentage of their insurance policy's face value. The company then becomes the beneficiary of the policy, pays the premiums, and collects the face value of the policy. Each viatical settlement company has its own rules, but here are some guidelines that most follow when buying life insurance policies:

- l Generally, the policy must be at least two years old.
- l The current beneficiary will probably have to sign a release or waiver.
- l The original policyholder must be terminally ill. Many companies require a life expectancy of two years or less.
- l Your loved one will probably have to sign a release allowing the viatical settlement provider access to medical records.
- l The insurance company issuing the policy must be financially sound. If the policy was issued by an employer, the settlement company will want to know if the policy can be converted to an individual policy.

Because decisions about life insurance benefits can profoundly affect dependents, your loved one, other family members, and friends, consider these points:

- l Talk to friends, family members and experts such as lawyers, accountants, and financial planners to determine the viability of making changes to a policy. You and your loved one should thoroughly understand how a viatical settlement will impact tax status, access to government benefits, and other financial aspects.
- l Proceeds from accelerated benefits and viatical settlements are usually considered tax-exempt provided the seller's life expectancy is less than two years and the settlement company is licensed.
- l Although most states have declared advance payment benefits and viatical settlements tax-exempt, others may not consider them tax-free. Talk with an accountant or tax professional in your loved one's area.
- l If your loved one collects accelerated benefits or makes a viatical settlement, it may affect her/his eligibility for programs such as Medicaid, which bases its assistance on financial need. Payments from benefits or money obtained from a viatical settlement may be considered income.



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6) Reverse mortgages

If other options have been thoroughly explored and your loved one owns his or her own home, you might want to consider a reverse mortgage (RM). Consulting with an attorney or financial advisor before making this decision is essential to help reduce potential financial risks and avoid any threat of foreclosure or loss of the home. Consider these facts:

- | A reverse mortgage is a type of home equity loan that allows your loved one to convert some of the equity in his or her home into cash while retaining home ownership.
- | RMs work much like traditional mortgages, only in reverse. Rather than making a payment to the lender each month, the lender pays your loved one.
- | To qualify, your loved one must own a home and be at least 62 years old.
- | Depending on the plan your loved one selects, his or her RM becomes due with interest when your loved one moves, sells the home, dies, or reaches the end of the pre-selected loan term.
- | The cash from a reverse mortgage can be spent in any way.

There are three kinds of RMs: Federal Housing Authority (FHA)-Insured, Lender-Insured, and Uninsured. Each type varies in cost and terms, and an attorney can help you determine which is appropriate for your loved one's situation. However, there are some important points most RMs have in common:

- | They are rising-debt loans with interest added to the principal loan balance each month. The total amount of interest increases dramatically over time as the interest compounds.
- | All RMs charge origination fees and closing costs. Insured plans also involve insurance premiums, as well as possible service charges.
- | RMs use up equity in a home, leaving your loved one with fewer assets.
- | The initial loan advance at closing may be negotiated higher than the rest of the payments.
- | Legal obligation to pay back the loan is limited by the value of your loved one's home at the time of repayment. This could include increases in the home's appreciation after the loan begins.
- | RM loan advances are non-taxable and do not affect Social Security or Medicare benefits. RM Advances do not affect SSI benefits as long as your loved one spends the advances within the month they are received. This also applies to Medicaid benefits. Check with a benefits specialist at the local Area Agency on Aging for further clarification.



PAYMENT OPTIONS CHART

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The following chart may not cover every case possible, and should be used as a reference tool for discussing your pay options with a local qualified professional.

	Medicare	Medicaid	Medigap	Veteran's Benefits
Adult Day Care	No	Some states offer Medicaid waivers.	No	Some veteran's hospitals offer adult day care.
Assisted Living	No	Coverage depends on type of care and length of stay.	No	No
Care Management	No	Will not cover any private services or consultants.	No	Check with Veteran's Administration. Strict financial requirements apply.
Home Care	Only part-time or intermittent through certified agencies.	Yes, but length of coverage and type of services varies state by state.	Only when receiving skilled home care through Medicare.	Depends on availability in your area. Check with VA office and hospitals.*
Hospice	Yes, contingent on diagnosis of terminal illness and hospice certification.	Yes, contingent diagnosis of terminal illness and hospice certification.	No	May be offered hospitals or by VA affiliated home health care.
Housekeeping	No	Some states offer waivers for funding limited services	No	Depends on VA home care unit and services in your area.



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PAYMENT OPTIONS CHART

	Medicare	Medicaid	Medigap	Veteran's Benefits
Nursing Home	Pays for 20 days in skilled nursing facility. Requires \$92 per day co-payment after 20 days. All coverage stops after 100 days. Does not cover custodial care.	Covers most costs, but only at facilities offering a lower rate. Choice of facilities is very limited, as are types of care services.	Some plans offer "skilled nursing co-insurance" to help defray costs not covered by Medicare.	Some VA facilities offer long-term skilled nursing and intermediate care. Rare instances of custodial care.
Respite Care	No	No	Varies by state. Contact Area Agency on Aging.	Depends on VA home care unit and services in your area.
Support Groups	No	No	No	Contact VA hospital or clinic.
Transportation	No	No	No	Re-imbusement for travel to VA medical care. \$18/month maximum.

* May extend to spouses, widows, or dependents of veterans.



HEALTH INSURANCE CHECKLIST SHEET

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Look at your loved one's medical and insurance records from last year as a guide to what services he or she might use this year. Then add up the actual costs, including premiums. Estimate what your loved one might spend on deductibles, coinsurance and/or copayments, and services that are not covered.

Compare Policy #1, Policy #2 and Policy #3 to determine which is the best buy.

Services	Policy #1	Policy #2	Policy #3
Hospital care			
Surgery (inpatient and outpatient)			
Office visits to your doctor			
Immunizations			
Mammograms			
X-Rays			
Mental health care			
Dental care, braces and cleaning			
Vision care, eyeglasses and exams			
Prescription drugs			
Home health care			
Nursing home care			
Services you need that are excluded			
Other important issues:			
Choice of doctors			
Convenient location of doctors and hospitals			
Ease of getting an appointment			
Minimal paperwork			
Waiting period before coverage begins			



HEALTH INSURANCE CHECKLIST SHEET

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Costs	Policy #1	Policy #2	Policy #3
What is the monthly premium (multiply by 12 for annual cost)? Individual: Family:			
What is the deductible?(if there is one) Individual: Family:			
What is the coinsurance rate or copayment, if there is one?			
Is there a higher rate for special services such as outpatient mental health care?			
Are there any annual limits for days or services covered and amount spent?			
What is the maximum your loved one has to pay out-of-pocket each year?			
What is the lifetime limit, if any?			
Total estimated yearly cost:			

Adapted from Checkup On Health Insurance Choices, AHCPH Publication No. 93-0018, developed by the United States Agency for Health Care Policy and Research, December 1992.