

## **Planning ahead for nursing home expenses - have timeline in mind to help manage rising costs**

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Over the next 15 years, about 78 million Baby Boomers will be reaching retirement age. According to the Centers for Medicare and Medicaid Services, over 40 percent of them will need some period of nursing home care in their lifetimes.

This social tidal wave presents Baby Boomers and their families with a daunting financial challenge: How to pay for high-cost nursing home care if and when it becomes necessary?

In Massachusetts, the average cost of a nursing home is about \$293 per day, or almost \$107,000 annually. At that rate, it doesn't take long to run through hard-earned life savings. The good news is that, with advance knowledge, sensible steps can be taken to protect family and property. You should keep in mind three time posts for planning effectively against catastrophic nursing home costs.

First, look now into whether you can obtain affordable long-term care (LTC) insurance.

If you need to go into a nursing home, your LTC insurer will pay all or part of the cost, either for a number of years or for your lifetime. The best time to seek this insurance is before you need it, when you are relatively healthy and young (preferably before age 60). Some preexisting conditions may disqualify you. LTC/life insurance "combination" policies are also available which allow you to accelerate your death benefit if you need LTC. LTC insurance premiums can be expensive, but if you can qualify for and afford them, they can more than pay for themselves by protecting your life savings.

Second, the federal Medicaid program (administered in Massachusetts by MassHealth) pays for nursing home costs, but to qualify, you cannot earn too much income or own too many assets.

The asset limit is only \$2,000 for an individual, and \$3,000 for a married couple. If you own a house, MassHealth will not make you sell it during your lifetime, but it will put a lien against the house for the amount of money it eventually pays your nursing home during your lifetime. After your death, your children may have no choice but to sell your home to pay off MassHealth's claim.

But when you apply for LTC benefits, MassHealth only counts up assets you owned at any time in the five years before your application. So if you plan on leaving property to your children anyway at your death, you could give it to your family during your lifetime, as long as you do so at least five years before you think you will need nursing home care.

For example, you could give away your home to your children now, either by a deed reserving a life estate, or by placing the house in a trust. Either way, you are guaranteed the right to live in the home for the rest of your life.

Do note, though, that transferring your home outright to your children is rarely a good plan, since they could lose it to creditors or through divorce. And if you do not apply for MassHealth benefits for at least five years after the transfer, your home will no longer be considered your asset. No lien, and no need to sell it after your death. The older we get, the more we should keep this five-year lookback period in mind.

Finally, many people are misled by this five-year rule into thinking they cannot do any asset-protection planning if they failed to plan five years ahead, and find themselves about to enter a nursing home. To the contrary, there is a lot of crisis planning that can occur at this stage.

The idea is to spend down any assets you own in excess of \$2,000 in a way that benefits you or your family, rather than using them to pay a nursing home. This involves converting countable assets - like cash - into non-countable assets. For example, you might be able to buy a bigger home, put a new roof on your existing home, buy a pre-paid burial contract, purchase hearing aids or upgrade an old vehicle.

You also could transfer assets to a blind or disabled child, or give your home to a caretaker child who lived with you for at least two years prior to entering the nursing home.

Even if you have done no advance planning, much can be done on the eve of entering the nursing home to protect your assets.

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