



## Not Covered by Medicare

Medicare does not cover the cost for any long-term care, including non-medical home care or assisted living.

Medicare, however, does cover the cost of “skilled” Home Care, which is provided by Home Health Agencies. These agencies employ Registered Nurses as well as Occupational, Physical, Speech Therapists, and Home Health Aides. These agencies may provide some non-medical care, but Medicare will only reimburse the portion of these costs that pertain directly to the injury or illness.

Beginning in 2019, Medicare Advantage plans may begin offering limited reimbursements of non-medical home care, but the details and the amounts of coverage have not been specified.

Currently, the industry is not expecting Medicare Advantage to cover any meaningful amount of the cost of home care. But, given the rapidly changing environment for health care, this may change in the future.

Although the hourly rates for non-medical home care are reasonable, the overall costs of care can escalate quickly as an individual’s need for care grows. At a billing rate of \$27 per hour, the average monthly cost of care for 20 hours per week is \$2,340 and the monthly cost for 40 hours per week is \$4,680 per month! Given the potentially high cost of non-medical home care, how do families pay for this service?

Unfortunately, there are no easy answers to this question. The vast majority of funds for non-medical home care come from private funds including personal savings or retirement accounts. There are a few other options, however, that you should research and evaluate in trying to may be available to help pay for the cost of home care:

## Long-Term Care Insurance

LTCI policies are not typically part of any other standard health or life insurance policy and need to be purchased separately. Those that are fortunate enough to have a solid Long-Term Care Insurance (LTCI) policy may have their policy cover a significant portion of the cost of home care. The policies are all individual and unique and need to be reviewed carefully to understand the exact monetary benefits. Normally, Long-Term Care Insurance policies have a waiting period (typically 30, 60, or 90 days) before benefits are paid. The need for support for ADLs usually must be verified by a doctor’s order and / or an assessment by a nurse hired by the insurance company. Some of the more common and reputable LTCI companies include CalPERS, Bankers Life, Penn Treaty, and Genworth.

## Reverse Mortgage

Depending on an individual’s circumstances, a Reverse Mortgage may make sense as a way of paying for long-term care. Reverse Mortgages, also called Home Equity Conversion Mortgages (HECMs), can allow you to convert the equity in your home into a lump sum cash payment, a line of credit, or a monthly payment, and the proceeds are tax-free. To qualify for a reverse mortgage, the following must apply:

- All borrowers on the property’s title must be at least 62 years old
- You must live in the home as your primary residence
- Eligible type properties must be a single-family home, townhome, or 2-4-unit property.
- Vacation homes or rental properties are not eligible.
- You must show the financial ability and willingness to meet your loan obligations.
- You must show timely pay history of property taxes, hazard insurance, and HOA dues.
- You must keep the property maintained and in good working condition.

## **Veterans Aid and Attendance**

Wartime veterans and their surviving spouses, 65 years and older, may be entitled to a tax-free benefit called Aid and Attendance provided by the Department of Veteran Affairs. This benefit is designed to provide financial aid to help offset the cost of long-term care for those who need assistance with the daily activities of living such as bathing, dressing, eating, toileting, and transferring. In order to qualify for the pension, the following guidelines must be met:

1. Must have served at least 90 days of active duty with at least one day during a period of war.
2. Must have anything other than a Dishonorable discharge.
3. A surviving spouse must have been married to the veteran at the time of his passing.
4. Must require the assistance of another person to perform some of the daily activities of living.
5. Must meet income and countable asset criteria established by the VA.
6. Must be 65 years and older or totally disabled.

If you qualify for the Aid & Attendance benefit, you and / or a surviving spouse may be eligible for up to \$2,903 in monthly benefits that can be used towards the cost of non-medical home care.

## **In Home Supportive Services (IHSS)**

The IHSS Program provides non-medical care to elderly or disabled Californians in their homes or places of residence. The IHSS program is open to California residents who are 65 and over or younger individuals who are officially disabled and qualify for Medi-Cal (California Medicaid). Applicants do not necessarily need to be on full Medi-Cal, but they must have applied and received a determination of their eligibility. Financial eligibility for Medi-Cal and IHSS is nuanced and complicated and the state allows multiple pathways to gain eligibility. To determine if you qualify for Medi-Cal and / or IHSS, you should consult with a Medi-Cal planning professional.

If you are eligible to participate with IHSS, program participants are assessed to determine their daily care needs with input from the participants, family members, caregivers, and medical professionals. After the in-person assessment, qualified applicants are approved for a collection of services for a specific number of hours per month. Once approved, participants are responsible for "self-directing" their care. Self-direction is also referred to as consumer direction and is based on the Medicaid concept of Cash and Counseling. Under IHSS, the care recipient is the boss and can hire, supervise, and terminate their caregiver's employment.

## **Other Tax Deductions, Tax Credits and Ways to Reduce the Cost of Care**

There may be opportunities to take advantage of some Tax Credits that may allow you to lower your overall tax burden, which can help reduce your overall cost of care. We recommend consulting with your tax professional, but it is possible that your expenses paid to a Home Care Agency can be included as an itemized deduction on your Form 1040. According to IRS Publication 502 regarding Medical and Dental Expenses, an individual who is chronically ill and who meets certain other criteria, may include the costs of Long-Term Care as a Medical Expense for tax reporting.

You may also want to research the following for opportunities to subsidize the cost of care:

1. Credit for the Elderly or the Disabled – Publication 524. Credit ranges between \$3,750 and \$7,500
2. Child and Dependent Care Credit also called the Elderly Dependent Care Credit or the Aging Parent Tax Credit
3. Low Income Home Energy Assistance Program (LIHEAP)
4. National Family Caregiver Support Programs (NFCSP) Respite Care