

A Guide to Caring for Aging Parents

How to pay for a nursing home, assisted living, or in-home care.

No one wakes up one morning and thinks, “Hey, today’s a great day for me to talk to mom and dad about planning for when they’re no longer able to care for themselves.” But whether you (or they) are ready or not, the day very well could come when your parents’ care becomes a concern you must consider.

It used to be that more family members were in close proximity to one another. If an aunt or a parent needed financial or physical support, they could move in with another family member, or at least someone could look in on them. But more recently, families are spread all over the map, and—more often than not—adult children and their spouses are working outside the home.

So here’s a quick wake-up call for what you need to know about this thought-provoking and sensitive subject. After all, statistics show that 40% of adults over the age of 65 will require some sort of extended care.

Types of Care

Your House

Many families have an extra room in their home for a parent. Even if this is the best possible solution for the parent (and it may not be), be sure to consider the effect on the caregiver. Women typically assume the role of caregiver, but not always. There are ways to help ease the demands on the caregiver like adult day-care facilities or bringing a health care professional into the home on a daily basis.

Their House

In-home care can allow parents to remain in their own home. You can hire skilled professionals who can help people with activities like feeding, bathing, and even some basic medical attention. This type of caregiver usually charges an hourly or weekly rate, which varies depending upon the level of skill required. Some of these costs may be covered by health insurance, but more likely they will be covered through a long-term care policy that also pays for home health care.

Assisted Living

Like in-home care, assisted living can provide a certain level of independence. But most assisted living facilities will provide a more formal support system, with a level of care that can change as needed.

According to a recent Met Life survey, the national average monthly base rate for assisted living is about \$2,500, or \$30,000 a year. Of course, rates vary depending on where you live as well as factors like the level of accommodations (private or shared room, for instance).

Nursing Homes

The highest level of care would come from a nursing home, or long-term care facility. Nursing homes differ from assisted living facilities in that they offer comprehensive medical care. Of the three, this is the most expensive, and typically ranges from \$30,000 to \$150,000 annually, or even higher. Visit www.gefinancial.com for details on the average annual cost for nursing home care in each state.

Many people are under the mistaken impression that traditional health insurance or Medicare will pay for these levels of care. Health insurance will probably cover a stay in the hospital, but it soon ends if the patient is transferred to some type of rehab care. Medicare will cover the first 20 days of skilled nursing home care, and will cover some or all of the next 80 days, but after that you will be on your own. If your parent is a dependent, you can deduct some of their medical costs (assuming you paid for them) on your income tax return. If you pay their medical costs directly to the providers, those payments won't be considered gifts.

In a perfect world, cost would not be a factor, and our parents would receive only the best care when needed. But in reality, cost and the time needed to care for someone else should be carefully considered. With some thought, you and your parents can develop a plan that can make these concerns less worrisome.

Paying for Care

Costs are going to vary depending on the extent of care needed. You may be surprised to know that it's perfectly legal to deduct certain costs you incur in modifying your house to help a dependent elder. For example, the costs of building and maintaining a swimming pool for someone who has arthritis may be deductible (to the extent medical costs exceed 7.5% of your adjusted gross income). Swimming lessons are not deductible. For more on what is and is not deductible as medical expenses, download IRS Publication 502 at www.irs.gov.

Medicare will pay for the first 20 days and, in part, up to 100 days in a nursing home, after a hospital stay of at least three days. Eligibility for Medicaid (an entirely different program than Medicare that is designed to help people with low incomes and resources) varies by state, but generally will pay for long-term care after the person has spent their assets down to a certain level and exhausted their Medicare benefits. Bear in mind, however, that you'll be limited to choosing a Medicaid-eligible facility.

You can find out more about what Medicare will and will not cover by visiting Medicare.gov or calling 800-MEDICARE. The Medicare Web site has some terrific tools, like "Compare Nursing Homes in Your Area" and "Plan For Your Long-Term Care Needs." Be sure to check these out. Similarly, you can learn more about Medicaid at www.cms.hhs.gov or by calling 866 226-1819.

Many LTC policies will cover costs not only for nursing homes, but home health care and assisted living, too. Not everyone needs or can afford LTC insurance. The costs can be rather high, and may be prohibitive. Even if your assets are modest, however, it may be worthwhile to check out value-priced LTC insurance offered through organizations like AARP (www.aarp.org). At the opposite end of the scale, some people may have extensive assets that can more than cover the out-of-pocket costs of an extended stay in a nursing home—even if that figure is in the hundreds of thousands of dollars.

If you are self-employed, you can deduct the eligible portion of the LTC premium whether you itemize or not. A small business can offer long-term insurance on a discretionary basis and deduct 100% of the premium. For more on these tax benefits, go to www.nyltcb.com.

At the very least, you should educate yourself, on your parents' behalf and your own, about what features to look for in a long-term care policy if you decide you should purchase coverage.

Adapted from an article by Sue Stevens | 09-22-05