

# TULSA BUSINESS JOURNAL

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## Business of aging

These days, Gordon Holmes takes comfort in one thing: He's not alone.

"My mother is in a real predicament," he said. "There must be thousands and thousands of people here in Oklahoma just like her."

His mother, Margie Holmes, 93, is in fine physical health but suffers from dementia and requires care at an assisted living facility. Although Margie and her husband, now deceased, planned for their financial future, rising long-term care costs are wiping out her monthly annuity and eating into her cash reserves.

"If she had more money coming in, she would be OK for a while," Holmes said. "If she had less money coming in, then she could fall under Medicaid coverage. But she's just in that 'in-between' area."

According to the U.S. Department of Health & Human Services, about 70 percent of individuals over age 65 will require some type of long-term care, but few actually plan for it.

"Every individual needs to sit down and determine what their long-term care preferences are," said Clark Miller, director of the INCOG Area Agency on Aging. "There are a number of quality, safe options for people seeking long-term care, but the time to think about it is before you need it, not after, because



Lindsey Morehead / Gordon Holmes assists his mother, Margie Holmes, who has dementia and requires care at Cypress Springs Alzheimer's & Memory Support Residence. Rising costs make it difficult to pay for her long-term care.

oftentimes you're rushed into a decision you might not prefer."

### What is long-term care?

"Long-term care includes care and services to a person who has a severe cognitive impairment or who is unable to perform two of six activities of daily living, such as toileting, bathing, dressing, eating, transferring and continence," said Jane Mudgett, a financial adviser and financial planning specialist with MorganStanley SmithBarney.

"Long-term care typically involves services such as home care, adult day care, assisted living care and skilled nursing home care."

Since 2004, long-term care costs have grown 4.7 to 6.6 percent annually, depending on the type of care, according to a 2010 research report by The Prudential Insurance Co. of America.

The report found it cost \$90,155 annually for a private nursing home room and \$78,800 for a semi-private room. Home health care costs also increased, with the average hourly rate for a home health aid at \$21; hourly rates increased for licensed practical nurses.

Margie Holmes pays \$4,800 a month to live at Cypress Springs Alzheimer's & Memory Support Residence. She receives \$5,200 a month from her husband's annuity and social security. She has \$250 a month in prescription costs.

"The difficulty arises in that she still has to pay taxes, so when you take that out of \$5,200 a month, you flat out don't have enough money to pay for care," Holmes said. "The cost escalates with her care needs. She's just now the verge of going to \$5,000 (a month), and that will eat up the cash reserves rather quickly."

### **What about Medicare and Medicaid?**

Although Prudential's biannual report determined people are concerned about the potential need for long-term care services — seven in 10 Americans believe they will need some type of care — it also found misconceptions are common regarding the role of private health insurance and government programs in funding long-term care expenses.

According to the report, more than a third of adults believe Medicare and Medicaid will fund their long-term care, but Mudgett said Medicare pays for only skilled, not custodial care.

"Medicare covers up to 100 days of care in a skilled nursing home, only if skilled and/or rehabilitative services are required and only after a three-day hospital stay," she said.

Medicare does not cover adult day care or assisted living care. It only covers home care for skilled or rehabilitative services.

Qualifying for Medicaid, she said, generally means you have to spend down your assets, and all income must go to the facility.

Federal programs like Veterans Affairs and The Older Americans Act pay for some long-term care services.

### **Is long-term care insurance a good investment?**

Seven years ago, Wayne and Nancy Care's son approached them about taking out long-term care insurance.

"He realized we were getting older, and I think he sensed that his dad was going to be in trouble," Nancy said. "He explained it to us, and we thought we couldn't really afford it, and he said, 'It might be that you can't afford not to have it.'"

The American Association for Long-Term Care Insurance reports a 55-year-old couple can expect to pay \$2,350 per year for about \$338,000 of current benefits, which will grow to about \$800,000 in coverage by the time the couple reaches age 80.

The Cares paid on their policy for two years before Wayne went in for back surgery that went terribly wrong.

"He had every complication that you can imagine," Nancy said. "Somewhere in the process, he had a stroke, then a heart attack, then he had a MRSA (infection). You name it, he had it."

The debilitating surgery left Wayne confused and unable to talk or eat. Doctors recommended he be placed in a nursing home.

"We put him in a home, and after his third bout of pneumonia, he was in the hospital and aware enough to say, 'I'm not going back to that place,'" Nancy said.

Now, Oxford HealthCare, a Broken Arrow-based home health care company, cares for Wayne seven days a week, four to five hours a day.

"I recently bumped it up from three days a week," Nancy said. "Our long-term care insurance will pay up to \$100 a day, but there's a limit. I realized that in the five years we've been using the insurance, I've just passed the halfway mark, and I've realized he's not going to last much longer."

Wayne, a former draftsman for Sunoco Inc., lost interest in becoming well in December.

"He's a craftsman. All these little doodads you see around, he made," Nancy said, gesturing around her midtown living room. "He turns wood on a lathe, and he couldn't do that anymore. He loves to play chess, and with his thinking processes, he couldn't stay with it."

Their insurance policy with John Hancock, Nancy said, has far paid out more than they've paid in.

"I don't know what we would've done without it," she said. "I really don't. It's just been a lifesaver."

Steve Goforth, owner of Oxford HealthCare, said of the company's 1,500 clients in northeastern Oklahoma, only about 2 or 3 percent have long-term care insurance.

"People don't think about their long-term care needs until it's cost-prohibitive to buy it," he said. "What we find is that the people who are interested in long-term care insurance are of an age where they simply can't afford it."

**Making progress?**

Gordon Holmes evaluated long-term care insurance for his mother but decided it wasn't a workable option.

"I dare say her needs will continue longer than three or four years. Then what? You've invested in a policy that is just a stopgap," he said.

Holmes is currently in the process of applying for veterans benefits, thanks to his father's World War II service. The benefits will likely supplement his mother's monthly income by \$1,000.

A new public works program known as the Class Act was signed into law as part the 2010 federal health care legislation. The voluntary, government-administered policy is designed to help supplement funding sources for long-term care. Enrollment is expected to start in 2012.

"In this great country, in my opinion, so far we've made no progress whatsoever in how we care for the senior population, which is growing by leaps and bounds," Holmes said. "I'm a great example. It wasn't that they didn't plan; it's just that they got caught in this predicament because they really thought the amount of income they had coming in, even after his death, would provide for them.

"It's a dilemma, but I do take some comfort in the fact that I'm not alone. That's the irony of it all." «