

The Importance of Medi-Cal Planning

Consider the following: John and Mary Smith have been happily married for 50 years. John just celebrated his 80th birthday and Mary is 78. John retired from IBM 15 years ago with a good pension after thirty years of service. Mary has always worked in the home. They own their home, free and clear, and have savings that total nearly \$100,000. Between their savings, social security and retirement pension, they have enough to enjoy a comfortable retirement.

Then John suffered a stroke which left him paralyzed over the entire left side of his body and unable to talk. Mary was unable to take care of him in the home any longer. Reluctantly, Mary placed John into a nursing home. Much to her surprise, Mary learned that neither Medicare nor their private health insurance plan covered his nursing home expenses.

Today, Mary pays John's annual nursing home bill of \$48,000 out of the couple's lifetime savings. At this rate, Mary and John will exhaust their \$100,000 in savings within a few years. The thought of divorcing John, after 50 happy years of marriage, to financially protect herself is unthinkable to Mary. Consequently, in a few years, Mary may have to sell or mortgage her home to pay for her husband's care. With the potential loss of their home and life savings, John and Mary are facing an uncertain future.

John and Mary are not alone. They are among the fastest growing segment of our society today. Between 1980 and 1990, the percentage of persons aged 65 and older increased by nearly 50%. This trend is expected to accelerate as the baby boom population ages. According to the U.S. Administration on Aging, the number of Americans aged 65 and older will more than double by the year 2030.

As the U.S. population grows older, there has been a corresponding increase in the number of Americans who need long-term nursing home care. According to the U.S. Government Accounting Office, more than 70 million Americans aged 65 and over are receiving some form of long-term care due to a chronic condition, trauma or illness that limits their ability to carry out personal care tasks such as feeding, bathing, or dressing themselves.

Today, over 50% of all Americans over age 65 and 65% of all Americans over age 80 (mostly women, because they live longer than men) are expected to reside in a nursing home for at least 2.5 years on average. According to the U.S. Administration on Aging, the number of Americans needing long-term care is expected to double in size to 14 million persons in the next 25 years.

Unfortunately, the cost of long-term care, particularly nursing home care, has placed an enormous financial hardship upon many seniors and their families. In California, nursing home care costs exceed \$48,000 per year. Such enormous health care costs have caused many seniors to lose their homes and have forced many seniors to deplete their life savings. Once impoverished, most seniors must rely on Medi-Cal benefits to cover the cost of their nursing home care.

Over the next ten weeks, we will present a series of articles on ways to pay for the cost of nursing home care without going broke, including a discussion on asset spend-down strategies, asset conversion strategies, and asset transfer strategies, and ways to incorporate these strategies into your estate plan just in case you might find yourself in need of nursing home care sometime in the future.

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