





# Healthcare in Retirement

## What health care benefits are available in retirement?

Health care in retirement is available from many sources. Government programs (such as Medicaid and Medicare) offer numerous health care benefits. However, you may need to purchase supplemental health insurance or Medigap, as well. Most Americans are eligible to begin receiving Medicare benefits at age 65, but qualifying for Medicaid may require some planning on your part. In addition to these resources, you may also be entitled to military health care benefits if you are a veteran, retired servicemember, or the spouse or widow of a veteran or retired servicemember. Continuing care retirement communities and nursing homes also offer health care services for older individuals. Depending on your specific needs and circumstances, you may use any number of these resources during your retirement years.

## Medicare

### *In general*

Medicare is a federal health insurance program created in 1965. Medicare primarily assists those who are 65 or older, but if you are disabled or have kidney disease, you may be eligible for Medicare coverage no matter what your age. Medicare currently consists of Part A (hospital insurance), Part B (medical insurance), Part C (which allows private insurance companies to offer Medicare benefits), and Part D (which covers the costs of prescription drugs), with each part having its own eligibility requirements. You may qualify for one or more parts, or you may choose to accept or decline coverage if you are eligible. Many health policies limit coverage for Medicare-eligible individuals regardless of whether they have accepted Medicare coverage.

### *Medicare benefits for disabled individuals*

Under certain conditions, the disabled are eligible to enroll in Medicare before age 65. If you have been receiving (or have been entitled to receive) Social Security disability benefits for at least 24 months (not necessarily consecutively), you may be eligible to enroll in Medicare. To enroll, you must be entitled to benefits in one of the following categories:

- A disabled individual of any age receiving worker's disability benefits
- A disabled widow or widower age 50 or older
- A disabled beneficiary who is older than age 18 and receives benefits based on a disability that occurred before age 22

In addition, Medicare may be available at any age if you are disabled as a result of chronic kidney failure requiring dialysis or a kidney transplant.

### *Qualified Medicare Beneficiary program*

If you have limited means, you may be eligible for the Qualified Medicare Beneficiary (QMB) program. Here, your state's Medicaid program may pay for your Medicare Part B premium, Part A and Part B deductibles, and coinsurance requirements. Eligibility rules may vary from state to state, but in general, you must meet the following three criteria:

- You must be entitled to Medicare Part A
- Your income must be at or below the national poverty level
- The value of your assets must be below a certain level

There are also other related programs that have somewhat less restrictive eligibility requirements.

## Medigap

### *In general*

Medigap is supplemental insurance specifically designed to cover some of the gaps in Medicare coverage. Although the name might lead you to believe otherwise, Medigap is provided by private health insurance companies, not the government. However, Medigap is strictly regulated by the federal government.





that stays in an irrevocable trust will lie outside of your financial picture for Medicaid eligibility purposes. If you are looking for a strategy to shelter your resources, one of the following may be appropriate: (1) an irrevocable income-only trust, (2) an irrevocable trust in which the creator of the trust is not a beneficiary, (3) a Miller trust, or (4) a special needs trust.

### ***Protection of principal residence***

In certain cases, the state may be entitled to seek reimbursement for Medicaid payments by forcing the sale of your principal residence if you are a Medicaid recipient. Medicaid planning tools have been devised to protect your home, but their effectiveness varies. Therefore, it is important to weigh the costs and benefits of each device carefully. If you are looking for a strategy to preserve your home for loved ones, one of the following four methods may be appropriate: (1) an outright transfer or gift of the home, (2) a transfer subject to life estate, (3) a transfer subject to special power of appointment, or (4) a transfer in trust.

### ***Medicaid and long-term care insurance***

Long-term care (LTC) insurance can be useful as part of your Medicaid planning strategy. Your LTC policy can subsidize your nursing home bills during the Medicaid ineligibility period caused by your transfer of assets to third parties. Thus, it may be possible for you to give your assets away to loved ones, have the security of paid nursing home bills during the ineligibility period, and qualify for Medicaid when the LTC policy runs out.

### ***Medicaid liens and estate recoveries***

Federal law requires states to seek reimbursement from Medicaid recipients for Medicaid payments made on their behalf. Cost-recovery actions against the assets of Medicaid recipients may come in two forms: (1) real or personal property liens and (2) recovery from decedents' estates. A Medicaid lien makes it impossible for you to sell or refinance your house without the state's knowledge and ability to collect what it is owed. As for recovery from decedents' estates, states also can seek reimbursement from your probate estate after you die. States have the option to expand the definition of estate to include all nonprobate assets as well.

### ***Divorce and Medicaid***

From a purely financial perspective, divorce can be a practical move and may actually be used as a Medicaid planning tool. When a spouse enters a nursing home and applies for Medicaid, the couple's assets must be pooled together and totaled to determine what portion the healthy spouse may keep. After this Spousal Resource Allowance has been determined, the Medicaid applicant must transfer assets representing the amount of the allowance to the healthy spouse. The remaining assets must be spent on the institutionalized partner's medical care. A divorce court order can supersede the normal Spousal Resource Allowance rules prescribed under state Medicaid regulations. You should consult your legal advisor for further information.

## **Military benefits**

Disability benefits, health-care benefits, and long-term care benefits are available through various military programs sponsored by the Department of Defense and the Department of Veterans Affairs (VA), formerly known as the Veterans Administration. Health care for veterans is typically available at VA hospitals and health-care facilities. In general, active service members, retirees, and veterans other than those who were dishonorably discharged are eligible for military benefits. Survivors of servicemembers and veterans are also generally eligible for some of the same benefits. However, the rules surrounding these benefits can be complex and may change frequently. It is best to check with your military personnel office or local VA office if you have questions about any of these benefits.

## **Choosing a continuing care retirement community**

Continuing care retirement communities (CCRCs) are retirement facilities that offer housing, meals, activities, and health care to their residents. These communities appeal to people who are currently in good health but who worry that they may need nursing care later on. The CCRC and the resident sign a contract guaranteeing that the CCRC will provide housing and nursing home care throughout the resident's life and that, in return, the resident pays an entrance fee and a monthly fee. In choosing a CCRC, you should consider factors such as the entrance fee and monthly fees, insurance requirements, the financial stability of the CCRC, its facilities and activities, and the quality of medical care provided to residents.

## **Choosing a nursing home**



A nursing home is a licensed facility that provides skilled nursing care, intermediate care, and custodial care. Although you may prefer in-home care, you may have to enter a nursing home if you need round-the-clock care, especially if you can't get help from family or an in-home caregiver. When choosing a nursing home, you should consider factors such as the cost of the home, the quality of medical care provided, the appearance and the safety of the facilities, the ratio of staff to residents, and recreational opportunities.

### ***Paying for nursing home care***

Nursing home care can be extremely expensive, and paying for this care is a problem that weighs heavily on the minds of older Americans and their families. There are several resources you can use in planning for this expense, including self-insurance, long-term care insurance, Medicare (limited benefits), Medicaid, and military benefits.

