

Long-Term Care Planning on the Farm

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**Data and
Statistics**

Data and Statistics



Types of Long-Term Care

Home Based Care

- Home Health Care
- Homemaker and Personal Care Services
- Friendly Visitor and Senior Companion Services
- Senior Transportation Services
- Emergency Medical Alert Systems

LTC Facilities

- Independent Living Apartments
- Adult Homes
- Family-Type Home
- Assisted Living Program
- Continuing Care Retirement Communities
- Nursing Home

Long-Term Care Costs (\$)

	U.S.	Miss.	Tenn.	Ark.	Missouri	Ohio
Home Health Aide (44 hr/wk)	61,776	45,756	54,912	50,340	57,204	60,632
Assisted Living	54,000	42,000	49,260	45,120	36,000	55,620
Nursing Home, Semi-Private	94,896	85,416	85,776	72,996	63,144	87,600
Nursing Home, Private Room	108,408	87,768	91,980	80,304	71,172	98,550

Source: 2021 Cost of Care Survey, Genworth Financial, Inc.

Long-Term Care Statistics



69% for 65

Someone turning age 65 today has a 69% chance of needing some type of long-term care services in their remaining years



Women Have Longer Lifespans

Women will need an average of 3.7 years of care and men will need 2.2 years



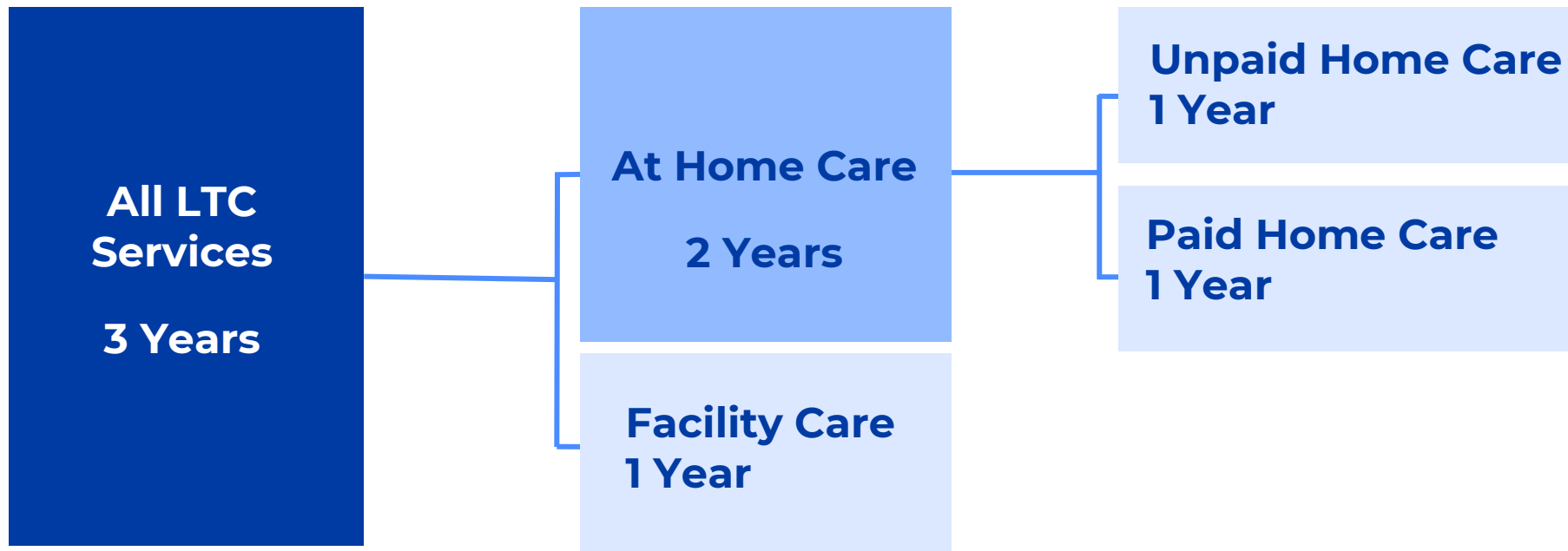
Some Need None, Some Need More

One-third of 65-year-olds may never need LTC, but **20% will need LTC for longer than 5 years**

Source: Administration for Community Living (acl.gov/ltc/)

Distribution and Duration of LTC Services

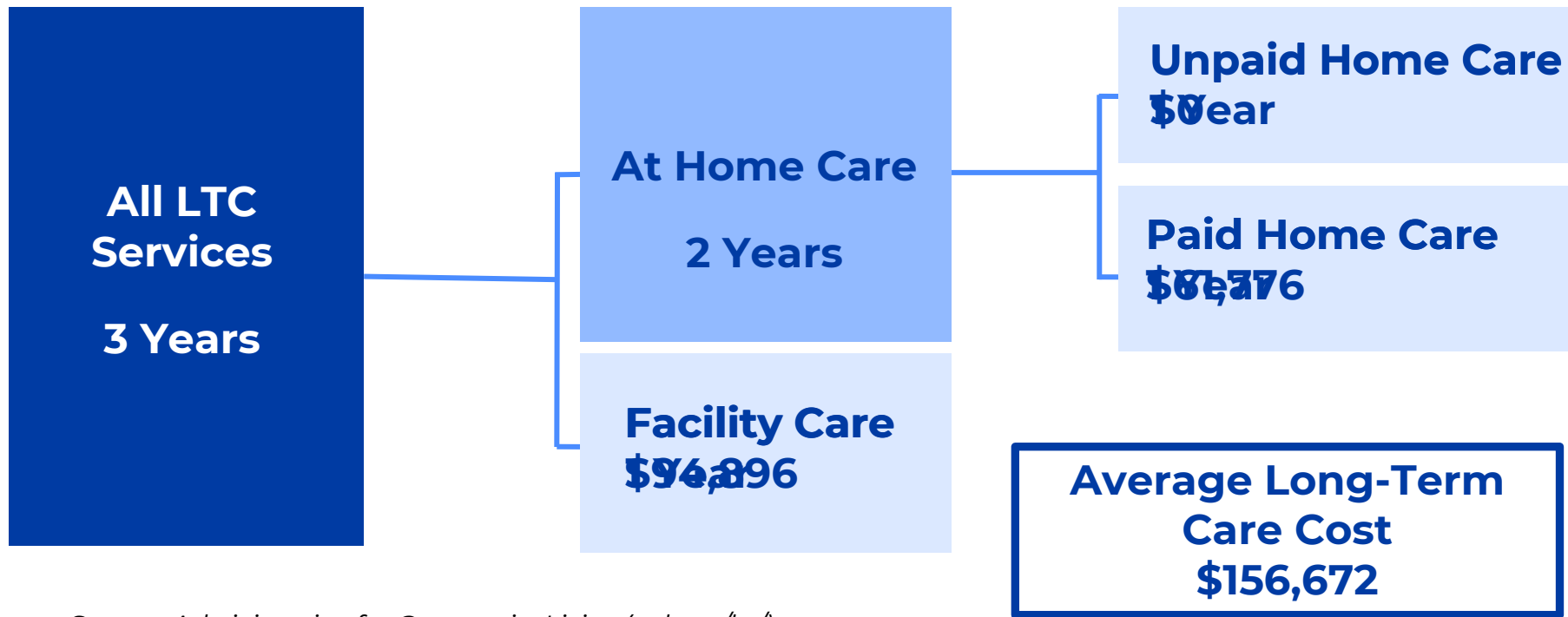
(69% of 65-year-olds)



Source: Administration for Community Living (acl.gov/ltc/)

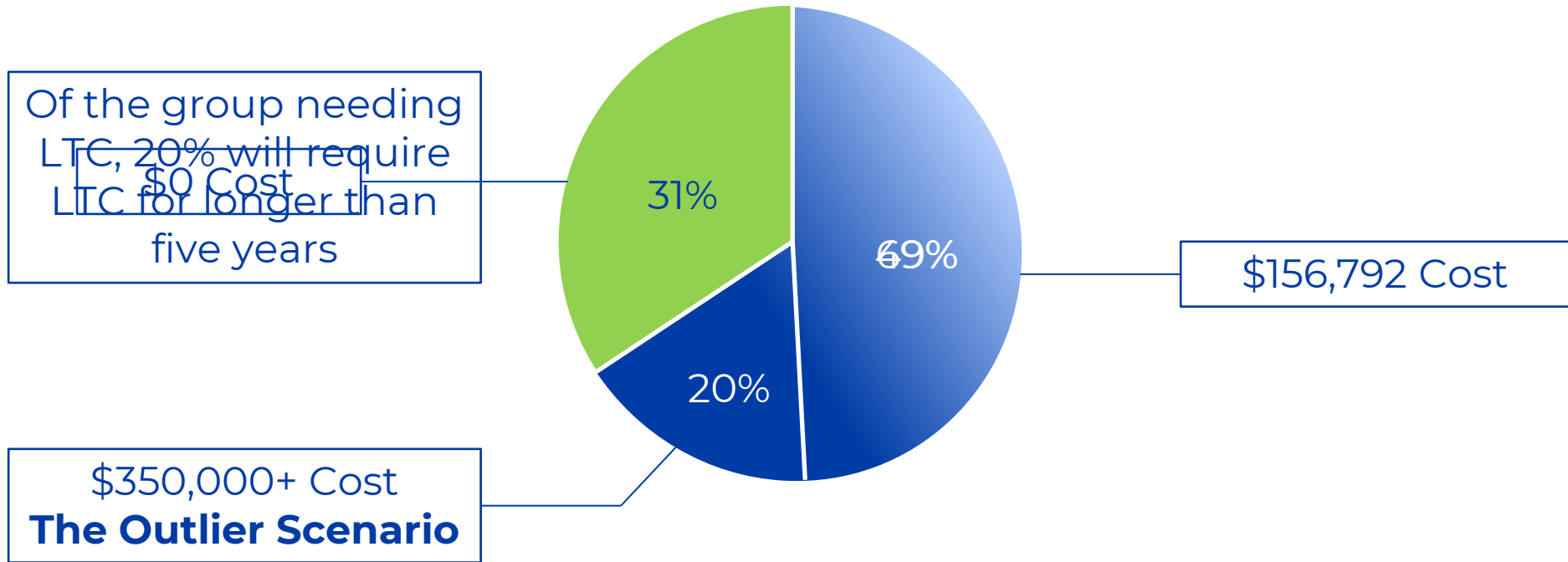
Distribution and Duration of LTC Services

(69% of 65-year-olds)



Source: Administration for Community Living (acl.gov/ltc/)

Distribution of Long-Term Care Costs



Planning Around the Outlier Scenario

- Most farms probably have enough income and savings to cover average LTC costs
- Most farms can also cover some above average costs by selling machinery, livestock and other operating assets
- Many farms' land is in jeopardy if they are an outlier
- The outlier scenario is what most farmers worry about
- We all know someone who has been in a nursing home for many years
- The average LTC scenario does not jeopardize most farms, the outlier scenario does



**Data and
Statistics**

**The Risk
Assessment**

The Long-Term Care Risk Assessment



The Long-Term Care Risk Assessment

- We know odds of needing LTC
- We know costs of LTC
- We know what income/assets are available to pay LTC costs
- What is the real risk of LTC cost to the farm?

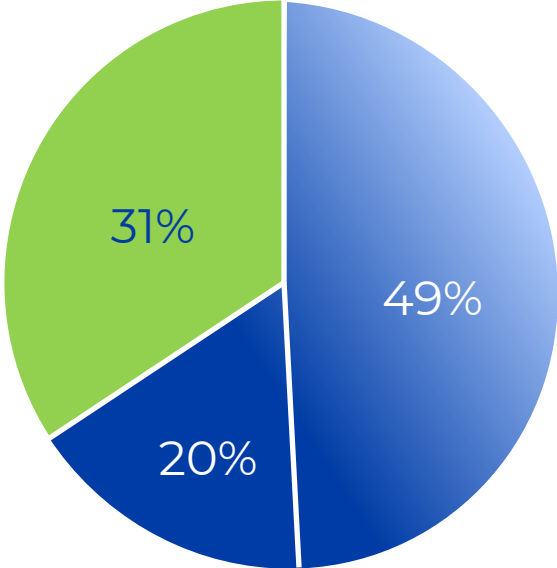
The Long-Term Care Risk Assessment

- A risk assessment must be done on a case-by-case basis to know which LTC strategy is best to implement
- Risk assessment analyzes potential LTC costs, income and savings to determine what is actual risk to farm assets
- A risk assessment is a requirement for good LTC planning

Developing the Risk Assessment

1. Determine LTC costs for your state
2. Is LTC insurance available to pay some or all of LTC costs?
3. What after-tax income is available to pay for LTC costs?
4. What savings/investments are available to pay for LTC costs?
5. What operating assets are available to pay for LTC costs?
6. What is risk tolerance for land being used for LTC?

What Assets Will be Needed to Pay Long-Term Costs?



Risk Assessment – Example 1

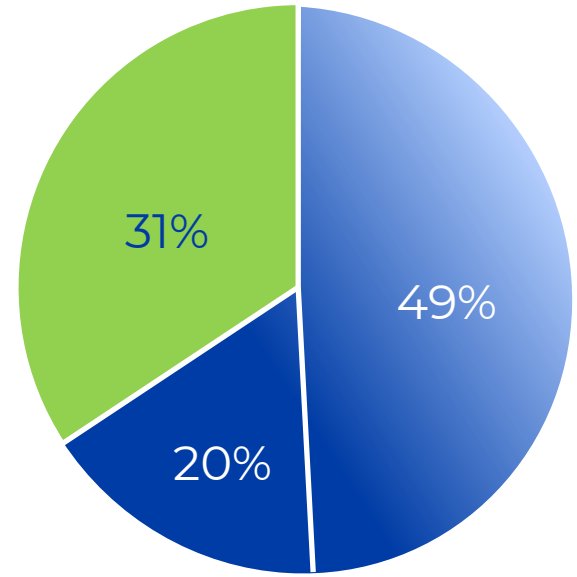
- Assume nursing home costs \$90,000/year
- Primary assets are machinery, livestock and land
- Unmarried person has \$70,000 year retirement income* and \$250,000 savings
- Income and savings will pay for nursing home for 12.5 years

Average Scenario – no risk to farm assets

Outlier Scenario – low risk to farm assets

*use after-tax income for the risk assessment

Example 1



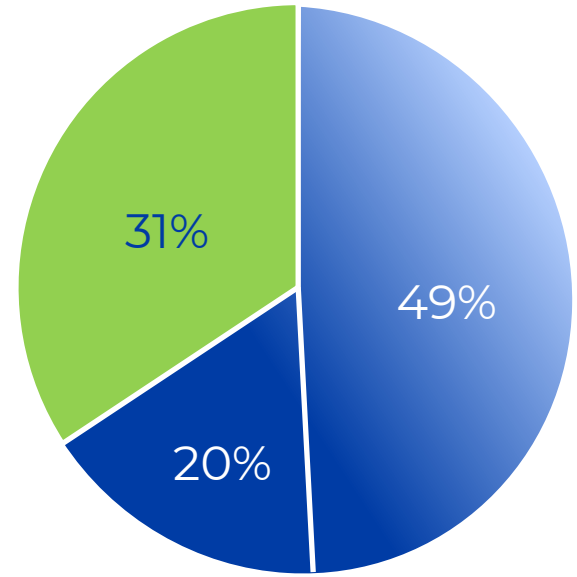
Risk Assessment – Example 2

- Primary assets are machinery, livestock and land
- Machinery and livestock valued at \$500,000
- Couple has \$70,000 year retirement income and \$250,000 savings
- At-home spouse requires \$50,000 income for living needs
- Income and savings will pay for nursing home for 3.5 years
- Machinery/livestock will pay for 5.5 additional years

Average Scenario – low risk to farm assets

Outlier Scenario – high risk to operating assets/lower risk to land

Example 2



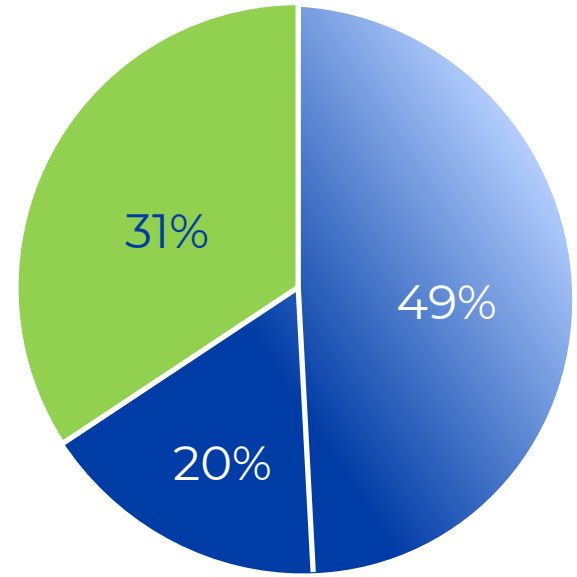
Risk Assessment – Example 3

- Only major asset is farmland that is cash rented
- Unmarried person has \$50,000 year income and \$20,000 savings
- Income and savings will pay for nursing home for a few months

Average Scenario – high risk to farmland

Outlier Scenario – farmland will be sold

Example 3



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graph LR; A[Data and Statistics] --> B[The Risk Assessment]; B --> C[Medicaid]
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**Data and
Statistics**

**The Risk
Assessment**

Medicaid

Medicaid



What Role Does Medicare Play?

- Medicare is a federal program providing health insurance to mostly people over 65
- If the LTC costs are related to a hospital stay/skilled nursing, Medicare will pay:
 - 100% of first 20 days
 - Some portion of days 21-100
 - Nothing after day 100
- Medicare should not be included in LTC strategies

What Role Does Medicaid Play?

- Medicaid is a joint federal and state program that provides health coverage for people with limited income and resources
- If a person does not have resources to pay for LTC, Medicaid will pay
- Medicaid eligibility is dependent upon wealth test and income test
- Few farmers will qualify for Medicaid without aggressive planning
- Medicaid has state specific rules, check your state rules

Medicaid Asset Limits (\$)

	Single	Married (both applying)	Married (one applying)
Mississippi	4,000	6,000	152,620
Tennessee	2,000	4,000	150,620
Arkansas	2,000	3,000	150,620
Missouri	5,302	10,604	153,922
Ohio	2,000	3,000	150,620

Source: American Council on Aging

Exempt Assets for Asset Limit Determination

- Some assets are not included in the asset limit analysis
- Rules are state specific, some assets exempt from asset limit may include:
 - Home
 - One automobile
 - Burial plot
 - Some retirement accounts
 - Property used in trade or business
- Exempt assets may still be subject to estate recovery

Five-Year Lookback

- Assets transferred for less than FMV for the five years prior to Medicaid application are considered an improper transfer
- Improper transfer ineligibility is essentially capped at 60 months
- This rule prevents someone from giving away all their assets today and being eligible for Medicaid tomorrow
- It is a necessary rule to keep Medicaid solvent
- This rule causes LTC planning to be done five years in advance which makes LTC planning difficult and always speculative to some degree

Five-Year Lookback

- For each \$7,453* of improper transfer, the applicant is ineligible for Medicaid for one month
 - A \$100,000 gift will cause ineligibility for 14 months
 - A \$1,000,000 gift will cause ineligibility for 135 months. However, by waiting 60 months to apply for Medicaid, the gift is no longer improper, and eligibility is not affected
- Timing of Medicaid application is important

*Ohio, 2023. Will vary by state and year

The Medicaid Strategy

1. Transfer those assets to be protected by gift or other improper transfer
2. Spend down other assets, if any, to Asset Limit amount
3. Apply for and receive Medicaid to pay for LTC costs
4. Any additional assets received in the future must be spent down to regain Medicaid eligibility

Disadvantages of The Medicaid Strategy

- May not get to select care facility
- Probably not eligible for a private room
- Receive same level of care?
- Rely on government program for care

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graph LR; A[Data and Statistics] --> B[The Risk Assessment]; B --> C[Medicaid]; C --> D[Strategies]
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**Data and
Statistics**

**The Risk
Assessment**

Medicaid

Strategies

Long-Term Care Strategies

Long-Term Care Strategies

- Long-Term Care Insurance
- Do Nothing
- Gift Assets
- Irrevocable Trusts
- Self-Insure
- Wait and See

Long-Term Care Insurance Strategy

- Purchase an insurance policy that will pay for at least some LTC costs
- Many types of policies and coverages
- Advantages
 - Provides protection to assets without giving up control of assets
- Disadvantages
 - Premiums can be costly, must purchase long before needed
 - Some people are not insurable
 - How much coverage to carry? How long is the term?

Do Nothing Strategy

- For some people, adequate income is available to pay all LTC costs so no need to do anything
- For other people, must keep assets to pay expenses and/or cannot afford to transfer assets away
- The most common strategy
- Advantages
 - No cost
 - Keep full control of assets
- Disadvantages
 - No assets are protected

Gift Assets Strategy

- Gift assets that are to be protected from LTC costs and wait for Medicaid ineligibility period to pass
- Advantages
 - Relatively inexpensive to execute
- Disadvantages
 - Loss of ownership, control and income from the assets
 - Giftee may develop their own financial issues and jeopardize the assets
 - Loss of stepped-up tax basis at death

What Happens if Gift, Then Run Out of Money before Eligible for Medicaid?

- Gifts can be returned by giftee to avoid improper transfer status, nursing home/Medicaid cannot undo gift
- The giftees can keep the gifts and pay the LTC costs
- Giftor can apply for a hardship but must show they did everything possible to get the gifts back and no alternative income or resources are available

Irrevocable Trust Strategy

- Transfer assets to an irrevocable trust
- Advantages
 - Trust can include an estate planning component
 - Trust can be set up to retain the income and stepped-up basis at death*
 - Can protect against giftee's financial problems and/or poor management

*Check state rules

Irrevocable Trust Strategy

- Disadvantages
 - Can be expensive to establish and maintain trust
 - Transfer to the trusts are improper transfers, subject to five-year lookback
 - Loss of ownership and control of the assets
 - Loss of stepped-up tax basis if income or LPOA is not retained
 - Trust cannot be changed except for beneficiaries (LPOA)

Self-Insure Strategy

- Intentionally reserve assets for LTC costs
- Usually, savings or investment accounts but can be land or other farm assets
- Advantages
 - No fees or expenses required
 - Keep full control of assets
- Disadvantages
 - How much is needed? All assets at risk if LTC costs exceed reserves
 - Impoverished spouse issue

Wait and See Strategy

- Wait to see if LTC will be needed
- Have enough resources to pay for five years of care
- Gift assets to be protected at beginning of five-year look back period
- After five years, gifted assets are protected
- Advantages
 - Provides flexibility
 - Reduces unknown aspect of LTC planning
- Disadvantage
 - Does not protect five year's worth of assets

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graph LR; A[Data and Statistics] --> B[The Risk Assessment]; B --> C[Medicaid]; C --> D[Strategies]; D --> E[Conclusion];
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Data and
Statistics

The Risk
Assessment

Medicaid

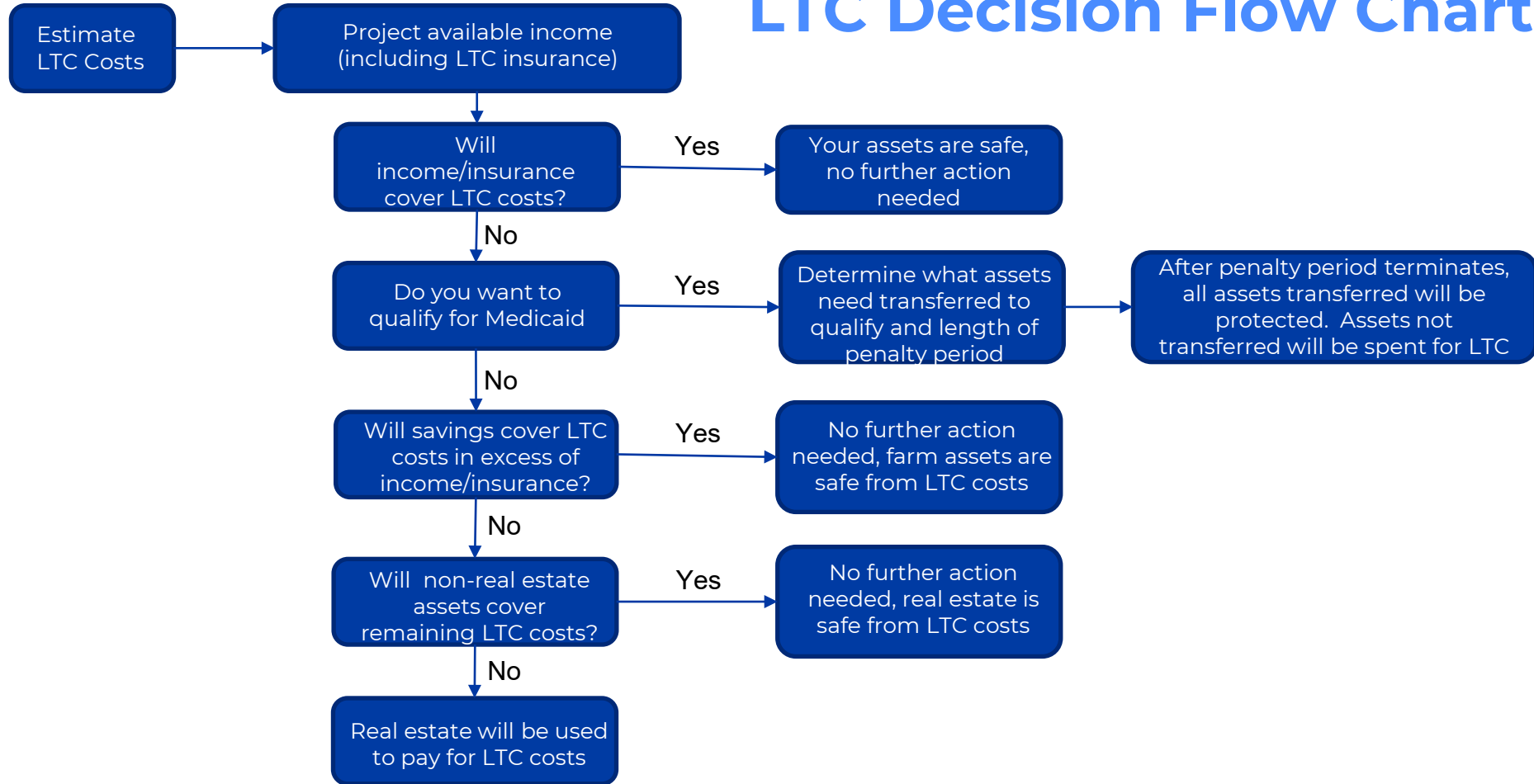
Strategies

Conclusion

Conclusion



LTC Decision Flow Chart



Conclusion

- There are no easy solutions for LTC planning
- What is the true risk to the farm?
- Best strategy depends on risk assessment
- Each situation is different, and planning should reflect the situation

A farmer has little control over the long-term care they may need, but they do have options as to how to plan for those costs

Long-Term Care and the Farm



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Thank You

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