

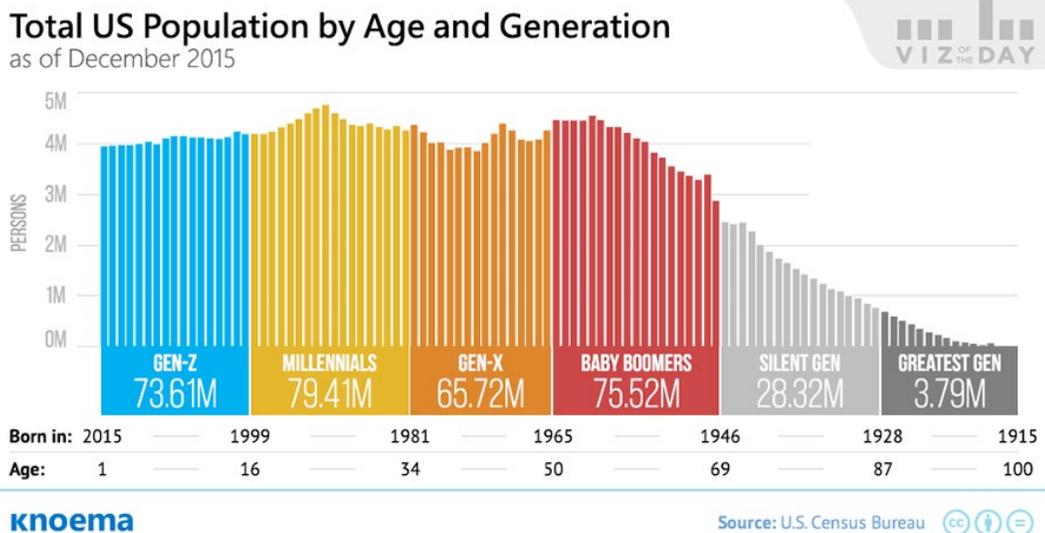
**REPORT:**

# 2019 Cost of Aging in Maryland and the Silver Tsunami

*A Look at the Current State of Nursing Home Costs in Maryland and how people are managing the incoming wave of Baby Boomers into our Nursing Homes.*



The long-awaited Baby Boom has just become a Silver Tsunami. Births in the United States jumped from 2 Million in 1942 (now 77) to a whopping **4 MILLION** by 1950 (now 69). According to the Administration on Aging at the Department of Health and Human Services, “someone turning the age of 65 has almost a 70% chance of needing [...] long-term care services”<sup>1</sup>. As this 4-Million-person wave of 69-year-olds age each passing year, it could double the already over saturated and expensive demand on Nursing Homes and Elder Care providers today. Many Long-Term-Care Insurance providers are going out of business from advanced in medicine and a sharp increase in the costs of Elder Care services<sup>23</sup>. This crisis leaves most aging families with only two choices, privately pay over ten-thousand dollars per month for the duration of your needs or rely on the Federal Government paying for this care through the Medicaid Program.<sup>4</sup>



<sup>1</sup> "How Much Care Will You Need?" Department of Health and Human Services, 10 Oct. 2017 <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>.

<sup>2</sup> Roth, Allan. "Why long-term care insurance may become extinct" CBS News, 9 Apr. 2012 <https://www.cbsnews.com/news/why-long-term-care-insurance-may-become-extinct>.

<sup>3</sup> Lankford, Kimberly. "Why You're Still Protected if Your Long-Term-Care Insurer Goes Bust" Kiplinger, <https://www.kiplinger.com/article/insurance/T036-C001-S002-long-term-care-insurer-goes-out-of-business.html>

<sup>4</sup> "US Population by Age and Generation" Knoema, 30 Jul. 2018 <https://knoema.com/infographics/egydzc/us-population-by-age-and-generation>

Total Medicaid Spending in the United States just last year was \$592,733,229,400<sup>5</sup> and takes up to 1/10<sup>th</sup> of the entire Federal Budget. That cost is likely to double within the next 8 years<sup>6</sup> to become almost 1/5<sup>th</sup> of the Federal Budget or the condition for coverage will need to be adjusted. Saving enough money to cover 4 years of care is another option that some families have the good fortune to accomplish. This would be about \$480,340 per person or \$960,680 for a couple if they both needed care. The issue is that most families don't have this liquidity and doesn't include additional quality of life costs such as dentures, clothes, or lifestyle purchases. Additionally, many times there is an initial spike in Medical Expenses prior to being admitted to a Nursing Home. This can cause the well-spouse a great risk to their retirement and financial security.

### **Planning for the Tsunami**

For those who have helped a loved one enter a Nursing Home, or have considered these potential costs, you have reached out to your Financial Advisor or Estate Planning Attorney. That is the most important first step to prepare since not all the strategies to help with these costs can be implemented when you are already in need of a Nursing Home. That is why you want to plan at least 5 years ahead if you can manage for the best possible outcome.

If you are helping a loved one who is currently in a Nursing Home in Maryland or immediately being placed, there are a few options you have:

1. Let the Nursing Home take care of everything if they accept the Applicant. They will begin to spend down all assets to privately pay until they are exhausted and will then supplement these costs by placing a series of liens against any real property until there is no further equity remaining in the Home. At this point they will submit an Application

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<sup>5</sup> "Total Medicaid Spending" Kaiser Foundation, FY 2018 <https://www.kff.org/medicaid/state-indicator/total-medicaid-spending>.

<sup>6</sup> Kodjak, Alison. "From Birth To Death, Medicaid Affects The Lives Of Millions" National Public Radio, 27 Jun, 2017 <https://www.npr.org/sections/health-shots/2017/06/27/534436521/from-birth-to-death-medicaid-affects-the-lives-of-millions>.

for Medicaid to cover Long Term Care costs and will be subsequently reimbursed from the State of Maryland.

2. An Elder Law Attorney can evaluate all assets and determine a series of “Qualified Expenses”, a “Gift and Return” strategy, or an “Immediate Return Annuity” depending on the situation. In most cases, this can preserve at least half of the assets, and potentially reduce the time until the Applicant is qualified for Medicaid benefits to be approved. These assets can then be managed by the family for the improvement of the Applicant’s Quality of Life and reduce the cost burden onto those around them. However, this type of Crisis Planning generally requires that a Power of Attorney with Gifting Provisions was put in place by an Estate Planning Attorney. If not, the family member will need to Petition the Courts for a Guardianship of the Applicant first.
3. Lastly, if pre-planning is put in place with an Estate and Elder Law Attorney well before the need arises, they can typically protect close to 100% of assets. These assets such as a house, would be transitioned into an Asset Protection Trust. This Trust would appoint a family member as a Trustee with a responsibility to use the money for the benefit of the Applicant to maintain their lifestyle and Quality of Life as much as possible. Medicaid for Long Term Care has a lookback period of 5 years and will render a penalty for each month within. This means that even after 3 years, plus leveraging the Medicaid Crisis Strategies one might still have an optimal rate of protection.

## Table of Median Costs per Month in 2019

**Source: Genworth 2019 Cost of Care Trends & Insights**

<https://www.genworth.com/aging-and-you/finances/cost-of-care/cost-of-care-trends-and-insights.html>

<i>Service</i>	<i>National</i>	<i>Maryland</i>	<i>Pennsylvania</i>	<i>Wash. D.C.</i>	<i>Virginia</i>	<i>Delaware</i>
<i>Homemaker Services</i>	\$4,290	\$4,481	\$4,385	\$5,243	\$4,195	\$4,671
<i>Home Health Aide</i>	\$4,385	\$4,576	\$4,481	\$5,243	\$4,382	\$4,671
<i>Adult Day Health Care</i>	\$1,625	\$1,775	\$1,457	N/A	\$1,603	\$1,797
<i>Assisted Living</i>	\$4,051	\$4,300	\$3,913	\$11,288	\$4,800	\$6,035
<i>Nursing Home – Shared Room</i>	\$7,512	\$9,673	\$9,733	\$10,646	\$7,350	\$10,897
<i>Nursing Home – Private Room</i>	\$8,516	\$10,007	\$10,403	\$10,646	\$8,213	\$11,361