Uneasy, yet necessary, talk about long-term care insurance

Even though most people think they will need to help care for a family member or friend, probably they have not had a recent conversation about long-term care planning with their financial adviser. If you or someone in your household is 50 or older, hopefully you will begin to have a serious conversation and act on long-term care planning.

Medicare does not pay most of the cost of long-term care services or personal care. Medicare will help pay for a short stay in a skilled nursing facility, or for home health care if you meet the following criteria:

- You have had a recent hospital stay at least three days.
- You are admitted to a Medicare-certified nursing facility within 30 days of your hospital stay.
- You need skilled care, such as skilled nursing services.

If you meet all of these conditions, Medicare may pay for some of your costs of long-term care for up to 100 days. After day 100, you are responsible for 100 percent of costs for each day in long-term care.

Medicaid is a joint federal-state program that pays the medical and long-term care expenses of destitute people (payer of last resort). If you have more money or assets than your state permits when you need long-term care, Medicaid won’t pay any of the cost. You’ll have to spend your own money and use your assets until you become destitute enough to qualify for Medicaid.

But if you live in a state such as Pennsylvania that participates in the long-term care partnership program, you can qualify for Medicaid without spending yourself into poverty. The partnership program is intended to encourage people to buy private long-term care insurance.

To participate in the partnership, you must buy a long-term care insurance policy that contains at least the basic benefits required. You can be approved for Medicaid benefits even though you haven’t sold assets and used your money.

The benefit is a “dollar-for-dollar” asset protection. In other words, individuals who buy a long-term care policy earn one dollar of Medicaid payment for every dollar of insurance benefit paid on their behalf without their net assets being depleted.

When you consider long-term insurance, you should ask the following:

- How do you see your ending years?
- Do you have assets, excluding your home, that are at risk?
- Would taking care of you be an emotional or physical hardship for your spouse/partner/children?

Would the people caring for you be able to maintain the quality of their own lives?

Do you want to use your savings or retirement income to pay for the rising costs of long-term care?

The reason people should have a serious conversation about long-term care planning include the number of people living in nursing facilities or using home health care is projected to increase from 15 million in 2010 to 27 million in 2050. At least 70 percent of people over 65 will need some form of long-term care.

Individuals often ask, why buy something I may never need? Consider these statistics:

- There is one claim for every 88 homeowners insurance policies written.
- There is one claim for every 47 auto insurance policies written.
- There is one claim for every 2.5 long-term care insurance policies written.

Still think you can’t afford or need long-term care planning?

Consider this: 70 percent of people who reach 65 eventually will need long-term care insurance, and 40 percent will enter a nursing home.

The top four reasons why people should consider long-term care planning:

1. People are concerned about living longer and becoming a burden on their family.
2. People want the freedom to choose the quality and type of care they receive.
3. Reducing your assets to a level to qualify for Medicaid likely will not lead to quality care.
4. Most people prefer to stay in their home as long as possible. Long-term care insurance will enable them to do this while providing better care.

(5) People want to protect their spouse’s quality of life and future security. Using their nest egg to pay for long-term care may leave them with nothing.

ATHN is an unremarkable company founded in 1997 that became a remarkable company with its stock price following, rising above $200 in early 2014, price followed, rising above $200 in early 2014, and that revenues will go nuclear.

Almost any multibillion-dollar Internet-based service company (except Amazon.com) can be obscenely profitable. All such a company needs are four crucial components: competent management, wise spending controls, a knowledgeable board and a good business model.

David Einhorn, legendary CEO of Greenlight Capital, agrees with my assessment of ATHN. He refers to it as the “poster child of bubble stocks.” Einhorn has a significant short position, believing that the shares are ridiculously overpriced.

He recently told Forbes, “The valuation is so high that even if the revenue was growing considerably faster, it would still be too high.”

ALL IN THE NAME

Now, if Jeb Bush gets the Republican nod to run for president, ATHN, even if the company suffers big losses next year, will be a shoe-in speculation but still a lousy investment.

And if Jeb is elected president, you can be certain as spring showers and May flowers that ATHN will be trading at a much higher price and that revenues will go nuclear.

Cerner Corp. (CERN-$73.60) is one of the many companies in the same business as ATHN. By comparison, CERN had $3.3 billion in 2014 revenues, had profits of nearly $550 million that year and has increased earnings for a dozen consecutive years.

Jonathan, a fortunate son of a Bush, could learn a lot from CERN, which is a magnificently run company.

John D. Rossi III is a business leader, lecturer, accountant and financial planner with more than 30 years of business and academic experience. An associate professor of accounting at Moravian College in Bethlehem, he also is president of JR3 Virtuoso Solutions Inc., specializing in financial reporting, taxation, professional training and consulting services.

Revenues soar, yet still losing money

Athenahealth (ATHN-$122) is a public company co-founded by CEO Jonathan Bush, who is former President George W. Bush and presidential wannabe Jeb Bush’s cousin. ATHN provides Internet-based business services (billing functions, medical record coordination and practice management platforms) for physicians.

Since the company came public with 6.2 million shares at $18 in June 2007, ATHN’s share price rose nearly $100 in 2014 revenues, had profits of nearly $550 million that year and has increased earnings for a dozen consecutive years.

It seems that you and most investors don’t know the difference between an investment and a speculation. If you invest $15,000 in a company that trades 800 times next year’s earnings (Athenahealth, according to Value Line, may earn 15 cents a share in 2016), it’s a speculation, not an investment.

And that’s dumb — really dumb. In fact, it’s industrial-strength dumb.

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April 13, 2015

LVB.com

Dear Mr. Berko: I am thinking of investing $15,000 to buy 100 shares of Athenahealth, which was founded by Jonathan Bush, the nephew of George H.W. Bush, our 41st president. I think this would be a good investment because the Affordable Care Act will be a boon to the medical profession — especially companies such as this one, which helps doctors collect their fees from insurance companies.

My dad is a recently retired physician, and his biggest complaint was that the insurance companies always tried to short-change him and other physicians. Three years ago, Dad’s four-physician practice hired another physician to replace one who retired, thinking that the practice wouldn’t be profitable. But if you live in a state such as Pennsylvania that participates in the long-term care partnership program, you can qualify for Medicaid without spending yourself into poverty. The partnership program is intended to encourage people to buy private long-term care insurance.

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