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## **Community Legal Information Association of Prince Edward Island, Inc.**

### **Nursing Home Financial Assistance in PEI**

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The Province of Prince Edward Island updated the Long-Term Care Subsidization Act and related regulations effective January 1, 2007. Many people have questions about these changes, particularly those with family members already in nursing homes and those with concerns about future costs to themselves or their family. Our goal in this article is to answer some of these questions based on the information currently available. It will be some time before full policy guidelines are published so you should obtain further information before making decisions based on the information discussed here.

We also remind you that admission to a long-term care facility involves two steps. The first is a needs assessment from a medical perspective. The second, and the topic of this article, is a financial assessment to determine if financial subsidization is required.

#### **If admitted to a nursing home, what will I need to pay for?**

There are two significant changes that became effective January 1, 2007. The first change is that the only expenses that must be paid by the resident will be the costs of accommodation, including room and board. The government will pay the costs of nursing and medical care at the home. In a news release dated January 25, 2007, the government stated, "The Department of Health will cover basic health care costs which include nursing and personal care, incontinence and infection control measures and basic supplies for hygiene and grooming. Residents will pay the accommodation costs which will cover room and board, including meal

service, housekeeping, laundry and social/recreational activities. Residents will continue to be responsible for personal expenses which include, but are not limited to, eyeglasses, hearing aids, dental service, telephone service, hairdressing, dry cleaning, ambulance service and general transportation. The amount of the accommodation charge to self-paying residents for 2008 was set at \$67.00 per day for government manors, with private nursing homes setting their own rates. The rate was increased to \$69.30 for 2009.

### **Must I sell my assets to pay for my nursing home accommodations?**

The second change made on January 1, 2007 was that a person's assets will no longer be considered in the financial assessment process for obtaining financial assistance. It is only their income that will be used to pay their expenses. Therefore, any investments, real estate and other property owned by a family need not be sold to help pay for such care. However, any income generated from this property or other sources must be used. Common forms of income include Canada Pension Plan, Old Age Security, pensions, rent, interest, dividends, capital gains and registered retirement plan withdrawals. Of course, if there is still a spouse living at home, there may be a need to sell assets to pay for that person's ongoing needs if his or her expenses exceed the income available to him or her.

### **How is eligibility for government subsidies to pay for a nursing home determined?**

The application for financial assistance is separate from the application for admission to a long-term care facility. For determining eligibility for subsidization, income is first defined as the amount reported on line 236 of your income tax return for the year prior to application for subsidy. Where the person is married (or common-law), the income of both parties will be combined and then divided equally. If there are other dependants, a different formula is used.

Certain amounts may then be deducted from line 236 of your income tax return, such as some income amounts related to prior years, CPP death benefits, and any other amounts that the Minister of Health may exempt. If this income figure exceeds a specified threshold (approximately \$26,500),

then the resident will be required to pay 100% of the costs unless the Minister makes a special exception. A resident in a private nursing home will pay the applicable rate charged by that home. The resident can retain any of his or her income in excess of the accommodation charges.

**After admission to a nursing home, how is ongoing eligibility for financial assistance assessed?**

The person's ability to pay will be assessed each year. However, we understand from discussions with government officials that it is "real income" that is used for this annual financial assessment. Line 236 will be a starting point, but this figure will be adjusted for non-taxable income and other adjustments to reach a more accurate evaluation of the resident's income. For example, certain tax-free amounts, such as tax-free disability pensions and the tax-free half of capital gains will likely be added to the amount on line 236. Payments for long-term care insurance and Registered Disability Savings Plans may also be added, as well as a reasonable amount for rent income if the family home is occupied by someone who is not paying rent and is not a dependant of the applicant. Conversely, taxable dividends reported on your tax return are higher than the actual payments received, and these will be adjusted downwards.

If computation of all income exceeds the threshold for subsidization, then the subsidy will be recalculated for that year. For example, assume you enter a nursing home in 2009, and you qualify for a subsidy based on your 2008 tax return. When you file your 2009 tax return (in early 2010), it will be reviewed. If line 236 plus any adjustments to this amount to convert it to "real income" exceeds the threshold, then you may have to pay your full way for 2009, meaning that you would have to repay any subsidies received during 2009.

As noted earlier, this understanding is based on our discussions with a government official, and policy is still under consideration. Therefore, the system may not function exactly as outlined here and may differ in individual circumstances.

After doing the above calculations, exceptions will be made if more than one-half of the family income is needed by the applicant's spouse or

dependants to meet financial liabilities or to maintain a reasonable standard of living. The definition of a reasonable standard of living will be made by comparison to amounts allowed under social assistance regulations, although exceptions for special situations may be possible. When you disagree with a decision, there may be options to request a variance or you can appeal the decision. For example, if you are married, and live in a large family home after your spouse has moved to a nursing home, one-half of combined income may be insufficient for you to maintain the home. It is likely that you will be expected to move to a smaller home, and your spouse's accommodations may be temporarily subsidized until you have time to move. The alternative to moving, if you can afford to do so, will be to sell other assets to help pay for your ongoing living expenses.

### **Can I make changes prior to admission to a nursing home to increase my subsidy?**

As in the past, the government can look back two years before the date of application to see if the “applicant has transferred or reduced income, or divested himself or herself of any income-producing asset” in order to avoid paying costs for the nursing home. If, “in the opinion of the Director, the transfer or reduction of income, or divestment of an income-producing asset, was made for the purpose of making the applicant eligible for financial assistance”, subsidization may be refused [Regulation 10(1)]. For example, if you give your investment portfolio to your children, you will no longer receive the related interest, dividends and capital gains. If you did this so that you would not have to use the income for paying your nursing home costs, the government could refuse admission to the home unless arrangements for payment are made. Remember that under the new rules, your investment principal will be safe; it is the income that must be used. A question arises about what will happen if income-producing assets are sold or re-structured after you are in a nursing home, and your income declines. You may not be entitled to an increased subsidy unless the proceeds are used for purposes permitted by government policy. We cannot advise as to what the allowable purposes may be, but repayment of liabilities, major household repairs and prepayment of funeral expenses might be acceptable.

## **Is my home safe, or will I need to sell it?**

Only your income, not assets such as your home, must be used to pay for your care. The government will not require the sale of your home to meet nursing home costs. However, as explained above, in the case of a couple where one person needs long-term care, it is one-half of the combined income of both individuals that is used for determining the subsidy. If your spouse is placed in a nursing home and you remain in the family home and cannot afford to meet your expenses, you will need to look at various ways to deal with these costs. Selling your home or other assets may be one option; however, this will be your choice based on your personal financial planning considerations. It is not a government decision.

## **Other issues**

What about residents of nursing homes prior to 2007? These residents will be subject to the new rules as well. Debts accumulated and owing at December 31, 2006 will still be owed by the resident and his or her estate under normal circumstances.

What happens if a person is in a hospital needing acute care, and is discharged by the physician with no bed available in a nursing home? Our understanding is that the person is responsible for the costs of the hospital accommodations until physically placed in a nursing home. Patients are placed in priority based on their physical needs, but waiting lists can easily be three months or much longer, depending on your condition and your location in the province.

What if a person has a life insurance policy requiring annual premium payments and income is not sufficient to pay for these? The government will still use your income tax return to assess your need for subsidy. You may need to sell assets to pay such premiums, or ask your insurance beneficiaries (who are going to receive the proceeds of your insurance) to pay your premiums.

What if a person does not require nursing home care but cannot afford the costs of living in a senior's residence? In such a case, the Long-term Care Subsidization Act does not apply, and the rules discussed here are irrelevant.

This person will need to look for more affordable housing or seek financial help from social assistance (welfare).

What happens to the monthly comfort allowance if it is not spent? Residents are given a monthly allowance for personal use. The comfort allowance accumulates and any balance remaining at death will be paid to the resident's estate, after any other debts owing to the government, such as pre-2007 balances, are paid.

### **Who do I contact for further information?**

For information on eligibility for entrance to a nursing home, you may contact one of the five Home Care Offices. Contact telephone numbers are as follows: Charlottetown (Hillsborough Hospital) - 902-368-4790; Summerside (Wedgewood Manor) - 902-888-8440; O'Leary Community Hospital - 902-859-8730; Montague (Riverview Manor) 902-838-0786, and Souris Hospital – 902-687-7096. For information on subsidies, contact the Long-term Care Subsidization Office at 1-888-365-5313. The government web site for Community Hospitals and Continuing Care, where long-term nursing care fact sheets and contact information can be obtained is “[www.gov.pe.ca/health/chacc-info/index.php3](http://www.gov.pe.ca/health/chacc-info/index.php3)”.

If you have any questions or require financial planning assistance, please telephone us at (902) 892-0519.