

LONG-TERM CARE

Paying for Care

Many older adults and caregivers worry about the cost of medical care. These expenses can use up a significant part of monthly income, even for families who thought they had saved enough.

How people pay for long-term care—whether delivered at home or in a hospital, assisted living facility, or nursing home—depends on their financial situation and the kinds of services they use. Often, they rely on a variety of payment sources, including personal funds, government programs, and private financing options.



Personal Funds

At first, many older adults pay for care in part with their own money. They may use personal savings, a pension or other retirement fund, income from stocks and bonds, or proceeds from the sale of a home.

Much home-based care is paid for using personal funds ("out of pocket"). Initially, family and friends often provide personal care and other services, such as transportation, for free. But as a person's needs increase, paid services may be needed.

Many older adults also pay out-of-pocket to participate in adult day service programs, meals, and other community-based services provided by local governments and nonprofit groups. These services help them remain in their homes.

Professional care given in assisted living facilities and continuing care retirement communities is almost always paid for out of pocket, though, in some states, Medicaid (see below) may pay some costs for people who meet financial and health requirements.

[Look up what long-term care costs in your area.](#)

Government Programs

Older adults may be eligible for some government healthcare benefits. Caregivers can help by learning more about possible sources of financial help and assisting older adults in applying for aid as appropriate. The Internet can be a helpful tool in this search.

Several federal and state programs provide help with healthcare-related costs.

Centers for Medicare & Medicaid Services

The [Centers for Medicare & Medicaid Services](#) (CMS) offers several programs. Over time, the benefits and eligibility requirements of these programs can change, and some benefits differ from State to State. Check with CMS or the individual programs directly for the most recent information.

Medicare

Medicare is a Federal Government health insurance program that pays some medical costs for people age 65 and older, and for all people with late-stage kidney failure. It also pays some medical costs for those who have gotten Social Security Disability Income (discussed later) for 24 months. It does not cover ongoing personal care at home. Here are brief descriptions of what Medicare will pay for:

Medicare Part A:

- Hospital costs after you pay a certain amount, called the "deductible"
- Short stays in a nursing home for certain kinds of illnesses
- [Hospice care](#) in the last 6 months of life

Medicare Part B:

- Part of the costs for doctor's services, outpatient care, and other medical services that Part A does not cover
- Some preventive services, such as [flu](#) shots and [diabetes](#) screening

Medicare Part D:

- Some [medication costs](#)

You can find more information about Medicare benefits at www.medicare.gov, or call **1-800-633-4227**, TTY: **1-877-486-2048**.

Medicaid

Some people may qualify for Medicaid, a combined Federal and State program for low-income people and families. This program covers the costs of medical care and some types of long-term care for people who have limited income and meet other eligibility requirements. Who is eligible and what services are covered vary from State to State.

To learn more about Medicaid, call **1-877-267-2323**, TTY: **1-866-226-1819**, or visit www.medicaid.gov. Or, contact your State health department. For a State-by-State list, visit www.medicaid.gov/medicaid/by-state/by-state.html.

Program of All-Inclusive Care for the Elderly (PACE)

Some States have PACE, Program of All-Inclusive Care for the Elderly, a Medicare program that provides care and services to people who otherwise would need care in a nursing home. PACE covers medical, social service, and long-term care costs for frail people. It may pay for some or all of the long-term care needs of a person with [Alzheimer's disease](#). PACE permits most people who qualify to continue living at home instead of moving to a long-term care facility. You will need to find out if the person who needs care qualifies for PACE. There may be a monthly charge. PACE is available only in certain States and locations within those States.

To find out more about PACE, call **1-877-267-2323**, or visit www.pace4you.org or www.medicare.gov/your-medicare-costs/help-paying-costs/pace/pace.html.

State Health Insurance Assistance Program

SHIP, the State Health Insurance Assistance Program is a national program offered in each State that provides counseling and assistance to people and their families on Medicare, Medicaid, and Medicare supplemental insurance (Medigap) matters.

To contact a SHIP counselor in your State, visit www.shiptacenter.org.

Department of Veterans Affairs

The U.S. Department of Veterans Affairs (VA) may provide long-term care or at-home care for some veterans. If your family member or relative is eligible for veterans' benefits, check with the VA or get in touch with the VA medical center nearest you. There could be a waiting list for VA nursing homes.

To learn more about VA healthcare benefits, call **1-877-222-8387**, or visit www.va.gov/health or www.caregiver.va.gov. You can also find more information at [Geriatrics and Extended Care: Paying for Long-Term Care](#).

Social Security Disability Income

This type of Social Security is for people younger than age 65 who are disabled according to the Social Security Administration's definition.

For a person to qualify for Social Security Disability Income, he or she must be able to show that:

- The person is unable to work
- The condition will last at least a year
- The condition is expected to result in death

Social Security has "compassionate allowances" to help people with [Alzheimer's disease](#), [other dementias](#), and certain other serious medical conditions get disability benefits more quickly.

To find out more about Social Security Disability Income, call **1-800-772-1213**, TTY: **1-800-325-0778**, or visit www.ssa.gov.

National Council on Aging

The National Council on Aging, a private group, has a free service called [BenefitsCheckUp®](#). This service can help you find Federal and State benefit programs that may help your family. After providing some general information about the person who needs care, you can see a list of possible benefit programs to explore. These programs can help pay for prescription drugs, heating bills, housing, meal programs, and legal services. You don't have to give a name, address, or Social Security number to use this service.

To learn more about BenefitsCheckUp®, call **1-571-527-3900**, or visit www.benefitscheckup.org.

Medication Costs

If your prescription medicines cost too much, ask the doctor if there is a less expensive medication or a generic choice.

Learn more about medication costs and ways to save in [Saving Money on Medicines](#).

Private Financing Options

In addition to personal and government funds, there are several private payment options, including long-term care insurance, reverse mortgages, certain life insurance policies, annuities, and trusts. Which option is best for a person depends on many factors, including the person's age, health status, personal finances, and risk of needing care.

Long-Term Care Insurance

Long-term care insurance covers many types of long-term care and benefits, including [palliative and hospice care](#). The exact coverage depends on the type of policy you buy and what services are covered. You can purchase [nursing home](#)-only coverage or a comprehensive policy that includes both home care and facility care.

Many companies sell long-term care insurance. It is a good idea to shop around and compare policies. The cost of a policy is based on the type and amount of services, how old you are when you buy the policy, and any optional benefits you choose.

Buying long-term care insurance can be a good choice for younger, relatively healthy people at low risk of needing long-term care. Costs go up for people who are older, have health problems, or want more benefits. Someone who is in poor health or already receiving end-of-life care services may not qualify for long-term care insurance.

Reverse Mortgages

A reverse mortgage is a special type of home loan that lets a homeowner convert part of the ownership value in his or her home into cash. Unlike a traditional home loan, no repayment is required until the borrower sells the home, no longer uses it as a main residence, or dies.

There are no income or medical requirements to get a reverse mortgage, but you must be age 62 or older. The loan amount is tax-free and can be used for any expense, including long-term care. However, if you have an existing mortgage or other debt against your home, you must use the funds to pay off those debts first.

Life Insurance

Some life insurance policies can help pay for long-term care. Some policies offer a combination product of both life insurance and long-term care insurance.

Policies with an "accelerated death benefit" provide tax-free cash advances while you are still alive. The advance is subtracted from the amount your beneficiaries (the people who get the insurance proceeds) will receive when you die.

You can get an accelerated death benefit if you live permanently in a nursing home, need long-term care for an extended time, are terminally ill, or have a life-threatening diagnosis such as AIDS. Check your life insurance policy to see exactly what it covers.

You may be able to raise cash by selling your life insurance policy for its current value. This option, known as a "life settlement," is usually available only to people age 70 and older. The proceeds are taxable and can be used for any reason, including paying for long-term care.

A similar arrangement, called a "viatical settlement," allows a terminally ill person to sell his or her life insurance policy to an insurance company for a percentage of the death benefit on the policy. This option is typically used by people who are expected to live 2 years or less. A viatical

settlement provides immediate cash, but it can be hard to get.

Annuities

You may choose to enter into an annuity contract with an insurance company to help pay for long-term care services. In exchange for a single payment or a series of payments, the insurance company will send you an annuity, which is a series of regular payments over a specified period of time. There are two types of annuities: immediate annuities and deferred long-term care annuities.

Trusts

A trust is a legal entity that allows a person to transfer assets to another person, called the trustee. Once the trust is established, the trustee manages and controls the assets for the person or another beneficiary. You may choose to use a trust to provide flexible control of assets for an older adult or a person with a disability, which could include yourself or your spouse. Two types of trusts can help pay for long-term care services: charitable remainder trusts and Medicaid disability trusts.

For More Information About Financing Options

National Clearinghouse for Long Term Care Information

1-202-619-0724

aclinfo@acl.hhs.gov

www.longtermcare.gov

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