

LONG-TERM CARE FINANCING

Medicare and Medicaid

Introduction

By 2050, the United States population of older adults (age 65 and older) is projected to almost double from the current 48 million to 88 million.¹ Almost 70% of older adults will require some level of long-term services and supports (LTSS), with yearly costs ranging from \$45,000 (home health care) to \$90,000 (nursing facility care). However, as the aging population increases, the financing and delivery of its care has become a significant concern both for caregivers of aging family members and policymakers.¹

This explainer is the first in a two-part series on long-term care financing, focusing on services available through Medicare and Medicaid. The second explainer in this series will focus on aspects of long-term care that are covered by private insurance, including long-term care insurance policies.

Background

The AARP estimates that by the time individuals reach age 65, there is a 50% chance that they will require paid long-term care at some point in their remaining years of life.² Long-term care includes a broad range of services and supports to assist individuals in meeting their needs as they age. Most long-term care services include assistance with personal care or everyday tasks, often referred to as “activities of daily living” (ADL) or “instrumental activities of daily living” (IADL). See examples of each in Table 1.³

ⁱ While other populations are served by long-term services and supports, including those with complex health needs such as the developmentally disabled, this explainer focuses on long-term care services provided to older adults.

Long-term care is provided in a variety of settings. Home care services are often provided by unpaid caregivers, such as family members, or by paid home care aides and other healthcare professionals. Community support services include facilities such as adult day care centers, while facility-based care programs include more comprehensive care options such as assisted living facilities and nursing homes.⁴

TABLE 1: LONG-TERM CARE SERVICES

ACTIVITIES OF DAILY LIVING (ADLs)	INSTRUMENTAL ACTIVITIES OF DAILY LIVING (IADLs)
○ Bathing	○ Housework
○ Dressing	○ Managing money
○ Using the toilet	○ Taking medication
○ Transferring (to or from the toilet)	○ Preparing or cleaning up after meals
○ Caring for incontinence	○ Shopping for groceries or clothes
○ Eating	○ Using the telephone or other communication devices

Paying for Long-Term Care

MEDICARE

Medicare pays for medically necessary acute care, including outpatient physician visits, prescriptions, and hospital stays. Typically, Medicare does not include coverage for long-term care services such as non-skilled assistance (also known as custodial care), which makes up a majority of daily care provided in a nursing home setting.⁵

However, Medicare will pay for a limited duration of long-term care under certain circumstances, including if an individual requires skilled nursing or rehabilitative services (or both) on a daily basis. Medicare will pay for short-term stays in skilled nursing facilities if an individual meets all of the following conditions:⁶

- A previous hospital admission with an inpatient stay of at least three days (the patient cannot be under “observation” status to satisfy Medicare skilled nursing facility requirements)

- Admittance to a Medicare-certified nursing facility within 30 days of the inpatient hospital stay
- Need for skilled care, including skilled nursing services, physical therapy, or other types of therapy

If a beneficiary meets these requirements for a short-term stay in a skilled nursing facility, Medicare will pay 100% of the cost (including room and board) for the first 20 days. From days 21–100, the beneficiary is required to pay a daily copay. After 100 days, the beneficiary is responsible for the full cost of remaining in the facility.⁷

Additionally, Medicare will pay for other services (aside from part-time or intermittent skilled nursing care) deemed medically necessary to treat an illness or injury. These services include occupational or speech pathology, medical social services, and medical supplies and durable medical equipment. No time limits are placed on the provision of these services, but physicians are required to evaluate and reorder the services every 60 days, based on beneficiary need.⁸ Additionally, some Medicare Advantage Part C plans offer some home- and community-based long-term care benefits under certain circumstances.

MEDICAID

Medicaid is a jointly funded state and federal program for low-income individuals. Medicaid will pay for long-term care costs if an individual meets certain programmatic and financial requirements, which vary by state. To receive long-term services and supports in Arkansas, a person must meet certain medical (functional) eligibility requirements, and his or her income/countable assets must be at or below limits set by the state, which vary depending on their category of eligibility and whether the person is married or single. For single individuals in Arkansas, the income limit is currently \$2,313 per month for both institutional-based care and home- and community-based care, with an additional \$2,000 countable asset limit.⁹ When applying for Medicaid long-term care coverage, individuals must disclose information about their income, their spouse's income, resources (including personal property), insurance, and unpaid medical expenses.¹⁰

Many seniors rely on Medicaid to finance their long-term care costs. To qualify for Medicaid coverage, seniors often “spend down” their income and assets to classify as “medically needy.” Spend-down may occur rapidly due to the high cost of long-term care. Medicaid applications

include an asset disclosure form, which requires that individuals disclose any asset transfers in a five-year look-back period before the date they requested Medicaid coverage. Gifts or transfers of assets made within the look-back period may be subject to penalty, requiring an individual to pay for the cost of his or her long-term care for a certain period of time before Medicaid would begin paying for the individual's care.¹¹ A spouse's income is included as a countable asset, but federal spousal impoverishment regulations include protections for a small personal needs allowance.

CONCLUSION

The aging of Americans and the high cost of long-term care present significant challenges to the healthcare system. While public programs such as Medicare will pay for a limited duration of skilled nursing care, custodial care is typically not covered by Medicare, and many Americans lack the resources to pay for such care individually. Medicaid is the primary payer for long-term care needs in both institutional and home-based settings, but strict eligibility criteria determine individual eligibility. The next explainer in this series will look at options for financing long-term care through private long-term care plans.

¹ U.S. Department of Health and Human Services, National Institutes of Health. (2016). World's older population grows dramatically. Retrieved from <https://www.nih.gov/news-events/news-releases/worlds-older-population-grows-dramatically>

² Stark, E., "5 Things You SHOULD Know About Long-Term Care Insurance." AARP, March 1, 2018. Retrieved from <https://www.aarp.org/caregiving/financial-legal/info-2018/long-term-care-insurance-fd.html>

³ LongTermCare.gov, "What is Long-Term Care." Accessed on July 18, 2018. Retrieved from <https://longtermcare.acl.gov/the-basics/what-is-long-term-care.html>

⁴ LongTermCare.gov, "Where Can You Receive Care?" Accessed December 2, 2018. Retrieved from <https://longtermcare.acl.gov/the-basics/where-can-you-receive-care.html>

⁵ Medicare.gov., "Long-term Care." Accessed on November 25, 2019. Retrieved from <https://www.medicare.gov/coverage/long-term-care>

⁶ LongTermCare.gov, "When Does Medicare Pay for Long-term Care Services?" Accessed August 15, 2019. Retrieved from <https://longtermcare.acl.gov/medicare-medicaid-more/medicare.html>

⁷ AARP, "Does Medicare Pay for Nursing Homes?" Accessed on November 25, 2019. Retrieved from <https://www.aarp.org/health/medicare-qa-tool/current-long-term-nursing-home-coverage/>

⁸ LongTermCare.gov, "When Does Medicare Pay for Long-term Care Services?"

⁹ American Council on Aging, "Arkansas Medicaid Eligibility for Long Term Care: Income & Asset Limits." Accessed August 20, 2019. Retrieved from <https://www.medicaidplanningassistance.org/medicaid-eligibility-arkansas/>

¹⁰ Arkansas Department of Human Services, Long-Term Services and Supports Application, Accessed on May 13, 2019. Retrieved from https://humanservices.arkansas.gov/images/uploads/dco/DHS-777_LTSS_Application_Packet_%28R.6-18%29_with_Voter_Registration.pdf

¹¹ Eghrari, M., "The Medicaid Penalty Period Explained." *Forbes*, August 8, 2014. Retrieved from <https://www.forbes.com/sites/markeghrari/2014/08/08/the-medicaid-penalty-period-explained/#7292d7872ee4>