How to Pay For Nursing Home Costs

Medicare, Medicaid, and other resources can help minimize the cost of long-term care.

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Odds are high that someone in your family will need a nursing home sooner or later. A majority of people over age 65 will require some type of long-term care services during their lifetime, and over 40 percent of people will need a period of care in a nursing home, according to the Centers for Medicare and Medicaid Services. The cost of that care can financially cripple a family. But there are steps you can take—whether a nursing home is needed now, next month, or next decade—to minimize the strain.

Ideally, financial planning for long-term care should occur long before the need arises, says Wendy Boglioli, a spokesperson for insurer Genworth Financial. Long-term care insurance, Medigap, and employer-provided or private health insurance plans can offset the cost of long-term care. But if these policies aren’t in place before a major health event occurs, they are usually no longer available to consumers.

If your family’s facing imminent need for nursing care and doesn’t have an insurance plan for it in place, there are still options to help defray the costs.

Make no mistake: Those costs can be staggering. In 2012, a private room cost an average of $248 daily, or more than $90,500 annually, according to a 2012 survey by MetLife. A semi-private room ran $222 daily, or more than $81,000 per year. And the average nursing home stay is 835 days, or more than two years, according to the government’s latest National Nursing Home Survey.

Costs widely vary from person to person, both because of geographical difference in rates and because each resident’s length of stay differs. While nearly one in 10 residents age 75 to 84 stays in a nursing home for five or more years, nearly three in 10 residents in that age group stay less than 100 days, the maximum duration covered by Medicare, according to the American Association for Long-Term Care Insurance. Convalescent nursing home care, which follows a major surgery or other hospitalization, is typically short-term and can be covered by Medicare.

“Even if you or your loved one doesn’t need care right now, but you think it may be coming, at least look at the costs now and in five years to gauge what the hit will be,” says Boglioli.

Medicare

Seniors and their families facing a near-term need for a nursing home should first determine whether Medicare will cover at least a portion of the stay. The Medicare program provides coverage for rehabilitation—but not long-term care. If an individual has spent at least three days in a hospital for medically necessary care, Medicare will pick up the tab for up to 100 days of convalescent care immediately following discharge, as long as the patient goes to a home that’s a Medicare-certified skilled nursing facility.

Medicare can also help if a long-term nursing home situation looks inevitable but isn’t immediately necessary. For as long as the individual is able to stay at home, Medicare can be tapped for up to 35 hours per week of home health services. Medicare covers home health services like intermittent skilled nursing care, physical therapy, speech-language pathology, and occupational therapy for up to 60 days at a time, called an “episode of care.”

To secure these funds, individuals must be living at home, not in a nursing home or other long-term care facility, must have their physician approve a plan of care, and must use a Medicare certified agency. If you require help only with personal care, such as meal preparation, bathing, using the bathroom, and dressing, you do not qualify for the Medicare home health benefit. A government-published guide offers details on which home health services Medicare covers.

U.S. News’s Best Nursing Homes indicates which nursing homes in each state accept Medicare.

Medicaid

If an individual lacks enough savings to cover the cost of a nursing home—or if the cost of a protracted stay exhausts their assets—they can become eligible for assistance from Medicaid.

To qualify for Medicaid, applicants must have minimal assets—no more than $2,000 in cash and cash equivalents such as bonds and IRAs. For married couples, the spouse staying at home may have assets worth an additional $115,920, the annually adjusted Social Security cap for 2013. While some seniors might be tempted to make large financial gifts to their children or grandchildren in order to hasten qualification for Medicaid,
doing so within the five years prior to applying for the program could disqualify them from receiving its benefits.

Before applying for Medicaid, seniors who own their home also need to consider the fate of the property. Under federal law, a home is exempt from the asset limits described above, but if the owner dies while receiving Medicaid nursing home benefits, the government can take the house. Families that want to avoid losing a treasured home, therefore, might choose to forgo Medicaid, especially if the applicant’s life expectancy is short and relatives have the means to pay anticipated costs out of pocket.

A senior may be able to keep his or her home in the family either by adding a child’s name to the deed at least five years before applying for Medicaid, or by setting up an asset-protection trust before applying. This type of trust enables a person or couple to transfer some type of property, such as a home or cash-like assets, to another person to hold and manage for their benefit, says Gabriel Heiser, a Nashville-based lawyer specializing in nursing home law and author of How to Protect Your Family’s Assets from Devastating Nursing Home Costs: Medicaid Secrets. “This is not a do-it-yourself project, however,” he says. He recommends hiring a lawyer to help with the process.

One way to find a qualified lawyer is to call your local bar association and find out which attorneys are teaching seminars on Medicaid planning to other attorneys. The attorney also must be licensed in the same state as the person needing Medicaid assistance because Medicaid laws vary from state to state. The National Academy of Elder Law Attorneys has an online search tool that can help consumers locate a lawyer near them.

Veterans Administration Aid and Attendance
This benefit program provides up to $1,733 per month to a single veteran who needs nursing home care, or up to $1,114 per month for the care of a veteran’s surviving spouse. If a couple includes one spouse who is a veteran and either of them needs a nursing home, they are eligible for as much as $2,054 in monthly assistance. Two veterans married to each other could qualify for up to $2,676 per month.

Negotiating Long-Term Care Costs
Most nursing homes won’t lower their rates, which are keyed to the payment levels offered by Medicare and Medicaid. Still, there’s sometimes room to negotiate when it comes to long-term care costs. “Sometimes, rather than accept a lower Medicaid rate, a facility will agree to take a lower private pay rate, which is still higher than the Medicaid rate but lower than published private pay rates,” says Howard Krooks, president-elect of the National Academy of Elder Law Attorneys.

By contrast, assisted living facilities, which don’t take Medicare or Medicaid, and home health agencies often face steep competition, so consumers shouldn’t be shy about talking prices with these organizations. An assisted living facility with a high vacancy rate or no waiting list may be more willing to negotiate a monthly rate, according to Genworth. If you’re considering a home health agency, you may be able to secure a lower hourly or daily rate if you indicate that you’re shopping around for the best price.

Relocating the Patient
If a senior who needs long-term care has children, grandchildren, or other relatives residing in a city or state where nursing homes are less expensive, moving the patient could be a good option, Krooks says. A move might not only reduce the cost of care but also make it easier for relatives to check in on the resident.

Those deciding whether to move an elderly relative should consider the individual’s health and whether moving away from doctors who have an established relationship with the senior could harm his or her care.

Moving an elderly relative to a new location solely to find cheaper care might backfire if it leaves the patient far from family. Relatives could face higher travel expenses when visiting their loved one, offsetting any family savings.