



CALIFORNIA HEALTH ADVOCATES

## Options for Financing Long-Term Care

### What is Long-Term Care?

This kind of care is assistance with daily activities such as bathing, dressing and eating, or supervision of these activities when someone has physical or cognitive impairment such as dementia or Alzheimer's Disease. This type of care is often provided by family members or nurses aides and is not the type of skilled care that nurses and doctors are licensed to provide, or that Medicare and other health insurance will usually pay for. In the past, this kind of care was often referred to as "custodial care." Today this kind of care is more often known as "personal care."

People generally need long-term care services after an illness or injury, such as a stroke or a broken hip, or because of dementia or Alzheimer's Disease. Others just need help with daily tasks as they age. Many people can live at home with help from family members or paid caregivers. Some people move to an assisted living facility that combines a living arrangement with some supportive services when they can no longer live safely alone. They only go to a nursing home as a last resort. Others go directly to a nursing home from a hospital because of the severity of their condition.

Nursing home care and other long-term care services are expensive. The median daily cost of nursing home care in California was \$400 in 2022. That amounted to an annual cost of \$146,000 in 2022 (These costs are updated biannually by the California Office of Statewide Health Planning and Development (OSHPD).) Care at home or in an assisted living facility can cost more or less than nursing home care depending on the amount of care needed, the area in which you live and the design of the assisted living facility. Some assisted living facilities have added memory care units for people with dementias. The cost of care in a

memory unit can be as much or more than the cost of assisted living or nursing home care, again depending on the design and location of the facility.

There are many different ways to finance long-term care services and there is no single answer for everyone. Each person's needs and financial situations are different. Some people will never need this kind of care while others may need this care briefly during a recovery, or at the end of life. However, those who do, are likely to use a combination of payment sources, including their own resources to pay for this care. Some will quickly qualify for Medi-Cal (California's Medicaid program).

Listed below are some ways for you and your family to consider paying for long-term care. Be sure to have any plans you make reviewed by a trusted financial advisor. You can also get free, objective counseling on these issues from the state and federally funded Health Insurance Counseling and Advocacy Program (HICAP). To make an appointment with a HICAP counselor, call 1-800-434-0222.

**Good financial advice and planning** is crucial to your emotional and financial well-being. Consult your accountant, financial planner or an Elder Law attorney. You can review consumer information about long-term care planning and services from the [California Advocates for Nursing Home Reform \(CANHR\)](https://www.canhr.org) ([canhr.org](https://www.canhr.org)). You may also want to seek help from a free legal services program in your area. Contact the State Bar of California's Lawyer Referral Services ([calbar.ca.gov/Public/Need-Legal-Help/Lawyer-Referral-Service](https://www.calbar.ca.gov/Public/Need-Legal-Help/Lawyer-Referral-Service)) for a list of local agencies and attorneys at 1-866-442-2529.

The person helping you should be well versed in estate planning, public programs like Medi-Cal, and the problems, issues, and needs of older

persons. Get second opinions before making final decisions and remember that there is no substitute for careful planning. **Be sure your family, or a trusted friend, knows the plans you make and can help implement them if necessary. You may be unable to carry out those decisions yourself at the time you need care.**

**Note:** In this paperless world, it's important that someone you trust have access to your important documents, passwords, and online data. That person will need to know how to find this information if you are incapacitated. A beneficiary or your personal representative and their contact information should be listed on all your important documents and accounts.

Planning to pay for long-term care means thinking about where you will live, what kind of services you may need, and who can give you the care you will need. You may be able to pay for long-term care services out of your own resources, or long-term care services may be a part of your paid living arrangement.

**Public programs** pay for some long-term care services. These usually have income and/or asset eligibility requirements that must be met before you can receive services. For instance, the Medi-Cal program pays for nursing home care for people who qualify for those benefits and for some home and community-based care. In Home Supportive Services (IHSS) may also provide some home care and other supportive services for people who meet the requirements to receive those benefits.

Medi-Cal is a joint federal-state Medicaid program that provides health care services to people with few assets. Medi-Cal is the most frequent payer of nursing home care in the state. To qualify, a single individual must meet certain income and asset requirements. An individual can have \$130,000 (plus \$65,000 for their spouse or partner) in countable resources or assets in 2023. Starting in January 2024 there will be no limit on the amount of assets and individual can have when they need nursing home care. In addition, special state and federal rules apply for couples that are designed to

prevent the impoverishment of one spouse when the other goes into a nursing home, or in some cases, qualifies for certain Medi-Cal-covered home and community services. In either case, you can keep your home when you apply for Medi-Cal benefits and it will not be included as a resource on your application.

Under federal law to prevent impoverishment a spouse remaining at home (also referred to as the "community spouse") can keep all of the couple's income up to \$3,716 per month in 2023. The community spouse may also be able to increase their allotted amount of income through a "fair hearing," or by court order. The spouse in the nursing home is allowed to keep \$35 of income each month for personal needs. Any remaining amount of the individual income not assigned to the community spouse is used to pay for a portion of the nursing home cost. The community spouse at home can also keep up to \$148,620 in resources plus nonexempt resources under the new California law of up to \$65,000 in 2023, The spouse in the nursing home can keep up to \$130,000 non-exempt resources under current MediCal requirements. These amounts change each year. For specific Medi-Cal eligibility guidelines, contact your county Department of Social Services (DSS) / County Human Service Agency (HSA) office ([dhcs.ca.gov/services/medi-cal/Pages/CountyOffices.aspx](https://dhcs.ca.gov/services/medi-cal/Pages/CountyOffices.aspx)).

If you qualify for Medi-Cal as an individual, your home is not counted as an asset when you apply for benefits. The state will, however, include your home's value, and any exempt resources, in any "estate recovery" action after you pass away. Estate recovery applies to assets that are subject to probate. A home is not subject to estate recovery when a spouse or minor or disabled child lives in it, or when the estate qualifies for other exceptions such as a trust.

**Note:** The Medi-Cal program services and eligibility and estate recovery requirements have been changing and more changes are expected in the future. For specific Medi-Cal guidelines, contact your county Department of Social

Services (DSS) / County Human Service Agency (HSA) office.

**Note:** Medicaid is a federal and state program. Each state sets its own rules based on federal minimums for income, assets, and estate recovery. If you move outside of California, the rules for Medicaid may be different.

## Paying for Care

Insurance products may help pay for your long-term care. Some products may provide benefits to help pay for care no matter where you receive it. Others are more limited and only pay for specific services in carefully defined places. These products have evolved over the years and those sold today vary considerably from those sold in the past. To receive benefits from any of these products, you will have to meet certain eligibility requirements specified in the policy before benefits will be paid.

**Long-Term Care Insurance** is a stand alone insurance product that only pays for long-term care services. It is generally expensive, and not appropriate for everyone. People who are too old, or have a health condition, are unlikely to qualify for this kind of coverage. Others may not be able to afford the premiums for this kind of insurance and will quickly qualify for Medi-Cal if they need long-term care. Still others may not be able to continue paying premiums after the death of a spouse or after a company has increased its premiums.

**Note:** Some life insurance policies or annuities may include benefits for long-term care expenses as a rider or by using the death benefit to pay for care. Financial products of this type need the careful scrutiny and explanation of a trusted financial advisor.

When you apply for a LTC insurance policy, the premium you pay will depend on a number of variables:

- Your age and gender;
- Amount of the daily benefit you select;
- Length of time you want the company to pay benefits; and

- Number of days, months, or dollars you agree to pay for your care before the benefits of the policy will begin. Premiums can range from hundreds of dollars annually if you buy at 50 years of age, to several thousand annually if you buy at age 65 or older.

**Note:** All stand alone long-term care policies include the company's right to increase premiums based on changes in their costs.

California law limits stand alone policy designs to three types of long-term care policies:

**1. Nursing home and residential care facility only policies.** These policies only pay for care in a nursing home or in a place that is licensed as a Residential Care Facility for the Elderly (RCFE) that provides assisted living care. Nursing home benefits must include the cost of all long-term care services you receive, not just the charge for room and board, up to the policy's maximum daily benefit amount.

**2. Home care only.** These policies pay for care in your home and must include benefits for home health, adult day care, hospice, respite care, personal care, and homemaker services. These products will not pay benefits for assisted living or nursing home care.

**3. Comprehensive care.** These policies will pay benefits in a nursing home, assisted living facility, and for home care and community care, like adult day care.

You can buy LTC insurance as an individual, or through a group like the California Public Employees Retirement System (CalPERS) or the Federal Employees Long Term Care Program (FLTCP). Employers may sponsor or offer long-term care insurance to their employees and dependents, and sometimes to retirees and other family members. Employers however rarely pay any part of the premium for this type of insurance.

**California Partnership for Long-Term Care**  
The Partnership is a program of the state of

California. A Partnership policy provides protection of your personal assets if you use up your long-term care insurance benefits and need to apply for Medi-Cal. Each dollar of insurance benefits paid out for your care will not be counted towards Medi-Cal's eligibility limit. You can use these protected assets, save them, or pass them on as part of your estate.

Partnership policies contain the same benefits as a comprehensive long-term care insurance policy, but have a few additional requirements that insurance companies must meet. Partnership policies must include mandatory inflation protection based on age; 5% compounded up to age 70, and 5% simple over age 70, or a lower percentage in policies sold after 2022. Independent care management and coordination are included as a benefit of Partnership coverage. In 2023, insurance companies can offer a new minimum benefit policy at lower premium cost.

### **More information on LTC policies**

You can learn more about these policies by visiting the California Department of Health Care Services website at <http://goo.gl/C0gsSK> or by reading our online Medicare Topics section on [Long Term Care](#) at [cahealthadvocates.org](http://cahealthadvocates.org). You can also read the California Department of Aging's booklet, [Taking Care of Tomorrow](#) (available in English and Spanish) at [aging.ca.gov/Care\\_Options/Taking\\_Care\\_of\\_Tomorrow/](http://aging.ca.gov/Care_Options/Taking_Care_of_Tomorrow/).

More information can also be found in a publication produced by the California Department of Insurance entitled: "Long-Term Care Insurance – Consumer's Guide". You can obtain a copy by calling 1-800-927-HELP (4357), the Consumer Hotline. HICAP counselors can also help you go over your options (1-800-434-0222).

**Life Insurance** policies and annuities are sometimes sold with benefits for long-term care, chronic, critical or terminal illness by a rider or endorsement to a life or annuity policy. A life insurance policy's death benefits can be drawn down (accelerated) and used to pay for long-

term care services. These products can be purchased by paying a single large premium or by paying premiums periodically over a specific period of time. Life insurance policies and annuities with long-term care benefits vary widely. The methods used to pay benefits for long-term care costs are complex. These financial products may provide an attractive combination of benefits for some people, but because they may involve tax and other complex issues, they should not be purchased without consultation with an accountant, tax attorney, or trusted financial advisor.

**Home Equity** conversion or reverse mortgages may create an income stream to help pay for care while you remain in your own home and receive monthly or periodic payments based on your equity. The amount you can actually receive depends on your age, the amount of equity you own, the value of your home, and the cost of the loan. You must continue paying the property taxes on your home and maintain your property while the contract is in force.

There are various types of home equity loans. Some of these loans are federally insured; others are not. Some affect your right to continue to receive public benefits like Medi-Cal or SSI, or could affect your taxable income. Before you agree to spend your home equity, have the contract carefully reviewed by an attorney, an accountant or other trusted financial advisor before you sign it. Be sure that you understand the terms of when and under what circumstances the contract will end.

**Viatical or Life Settlements** are contracts that pay you a discounted price for the death benefit in your life insurance policy. The death benefit when you die will belong to the owner of your life insurance policy who has been paying the premium to maintain coverage. You might be approached to sell the "equity" you own in a life insurance policy to help pay for your long-term care services. People who negotiate the sale of a person's life insurance policy to another must be licensed by the California Department of Insurance to do so and act in the best interest of the insured person. Companies that buy these

policies must also be licensed to do so in California.

If you have a life insurance policy that you no longer need, contact your insurance company first to see if that company will offer you the same or similar arrangement. If you decide to sell your policy, be sure to have an attorney or trusted financial advisor review any offer you receive.

## Planning for Long-Term Care

Long-term care planning is complicated by the lack of a single way to pay for this kind of care and the complete unpredictability of the need for care. Some people will not need this care during their lifetime, some may need it briefly, while others will need care over an extended number of years. Some will be able to live at home with small amounts of assistance while others will have no choice but to live in a nursing home. Planning for this kind of care requires a careful review of all of your retirement plans, actual and expected income and resources, and expert advice from your trusted financial advisors.

Family members should also be involved in your planning since adult children may have to arrange for the care needs of their parents when the time comes. Free legal services programs, elder law attorneys, and certified financial planners are all sources of help and information.

## Long-Term Care Settings

In Home Supportive Services (IHSS) provides home care for the blind, disabled, or seniors who are eligible and cannot live safely at home alone. Services include domestic help, meal preparation, and non-medical personal care. People who are eligible for Medi-Cal or other state or federal cash assistance programs may qualify for this assistance. For specific eligibility information, contact your county DHCS office: <https://dhcs.ca.gov/services/medi-cal/Pages/CountyOffices.aspx>.

Alternative living arrangements often include long-term care as part of their package of services. These living arrangements can include retirement communities, assisted living

arrangements, California VA homes, and even shared housing. These housing alternatives involve moving from your single family home or apartment into one of these congregate living arrangements where care will be provided.

**Retirement Communities** are alternative living arrangements, which can vary from place to place. They may be called retirement homes, continuing care retirement communities (CCRCs), Assisted Living Facilities (ALF), or life care communities. In some of these arrangements, residents can purchase a living unit within the retirement community. CCRCs generally require a large up-front payment and a monthly maintenance fee that changes as a resident moves from independent living through the various levels of care provided by the CCRC. Assisted Living Facilities (ALFs) can also include independent living. Residents generally have a month-to-month rental agreement that includes the unit they live in, meals, housekeeping, and other non-medical services. These facilities may include a package of personal care services in their monthly fee, or charge separately for these services when they are needed. Some may have a separate part of the facility for people with dementia, often called a “memory care” unit. Assisted living facilities do not generally include nursing home care.

**Fraternal Organizations or Faith-Based Groups** may sponsor retirement homes or CCRCs. Members of these groups may find one of these homes to be a less expensive or a more preferable option.

**California Veterans Homes** may be an option for some ambulatory veterans and their spouses. Call 1-800-827-1000 to find out if you are eligible to live in one of these California Veterans homes. Veterans who need nursing home care may also be able to get care through the federal VA system, or funds to pay for care from the federal Aid and Attendance program. Beware of anyone offering to help you apply for these programs for a fee. Numerous veterans groups can assist veterans to access these benefits. Some of these groups include: the American Legion, Disabled American Veterans,

and the Veterans of Foreign Wars. None of these groups charge a fee for their assistance.

**Home Sharing** may postpone the need for long-term care in an institution and could also be a financial benefit. Contact your local Information and Referral (I&R) program for additional information about these services in your community, or call 1-800-510-2020.

**Home Care or Care in the Community** can be less expensive than institutional care when care is needed only a few hours each day, and more expensive when full time care is needed. Paid home care can be provided by licensed professionals or by home care aides. Community care can be provided in Adult Day Care Centers (ADC), or Adult Day Health Care Centers (ADHC). In many communities, there are various case management and community based services and programs designed to help frail older persons stay at home. Contact your local Information and Referral (I&R) program for additional information about these services in your community, or call 1-800-510-2020.

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This fact sheet contains general information and should not be relied upon to make individual decisions. If you would like to discuss your specific situation, call the Health Insurance Counseling and Advocacy Program (HICAP). HICAP provides free and objective information and counseling on Medicare and can help you understand your specific rights and health care options. You can call **1-800-434-0222** to make an appointment at the HICAP office nearest you.

**Note:** Online access to all CHA fact sheets on Medicare and related topics is available for an annual subscription. See [cahealthadvocates.org/fact-sheets/](http://cahealthadvocates.org/fact-sheets/).