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LIVING WITH DEMENTIA

LONG-TERM CARE

Paying for Long-Term Care

Many older adults and caregivers worry about the cost of medical care and other help they may need. 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. Some people believe that their current health or disability insurance will pay for their long-term care needs, but most of these insurance policies



include limited, if any, long-term care benefits. Often, people must rely on a variety of payment sources, including personal funds, government programs, and private financing options.

Personal funds (out-of-pocket expenses)

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 out-of-pocket funds. Initially, family and friends may 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, receive meals, and get 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 may cover some costs for people who meet financial and health requirements. Find more information on Medicaid and other government programs below.

Government programs

Older adults may be eligible for some government health care benefits. Caregivers can help by learning more about possible sources of financial help and assisting older adults in applying for aid as appropriate.

Several federal and state programs provide help with health care-related costs. Over time, the benefits and eligibility requirements of these programs can change, and some benefits differ from state to state. Check with the individual programs directly for the most recent information.

Medicare

This federal government health insurance program helps pay some medical costs for people age 65 and older, and for people younger than 65 with certain disabilities and serious health conditions. Covered services include hospital stays, doctor visits, some home health care, hospice care, and preventive services such as vaccinations. The program does not cover assisted living or long-term care. Medicare components include Part A (Hospital Insurance), Part B (Medical Insurance), and Part D (Drug Coverage). Medicare Advantage is another option for obtaining Part A and Part B coverage. Call Medicare at **800-633-4227** or visit [Medicare.gov](https://www.medicare.gov) for more information.

The Eldercare Locator

The Eldercare Locator can help you find resources in your area, including in-home help and transportation, and can provide information about paying for care. Visit the **Eldercare Locator** online or call **800-677-1116**.

Medicaid

Medicaid is a combined federal and state program for low-income people. 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. Eligibility and covered services vary from state to state.

To learn more about Medicaid, visit [Medicaid.gov](https://www.medicare.gov), call **877-267-2323**, TTY: **866-226-1819**, or contact your state

health department. For a state-by-state list, visit Medicaid's [State Overviews page](#).

Are telehealth services covered by insurance?

Telehealth is a service that uses video calling and other technologies to help you see your doctor or other health care provider from home instead of at a doctor's office or medical facility. Many insurance providers — including Medicare, Medicaid, and many private insurers — have started to cover telehealth services. However, coverage can vary by location and insurance plan. Check with your insurance company or health care provider's billing department for the latest information about coverage for telehealth services.

Learn more about [telehealth services and how to prepare](#).

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

Some states offer PACE, Program of All-Inclusive Care for the Elderly, a combined Medicare and Medicaid 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. It may pay for some or all of the long-term care needs of a person with [Alzheimer's disease](#). PACE enables most people who qualify to continue living at home instead of moving to a long-term care facility. Participants receive coordinated care from a team of health care professionals.

You will need to find out if the person who needs care qualifies for PACE and if there's a PACE program near you. There may be a monthly charge. PACE is available only in certain states and locations within those states.

To find out more about PACE, contact Medicare at **800-633-4227** or visit [Medicare's PACE page](#). You can also [search for local programs by state or ZIP code](#) through the National PACE Association

State Health Insurance Assistance Program (SHIP)

SHIP, the State Health Insurance Assistance Program is a national program offered in each state that provides one-on-one counseling and assistance with Medicaid, Medicare, and Medicare supplemental insurance (Medigap). SHIP can help navigate eligibility, coverage, appeals, and out-of-pocket costs, and answer questions about your family's unique situation and needs.

To contact a SHIP counselor in your state, visit the [SHIP website](#) or call **877-839-2675**.

Department of Veterans Affairs

The U.S. Department of Veterans Affairs (VA) provides coverage for long-term care at a facility or at home 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 **877-222-8387**, or visit the [Veterans Health Administration website](#) or the [Veterans Affairs Caregiver Support page](#). You can also find more information in [Geriatrics and Extended Care: Paying for Long-Term Care](#).

Social Security Administration Programs

[Social Security Disability Insurance \(SSDI\)](#) and [Supplemental Security Income \(SSI\)](#) programs provide financial assistance to people with disabilities.

SSDI is for people younger than age 65 who are disabled according to the Social Security Administration's definition. **To qualify, you must be able to show that:**

- You worked in a job covered by Social Security
- You are unable to work because of your medical condition
- Your medical condition will last at least a year or is expected to result in death

Processing an SSDI application can take three to five months. However, Social Security has "[compassionate allowances](#)" to help people with certain serious medical conditions, such as early-onset [Alzheimer's disease](#) and other forms of dementia, get disability benefits more quickly.

SSI is another program that provides monthly payments to adults age 65 and older who have a disability. To qualify, your income and resources must be under certain limits.

To find out more about these programs, call **800-772-1213**, TTY: **800-325-0778**, or visit the [Social Security Administration website](#).

National Council on Aging (NCOA)

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 for older adults. 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, visit [BenefitsCheckUp.org](https://www.benefitscheckup.org).

Benefits.gov

For more information about federal, state, and local government benefits, go to [Benefits.gov](https://www.benefits.gov) or call **800-FED-INFO (800-333-4636)**.

Saving money on medications

Medicines can be costly. Even with private health insurance or Medicare, people may have to pay part of the costs for prescription medications themselves. If you have limited resources or are caring for an older adult with limited resources, help may be available. Tell a doctor if you're worried about paying for medications. They may have suggestions or resources to share.

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

Private financing options for long-term care

In addition to personal funds and government programs, there are several private payment options for long-term care, 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 likelihood of needing care.

Long-term care insurance

This type of insurance covers services and support for people needing long-term care, including help with the activities of daily living, as well as [*palliative and hospice care*](#). Policies cover a wide range of benefits in a variety of settings, including the person's home, an assisted living facility, or a nursing home. The exact coverage depends on the type of policy and the services it includes. 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. Costs and benefits vary, so 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. Some employers are starting to offer group long-term care insurance programs as a benefit. It may be easier to qualify for long-term care insurance through an employer-sponsored program, and group rates may be cheaper than the cost of an individual policy.

Buying long-term care insurance can be a good choice for younger, relatively healthy people at low risk of needing long-term care in the next 25 years. 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 for seniors

A reverse mortgage is a special type of home loan that lets a homeowner convert part of the ownership value in their home into cash without having to sell the home. 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.

If you are thinking about a reverse mortgage, talk to an expert. A reverse mortgage can be complicated, and other borrowing options may be available. These might include a home equity loan or refinancing an existing mortgage to lower the monthly payments. Like a reverse mortgage, these options can free up cash for covering long-term care expenses. Additional information about reverse mortgages and other borrowing options is available from the Consumer Financial Protection Bureau. Visit the [Consumer Financial Protection Bureau website](#) or call **855-411-2372**.

Life insurance policies for long-term care

Some life insurance policies can help pay for long-term care. Some policies offer a combination product that includes 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 women age 74 and older and men 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 their 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 two years or less. A viatical settlement provides immediate cash and is tax-free, but it can be hard to get. Companies decline more than half of the people who apply.

Keep in mind that if a person chooses to take life insurance benefits early or to sell their policy, there will be little or no money left from the policy to pass on to heirs.

Using annuities to pay for long-term care

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. These payments, however, may not be enough to cover all of a person's expenses. Annuities can have complicated effects on a person's taxes, so speak with a tax professional before buying one.

Trusts

A trust is a legal arrangement that allows a person to transfer assets (such as cash, property, or insurance benefits) 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.

Can family caregivers get paid to take care of a family member?

Family caregivers make a lot of sacrifices to care for older, sick, or disabled relatives. Some even quit their jobs to care for the person full-time. There are many costs involved in caregiving, for example, covering travel expenses, paying bills, and buying household essentials. These costs can add up to create a significant financial burden for caregivers.

Many states offer some form of payment for family caregivers. But the laws, eligibility, and funding for this support vary by state. The most common source of assistance is Medicaid, which offers several state-based programs to people who are eligible based on income or disability. These programs include home and community-based services, adult foster care, and Medicaid personal care services. Contact your state Medicaid agency to learn more.

Veterans and people living with certain diseases may also be eligible for financial assistance through federal and state agencies or private organizations. Information is available from the [Eldercare Locator](#) or by calling **800-677-1116**.

Long-term care insurance usually provides coverage for care at home. However, policies differ regarding who can deliver that care. In some cases, only a professional service will be paid for long-term care. In other cases, the policy will pay for a family member to provide care. Contact your long-term care insurer to find out the details of your policy.

Finding a financial professional

Navigating the details of paying for long-term care can be challenging. Some options can have implications for a person's taxes and any inheritance they want to leave to their heirs. It may be useful to speak with a financial professional when you're considering how to proceed. Helpful professionals may include:

- Accountants
- Financial planners
- Investment advisors
- Tax preparers
- Attorneys

Check out [Investor.gov](https://www.investor.gov) for more information about finding, choosing, and working with a financial professional.

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For more information about paying for care

LongTermCare.gov

202-619-0724

aclinfo@acl.hhs.gov

<https://longtermcare.acl.gov/>

Eldercare Locator

800-677-1116

eldercarelocator@n4a.org

<https://eldercare.acl.gov>

Medicare

Centers for Medicare and Medicaid Services

800-633-4227 (1-800-MEDICARE)

877-486-2048 (TTY)

www.medicare.gov

Medicaid.gov

877-267-2323

866-226-1819 (TTY)

Medicaid.gov@cms.hhs.gov

<https://www.medicaid.gov/>

Social Security Administration

800-772-1213

800-325-0778 (TTY)

www.ssa.gov

SHIP (State Health Insurance Assistance Programs)

877-839-2675

info@shiptacenter.org

www.shiptacenter.org

Department of Veterans Affairs

877-222-8387

www.va.gov/geriatrics

This content is provided by the NIH National Institute on Aging (NIA). NIA scientists and other experts review this content to ensure it is accurate and up to date.

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