
Longer lifespans mean more Americans will need some sort of long-term care assistance in their later years. Your financial professional can help you find and implement options to cover the cost and help make sure you receive the care you need when you need it most.

COVERING THE COST OF CARE

Overview

Americans are living longer — and that means more of us will rely on long-term care services late in life. While health insurance covers expenses related to acute issues (like an overnight stay in the hospital, doctor visit or procedure), it usually doesn't cover the cost of assistance over a long period. That means expenses related to assisted living or nursing home care must be paid out of pocket unless you qualify for government benefits or purchase some form of long-term care insurance.

While fees vary, they can add up, especially if the care is prolonged over several years. Genworth's 2023 Cost of Care Survey revealed that the cost of care can range anywhere from \$20,000 to \$110,000 annually, based on location and type of care you receive.¹

Fortunately, there are tools to help protect a household's assets so that the care of one family member doesn't devastate a family's lifetime savings and threaten the financial future of a surviving spouse or other dependents. Read on to discover some of the options available to make sure you can pay for the long-term care you may need in retirement.

Medicaid and Medicare

For many years, Medicaid was the only government-sponsored plan that paid for long-term care. To qualify, beneficiaries must first spend down their own assets. (The amount of this spend-down varies by state.)² Plus, the coverage only applies when recipients reside in traditional nursing homes; beneficiaries can't use Medicaid to pay for in-home care or "senior" housing. And not every nursing home accepts Medicaid patients, making it even more difficult for Medicaid recipients to find a room or bed.

Medicare also provides some coverage for long-term care needs. Original Medicare may pay for up to 100 days in a skilled nursing facility per benefit period, which can be handy for someone recovering from surgery or a significant health event.³ Medicare pays 100% of the first 20 days for an inpatient stay, while the recipient must make a copayment for Days 21 through 100. After Day 100, you are responsible for 100% of the costs.⁴



In 2019, the Centers for Medicare and Medicaid gave the green light for Medicare Advantage plans to pay for certain long-term care services. Coverage specifics depend on the policy and insurer but may include home aides to help with daily living activities, including dressing, eating and other personal care needs. (Note: This rule applies only to Medicare Advantage plans, not original Medicare.)

Veterans' Benefits

Veterans may qualify for long-term care benefits from the Veterans Aid and Attendance program to help pay for the costs of long-term care. This lesser-known VA benefit may provide assistance to a qualifying veteran as well as a surviving spouse, as long as the veteran meets specific income and asset-limit requirements.⁵

Qualifying veterans who do not need daily assistance but have a permanent disability that leaves them mostly shut in at home may qualify for the housebound benefit. This is an additional stipend paid to veterans who receive a monthly pension.⁶

Long-Term Care Insurance

Long-term care (LTC) insurance generally pays for daily assistance due to chronic illness, disability or conditions associated with aging. Coverage is issued in one of two ways: either as an indemnity policy (where a fixed sum is paid regularly for any use) or as a reimbursement policy, in which payments are made directly to a long-term care facility.

Long-term benefits kick in when a policy owner qualifies based on specific “activities of daily living” (ADLs).⁷ To qualify, the policy owner must need help with at least two ADLs, such as:

- Personal hygiene
- Continence management
- Dressing
- Feeding
- Mobility

An LTC policy typically pays a fixed amount for costs related to a nursing home, assisted living facility or home health care. Some policies may require a waiting period before coverage begins, such as 90 days. In that case, policy owners who also have a Medicare Advantage plan might use their plan to cover the first 90 days of a stay, then switch to their long-term care policy to cover costs.



Life Insurance with Long-Term Care Coverage

Certain types of life insurance policies have evolved to include long-term care coverage options. This includes:

- **Asset-based long-term care:** This type of insurance product combines a life insurance contract with a long-term care policy. If the long-term care benefits aren't needed or utilized, then a death benefit will be paid out upon the insured's death.
- **Long-term care riders:** Some whole or universal life insurance policy owners may be able to add a long-term care rider for an additional fee and separate underwriting. This coverage enables the policyholder to utilize the death benefit to help cover the cost of long-term care.
- **Chronic illness rider:** This coverage can be purchased as an add-on to life insurance policies for additional coverage if a chronic or non-recoverable illness occurs.
- **Accelerated death benefits:** Many life insurance policies now include the option to access benefits if a policy owner has been diagnosed with a terminal illness or cognitive impairment.

In all instances, the riders will reduce the death benefit, with the cost of care deducted before beneficiaries receive payouts after the policy owner's death. And most long-term care coverage options will increase policy premiums, depending on the type of coverage and your health at the time the policy is issued. But one upside of adding long-term care coverage to your life insurance policy: You'll use the benefits either for your own care or give them to your loved ones after you're gone. It's not a "use it or lose it" situation typically found in standalone long-term care policies.

Final Thoughts

With the increasing cost of medical care and increasing lifespans, it's important to think about who will provide your late-in-life care and how you will pay for it. Today, there are plans that combine insurance goals such as coverage for long-term care expenses, a steady stream of retirement income and/or a death benefit for your heirs. However, it can be overwhelming to uncover the right policies to fit your needs and budgets. We recommend working with an experienced professional to select an affordable solution that fits your life and ensures you receive the right type of care when the time comes.



¹ Genworth. June 2, 2022. "Cost of Care Survey." <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>. Accessed Oct. 15, 2023.

² American Council on Aging. Dec. 14, 2022. "Spending Down Assets to Become Medicaid Eligible for Nursing Home / Long Term Care." <https://www.medicaidplanningassistance.org/medicaid-spend-down/>. Accessed Oct. 15, 2023.

³ Centers for Medicare & Medicaid Services. Page 14. "Medicare Coverage of Skilled Nursing Facility Care." <https://www.medicare.gov/Pubs/pdf/10153-Medicare-Skilled-Nursing-Facility-Care.pdf>. Accessed Oct. 15, 2023.

⁴ Centers for Medicare & Medicaid Services. Page 19. "Medicare Coverage of Skilled Nursing Facility Care." <https://www.medicare.gov/Pubs/pdf/10153-Medicare-Skilled-Nursing-Facility-Care.pdf>. Accessed Oct. 15, 2023.

⁵ U.S. Department of Veterans Affairs. Oct. 12, 2022. "VA Aid and Attendance benefits and Housebound allowance." <https://www.va.gov/pension/aid-attendance-housebound/>. Accessed Oct. 15, 2023.

⁶ Ibid.

⁷ Robyn Correll. Care.com. Feb. 16, 2023. "Activities of daily living: What are they and how are they used?" <https://www.care.com/c/activities-of-daily-living/>. Accessed Oct. 15, 2023.

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