

chapter 5

## HOW TO PAY FOR NURSING HOME CARE

One of greatest concerns people have about nursing home care is how to pay for it. There are basically five ways to pay for the cost of the care provided by a nursing home:

1. **Private Pay.** This is the method many people must use at first. It means paying for the cost of a nursing home out of your own pocket. Unfortunately, with nursing home bills averaging over \$5,400 per month in Northern Virginia, \$4,060 throughout the rest of the Commonwealth, and topping \$10,000 at some facilities, few people can afford to pay on their own for a long-term stay in a nursing home. Even those who can afford to do so often desire to explore other options — options that allow them to retain some or all of their assets for other important needs, while still permitting them to pay for nursing home care.
2. **Long Term Care Insurance.** As of the 1999 National Nursing Home Survey, private insurance accounted for only 1% of nursing home care across the country. If you have a policy with long-term care coverage, this type of coverage may go a long way toward paying the costs of the nursing home. Unfortunately, long term care insurance has only recently become popular, and most people facing a nursing home stay do not have this type of coverage in place. Many people who would like to purchase this type of coverage find that they can not afford it. How to purchase the best long-term care policy is a complicated subject that is well-worth exploring if you are in your 50s or 60s and still healthy. It

## The Virginia Nursing Home Survival Guide

should be given serious consideration if it is affordable for you, especially in view of the new federally-mandated “Long-Term Care Partnership” which, once implemented in Virginia, should allow you to use long-term care insurance to protect an amount of assets equivalent to the premium paid for the insurance. If you are thinking about purchasing a long-term care insurance policy, an experienced elder law attorney can assist you in finding the best policy by helping you compare and contrast the numerous types of policies available and the different types and levels of coverage offered, as well as the independent ratings and financial stability of the insurance company providing the coverage. You should also discuss with an elder law attorney some of the uses of, and alternatives to, long-term care insurance, so that you have a better understanding of the cost versus benefit of such coverage.

3. **Veterans Administration.** The Veterans Administration (VA) pays for long-term care through its “Aid and Attendance” payments and through a system of federal VA nursing homes. The VA also has contracts with some community nursing homes that provide limited nursing home care. Because this payment method applies only to veterans and, even then, is extremely limited, this payment method will not be explored in this book.
4. **Medicare.** This is the national health insurance program primarily for people 65 years of age and older, those under age 65 who have been disabled for at least 24 months, and people with kidney failure. Medicare may provide some coverage for up to 100 days in a nursing facility, provided the care required is deemed “skilled nursing care,” but you must meet certain strict qualification rules, which will be discussed in greater detail on page 27.

## The Virginia Nursing Home Survival Guide

5. **Medicaid.** This is a combined federally-funded and state-funded benefit program, administered by each state, that can pay for the cost of a nursing home if certain asset and income tests are met. According to AARP, about 70 percent of nursing home residents are supported, at least in part, by Medicaid. Medicaid qualification and eligibility will be discussed in greater detail in the next chapter.

### WHAT COVERAGE DOES MEDICARE PROVIDE?

Most people have a great deal of confusion between *Medicare* and *Medicaid*.

*Medicare* is a federally-funded and state-administered health insurance program with some limited long-term care benefits, primarily designed for individuals over age 65.

If you are enrolled in a traditional Medicare plan, and you've been in the hospital at least three days, and you are admitted directly from the hospital into a skilled nursing facility for rehabilitation or skilled nursing care, then Medicare may pay the full cost of the nursing home stay for the first 20 days, and may continue to pay part of the cost of the nursing home stay for the next 80 days — with a deductible of \$119 per day<sup>1</sup> that you must pay privately (although there are Medicare supplement insurance policies that sometimes cover that deductible). There is also a Medicare Managed Care Plan, for which the 3-day hospital stay may not be required, and for which the deductible for days 21 through 100 is waived, provided certain strict qualifying rules are met. But whether the plan is traditional Medicare or Medicare Managed Care (MMC), the nursing home resident must be receiving daily “skilled care” and generally must continue to “improve.” Medicare **will not**

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<sup>1</sup>As of January 1, 2006, subject to change over time.

## The Virginia Nursing Home Survival Guide

pay for treatment of all diseases or conditions. For example, if a long-term stay in a nursing home is due to a condition such as Alzheimer's or Parkinson's disease (which usually require custodial care, not "skilled care" and which do not "improve"), Medicare will not pay any benefits because hospitalization for these conditions is termed a "custodial nursing stay," and Medicare **does not pay** for custodial nursing home stays.

In a "best case" scenario, traditional Medicare or MMC will provide some coverage for the hospital stay and convalescence of up to 100 days for each "spell of illness" (although in our experience coverage usually falls far short of the 100-day maximum). If you recover sufficiently that you do not require a Medicare-covered care benefit for 60 consecutive days, you may be eligible for another 100 days of Medicare coverage for your next "spell of illness," but the illness or disorder must not be a chronic degenerative condition from which you will not recover.

What happens if you've used up the 100 days of coverage and still need care, or if you need a custodial nursing home stay? You're back to one of the alternatives outlined above: long-term care insurance, paying the bills with your own assets, or qualifying for Medicaid.