INSURANCE AND PROTECTION

Long-term care and government benefits: What you need to know

Americans are now living longer compared to 40 years ago.[1] Living longer means you're able to spend more time with people you love – but it's also raising a new question: how to pay for long-term care if you need it.

As you get older, you will want to evaluate all of your options and develop a strategy to pay for long-term care so you aren't caught off-guard by the costs of needing help as you age.

The U.S. government currently offers several programs that provide varying long-term care benefits, which can serve as a starting point for many Americans – but, because you may not be eligible, or they may not cover all your expenses, it's important to understand what benefits they provide to ensure your long-term care needs can be met.

Comparing government benefit programs

Medicare, Medicaid and Veterans Affairs (VA) benefits are government health programs that may come to mind when you think of long-term care.

Although all of these programs provide benefits to pay for skilled and rehabilitative care, they have some significant differences that will have an impact on how you may use them to pay for your long-term care costs. Get to know these government benefits to help ensure you're adequately covered before you need long-term care.

U.S. government benefit programs

	Medicare	Medicaid	VA benefits
Program eligibility	Entitlement program based on age and Social Security	Means-tested (based on your income and assets)	Entitlement program for previous U.S. military service; recipients receive care based on a priority level system
Funding	U.S. federal government	Joint program between U.S. state and federal governments	U.S. federal government
Management	U.S. federal government	State governments	Veterans Administration, in conjunction with U.S. federal government
Care benefits	Does not cover custodial care (care needed when chronically ill)	Covers custodial care, almost exclusively in skilled nursing facilities only	Covers some custodial care, almost exclusively in an approved VA facility

Medicare

Medicare is the federal medical insurance program for retirees in the United States.

Medicare eligibility

Most Americans receive Medicare coverage as a companion to Social Security benefits. If you receive Social Security or Railroad Retirement Board (RRB) benefits, you are eligible for Medicare Part A and B starting the first day of the month you turn 65.

If you are not receiving Social Security or RRB benefits, you are still eligible for Medicare if you meet one of the following criteria:

- If you do not receive Social Security benefits, you may sign up for Medicare within 3 months of turning 65.
- If you are under 65 and disabled, you will automatically get Medicare Part A and B after you get disability benefits from Social Security or the RRB for 24 months.
- If you have ALS (Amyotrophic Lateral Sclerosis, also called Lou Gehrig's disease), you will get Part A and B automatically the month your Social Security disability benefits begin.

What Medicare covers

Much like an individual's current medical insurance today, Medicare pays for medical expenses such as hospital visits, doctor's office visits, diagnosis and medications. Medicare does not pay for custodial care — the care needed when one becomes chronically ill.

Medicare has four parts with varying degrees of coverage:

	Part A	Part B	Part C (Medicare Advantage)	Part D
Type of coverage	Hospital insurance	"Doctor's office" insurancecoverage associated with an attending physician	"All-in-one" individual insurance plansoffered by private insurance carriers, approved by Medicare	Prescription drug coverage
What it covers	Inpatient hospital care, limited short-term skilled nursing facility care for rehabilitative purposes, hospice care, home health care (by exception only)	Outpatient care, durable medical equipment, many preventive services	Replaces the need for Medicare Parts A and B, and often Part D	Helps cover prescription drug costs not covered by Part B
Enrollment[2]	Automatic enrollment process if receiving Social Security benefits (see eligibility)	Automatic enrollment process if enrolled in Part A and receiving Social Security benefits	Voluntary; must apply for Medicare Advantage programs independently	Automatic enrollment process
Out-of-pocket costs	Deductibles for services, no out-of-pocket premiums for most people	Deductibles for services, premiums generally deducted from monthly Social Security benefits	Premiums and deductibles paid out of pocket	Limited out-of-pocket costs for most veterans

Medicare supplement plans

Medicare supplement plans are not part of the Medicare program.
These plans are individual private insurance plans designed to help cover the co-payments of benefits paid for through Medicare. They:

- Do not provide extended benefits outside of what Medicare will cover
- Help offset some of the costs for benefits for which a co-pay may be required
- Do not cover expenses associated with custodial care

Medicaid

Medicaid is a joint federal and state program for people who do not have the financial means to afford other health insurance coverage independently.

Medicaid eligibility

To qualify for Medicaid, you must pass a financial "means test" on an annual basis, showing your income and assets are below a specific level.

Asset criteria

You must have less than a specified amount of *countable assets* to qualify for Medicaid benefits, which varies by state. Your assets fall into three categories.

	Countable/non-exempt assets	Non-countable/exempt assets	Inaccessible assets
Definition	Assets considered available to be used to cover your cost of care	Assets you are allowed to keep and not required to use them to pay for care	Assets that may have been considered countable and available to pay for care, but for which you no longer have access
Examples	Investments, deferred annuity cash value, life insurance cash value in excess of $1,500, all cash equivalents, tax-qualified pension plans, all residences/property other than primary residence, assets in a revocable (living) trust	Cash equal to or less than $3,000, prepaid burial account, term life insurance, car for personal use, business assets (if livelihood is derived from them), personal items, primary residence (if equity does not exceed state cap)	Prior to applying for Medicaid, using cash to: Pay down or pay off the mortgage of the family home, purchase a car for the spouse not receiving care, prepay burial expenses

Income criteria

To receive Medicaid, your income must also fall below certain levels set by your state of residence.

The government considers all income – regardless of the source – as available for spending on care, but excludes the following:

1. Personal monthly needs allowance: A set amount each month used to cover expenses such as food, housing and transportation
2. Medicare Part B and Medicare Supplemental Insurance Premiums (if you are eligible)
3. Other small deductions permitted by a state's specific parameters

Marriage and Medicaid

For married couples where only one spouse is receiving care, the Medicaid financial means test could leave the independent spouse with little to no income or resources.

To help ensure that the spouse who remains in the community is able to live independently and with dignity, Congress enacted a provision called the Spousal Impoverishment Act. This act protects a certain amount of the couple's combined resources for the spouse living independently.

To qualify, the spouse living independently must meet several conditions:

1. They must be legally married to the spouse receiving care.
2. The spouse receiving care must reside in a medical institution or nursing facility and be likely to remain there for at least 30 consecutive days.

3. They cannot also be receiving long-term care in a medical institution or nursing facility.

What Medicaid covers

Medicaid provides a broad level of health insurance coverage, including doctor visits, hospital expenses, nursing home care, home health care, and many other medical expenses and forms of care.[3] Medicaid also covers long-term care costs, both in a nursing home and, by exception and in limited cases, at-home care.

Veterans Affairs benefits

The U.S. Department of Veterans Affairs provides benefits to previously active members of the U.S. military. Today's veterans have a comprehensive medical benefits package, which the VA administers through an annual patient enrollment system.

What VA benefits cover

Benefits provided for custodial care are awarded through a priority system, with those assigned a higher priority category, such as someone injured through the act of war on active duty, receiving the first available care.

Those assigned lower priority categories may have access to custodial care depending on the availability of resources in their geographic location; however, it is not a guaranteed benefit, and individuals may be asked to cover their own expenses.

The VA's Geriatrics and Extended Care program provides services for those who are elderly and have complex needs and veterans of any age who need daily support and assistance.

Veterans can receive care at home, at VA medical centers or in the community. If you are eligible to receive care, this program may pay for the following:

- Hospice services
- Medical foster homes
- Respite care
- State veterans homes
- Domiciliary (home) care
- Adult day health care

Develop your long-term care strategy

While government programs can provide a certain level of coverage under the right conditions, you may want to consider additional ways to pay for long-term care. Long-term care insurance products issued by MINNESOTA LIFE INSURANCE COMPANY