

Long-Term Care Insurance Basics

Most long-term care services help people with activities of daily living, such as dressing, bathing, eating, toileting, getting in and out of a bed or chair, and walking. You may need this type of care if you have a prolonged illness or disability. This care may be given in your home, an adult day care facility, assisted living facility, or nursing home facility. It doesn't include care you get on a short-term basis following a hospitalization or an acute illness.

One option to pay for these services is long-term care insurance, but there is a lot to understand before buying a policy. This fact sheet offers the basics – you can find more detailed information in [Consumer's Guide to Long Term Care \(oci.wi.gov/LTCGuide\)](https://oci.wi.gov/LTCGuide).

How Much Does Long-Term Care Cost?

Long-term care can be expensive. The cost depends on the amount and type of care you need and where you get it. Prices can vary based on location within Wisconsin. The following are median costs in 2021 for different types of long-term care in Wisconsin.¹

Nursing Home Facility – \$9,733 per month for a private room

Assisted Living Facility – \$4,600 per month. Alzheimer's care, often called **memory care**, is about 20-30% more expensive than traditional assisted living due to the increased need for supervision and security.

Home Care (Home Health Aide) – \$30 per hour

Adult Day Care – \$80 per day

What Are the Options for Paying for Long-term Care?

People pay for long-term care in different ways. These include personal savings, investments or other assets, long-term care insurance, and Medicaid for those who qualify. It is important to note that Medicare, Medicare Supplement insurance, or your employee or retiree health insurance usually will **not** pay for long-term care.

Medicare does NOT cover long-term care. However, for a limited, fixed amount of time, Medicare Part A covers skilled nursing facility care, nursing home care (if custodial care isn't the only care you need), hospice care, and home care for a max of 100 days. You should NOT count on Medicare to pay your long-term care costs.

¹ <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

Medicare Supplement Insurance (Medigap) is private insurance that helps pay for some of the gaps in Medicare coverage, such as hospital deductibles and physician charges greater than Medicare approves. Medigap usually doesn't pay for long-term care.

Medicaid is a government-funded program that pays for nursing home care (and some home care and community-based services) only for individuals who are low income and have spent most of their assets. Nearly one-third of nursing home care in the United States is paid for by Medicaid, but many people who need long-term care do not qualify for Medicaid assistance. To get Medicaid help, you must meet federal and state guidelines for income and assets. Many people start paying for nursing home care out of their own money and "spend down" their income and assets until they're eligible for Medicaid. Medicaid then may pay for part or all of their nursing home costs. You may be able to keep some assets and income for a spouse who stays at home. Also, you may be able to keep some of your assets if your long-term care insurance is approved by a state as a long-term care insurance partnership policy.

Long-term Care Insurance is private insurance that will pay or reimburse you for some or all of your long-term care costs. You can buy an individual policy from an agent or a group plan through an employer or membership in an association. You can also get long-term care benefits through some life insurance policies. It is important to realize that to get any benefits from a long-term care insurance policy, you must keep it in force for the rest of your life.

Should You Buy Long-term Care Insurance?

Whether you should buy a long-term care insurance policy depends on your age, health, overall retirement goals, income, and assets. You should carefully consider if buying a policy makes financial sense for you and your family.

If you already have health problems that could lead to long-term care (for example, Alzheimer's disease or Parkinson's disease), you most likely won't be able to buy a policy.

Important Note

Insurance companies can increase premiums, which will increase your costs over time – and history indicates that premiums will likely go up. Before you buy a policy, be sure to ask about the company's history of premium increases for all long-term care policies, not just the one you're considering buying.

You should NOT buy long-term care insurance if:

- You can't afford the current premiums or can't afford higher premiums in the future.
- You have few assets.
- Your only source of income is a Social Security benefit or Supplemental Security Income.
- You have trouble paying for utilities, food, medicine, or other important needs.
- You qualify for Medicaid.

You may want to consider buying long-term care insurance if:

- You can afford to pay the insurance premiums, including the higher premiums in the future.
- You have many assets and/or a good income.
- You want to be able to choose where you received care.
- You don't want to use most or all of your assets and income to pay for long-term care.
- You can't rely on family or friends for care.

Offsetting the Costs of Long-term Care Insurance

Wisconsin's Long-Term Care Insurance Partnership Program protects some or all of your assets and still qualify for Medicaid. Under the Wisconsin Long-Term Care Insurance Partnership Program, an amount equal to the benefit amount that a person receives is excluded when determining:

- The person's resources for purposes of determining Wisconsin Medicaid eligibility, and
- The amount to be recovered from the person's estate if the person receives Wisconsin Medicaid benefits.

Medicaid asset protection protects most of your assets up to the amount of benefits paid under the policy. **Example:** If the Partnership policy paid \$200,000, Medicaid would allow you to keep \$200,000 in assets and you'd still qualify for government help to pay for care as long as you meet all other qualifications.

Long-term care partnership policies must include inflation protection coverage that meets specific minimum standards based on your age at the time you apply for a qualified long-term care partnership policy. If you're:

- Under age 61 when you buy the policy, it'll provide annual compounded inflation increases for benefits to cover the cost of your care.
- Between age 61 and 76, the policy will provide simple inflation increases.
- Over age 76, the policy might provide inflation increases.

All long-term care partnership policies are intended to be federally tax-qualified long-term care insurance policies as defined by federal Internal Revenue Code.

Federally Tax-Qualified Long-Term Care Insurance Policies may have possible tax advantages. However, the tax advantages are only a possibility for consumers who buy a policy that meets federal standards, not Wisconsin standards. Federal consumer protection standards are not as strong as Wisconsin consumer protection standards. Additionally, payment of premiums will result in any tax deduction on your federal income tax only if **all three** of the following conditions are met:

1. You have any tax liability
2. You itemize deductions
3. The total medical expense deduction you claim, **including the federally tax-qualified LTC insurance premium**, exceeds 7.5% of adjusted gross income (analysis developed by the Coalition of Wisconsin Aging Groups).

With the **State Income Tax Deduction**, you can subtract the amount paid for long-term care insurance from your Wisconsin income tax. This subtraction applies to both policies designated for federal income tax purposes as tax-qualified and policies that are non-tax-qualified. The instruction booklet you receive with your Wisconsin income tax forms includes information on the subtraction for long-term care insurance.

Long-Term Care Resources

The Wisconsin Office of the Commissioner of Insurance can help answer your questions about long-term care insurance, but we cannot provide guidance nor endorse any particular option. Here are additional experts and resources to help you navigate long-term care.

- Get a copy of OCI's [Consumer's Guide to Long-Term Care](https://oci.wi.gov/LTCGuide) at oci.wi.gov/LTCGuide.
- Visit longtermcare.acl.gov to learn more about planning for long-term care.
- *A Shopper's Guide to Long-Term Care Insurance* from NAIC is at content.naic.org/sites/default/files/publication-ltc-lp-shoppers-guide-long-term.pdf.
- Call Wisconsin State Health Insurance Assistance Program (SHIP) at 1-800-242-1061. TTY: 771
- Visit the Eldercare Locator, a public service of the Administration for Community Living, at eldercare.acl.gov to find help in your community.
- LongTermCare.gov is the federal website dedicated to long-term care information.
- For details about what Medicare pays, read the Centers for Medicare & Medicaid Services publication [Medicare & You](https://www.medicare.gov/talk-to-someone). Visit [Medicare.gov/talk-to-someone](https://www.medicare.gov/talk-to-someone) or call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.