Next Avenue recently asked readers to send us their questions about Medicare, Medicaid and long-term care coverage. The most popular ones:

- What is offered by Medicare and Medicaid for long-term care?
- If my assets are too high, should I forget about Medicaid?
- Why does Medicare coverage only pay for skilled care?
Today, we’ll answer those questions.

Also on Forbes:

This topic is weighing heavily on the minds of many Americans, and for two good reasons: 70% of people 65 and older will need some kind of long-term care eventually and long-term care costs are astronomical. The median annual fee for a private room in a nursing home, for instance, is $97,455 and hiring a home health aide runs roughly $49,000 a year, according to the 2017 Genworth Cost of Care Report.

The Genworth survey also found that two-thirds of respondents expected government programs to cover all or part of their long-term care costs. The truth is, however, the programs generally won’t.

But for some people, in certain situations, Medicare or Medicaid or both will kick in. Here’s a rundown of the long-term care rules:

**Medicare and Long-Term Care**

“Many people have misconceptions about how Medicare will help them if they need nursing home care or extended care in their homes,” said Marcy Keckler, vice president, financial advice at Ameriprise Financial. Actually, Keckler notes, Medicare will only cover a nursing home stay for people 65 or older in very limited circumstances and only for a short period of time.
“We did research and found over half of people expect Medicare to be their primary source of health coverage in retirement, but long-term care is only covered in really limited circumstances. So people may have an unpleasant surprise coming,” says Keckler.

Here’s how Medicare’s “long-term care” benefit works: You need to have been admitted to a hospital for at least three days and then — generally — get sent to a Medicare-certified “skilled care facility” under a doctor’s order, for care related to that medical condition. (In some circumstances, this post-hospital care can be provided at home.) Also, there must be an expectation that you will recover from the condition.

“Being expected to recover is the critical piece people miss,” says Keckler. As Beth Ludden, senior vice president for long-term care insurance products at Genworth, says: “The moment you have leveled off and won’t get any better — that’s viewed as a chronic situation, so Medicare stops paying.”

Skilled care might include things like physical therapy or intravenous injections; it does not include what’s known as “custodial” care — the kind that helps you with daily activities like bathing, dressing or using the bathroom. Custodial care is the kind of care most people mean when they think of long-term care.

And even if Medicare will provide coverage, there are limits: A skilled-care facility’s room must be semi-private and its costs are fully or partially covered for no longer than 100 days.

In short, as Ludden notes: “Medicare does not pay for a really significant amount of long-term care expenses. Medicare is a health plan.”

**Medicaid and Long-Term Care**
Unlike Medicare, Medicaid covers many more types of long-term care costs for people 65 or older (in nursing homes, at home and in assisted living facilities), but most people don’t qualify for it because their income or assets are too high.

For those who do, however, “Medicaid has become the default for long-term care,” says Janet Grant, regional vice president for the great plains region at Aetna Medicaid.

In fact, Medicaid is the default payer for about 62% of nursing home residents and over half of long-term care spending in America is done through Medicaid. The Congressional Budget Office projects Medicaid spending on long-term services and supports will rise 5.5% a year on average, reaching $100 billion by 2023.

The Medicaid program is run jointly by the federal government and state governments, so its income and asset thresholds vary depending on where you live. But a pretty good rule of thumb is that in order to qualify for Medicaid, you can’t have assets exceeding around $2,000 (not including your home and a car).

Essentially, you need to have spent practically all your assets before Medicaid will kick in. If Medicaid determines that you have given away or transferred your assets within the five years of the date you are applying (2 ½ years in California), you will be ineligible for Medicaid benefits for a period of time. You are, however, allowed to transfer up to roughly $120,000 to your spouse if the spouse isn’t also applying for Medicaid and will continue to live independently.

While the asset maximum for Medicaid may sound exceedingly low, given the cost of nursing homes, assisted living facilities and home care, “almost everyone has depleted their funds after a couple of years of long-term care,”
says Grant.

In order to receive long-term care services under Medicaid, a medical specialist must document that you need them through what is called “functional eligibility.” Generally, you must be unable to perform at least one of six activities of daily living on your own: bathing, dressing, using the toilet, transferring to or from a bed or chair, caring for incontinence and eating.

But if you do qualify, Medicaid would not only pay some or all of your long-term care health services, it could also cover services helping you stay in your home, such as personal care and help with laundry and cleaning, according to the U.S. Department of Health and Human Services site, Longtermcare.gov. Medicaid also pays for home renovations to keep people out of nursing homes, such as wheelchair ramps.

What Medicaid won’t pay for: your rent, mortgage, utilities or food. “And Medicaid won’t cover getting help with chores or grocery shopping,” says Keckler.

If you’ll be in a long-term care facility, exactly how much of its expenses Medicaid will pay depends on the cost of the care and your income, as well as the type of facility. Medicaid, Ludden says, is biased toward skilled nursing facilities.

“Reimbursement levels in assisted living facilities are usually very low,” she says.

The formula is more complicated for determining Medicaid’s reimbursement of care at home. Whether Medicaid would pay for any of your long-term care costs at home (assuming you qualify for the program) depends on your state’s rules.
“Increasingly, states have been applying for waivers from the federal government to cover home- and community-based care for people who would otherwise have met the nursing-home care requirement,” says Grant. “But some states are farther along than others.”

In many cases, though, you may need to get on your state’s waiting list to be eligible for Medicaid coverage at home. In that case, you may need to start out in a facility and then hope to be able to move into a private residence later.

Keep in mind, though, that each state’s Medicaid rules are different. For instance, some cover assisted living services, some don’t. For help understanding your state’s Medicaid rules, contact its Medical Assistance office or its Area Agency on Aging. You might also want to hire an elder law attorney.

**Dual-Eligible: Getting Medicare and Medicaid**

It’s possible to qualify for both Medicare and Medicaid; about 11 million Americans over 65 do. In that case, you’ll be what’s called “dual eligible.”

Twelve states currently have dual-eligible demonstration programs integrating benefits for long-term care and acute services. And, Grant says, early indications are that these pilot programs are improving care, keeping costs down and letting more people remain in their homes.

One last point: “The most important consideration when thinking of what Medicare and Medicaid pays is to remember that those are government programs and they can change at a moment’s notice,” says Ludden.

That’s why, if you’re in your 50s or 60s, you may want to consult with a financial adviser to plot a long-term care strategy. And you might consider
buying a long-term care insurance policy or a hybrid policy that combines life insurance and long-term care insurance.