

## Who Pays for Long-Term Care?

*Long-term care spending has continued to increase in recent years. Long term care services are financed publicly primarily through Medicaid, the federal/state health program for low-income individuals. Long-term care services are also financed privately through out-of-pocket payments by individuals and their families and long-term care insurance.*

*This fact sheet is one in a series that provides basic information on the “who, what, where, when, why, and how” of long-term care. All the references accessed to produce this fact sheet are provided for further review.*

### Long-Term Care Costs

- Total long-term care spending in 2006 was \$231 billion. The breakdown of this spending, by source, is:<sup>1</sup>
  - Medicaid: **43%**
  - Medicare: **18%** (for post-acute care services, including home health and skilled nursing home care; Medicare is the federal health insurance program for older adults and certain disabled individuals)
  - Out-of-pocket Payments: **28%**
  - Private Long-Term Care Insurance: **7%**
  - Other Public (e.g., Veterans Affairs and other state/local programs): **4%**
- Long-term care expenditures are projected to increase to \$346 billion in 2040.<sup>2</sup>
- The estimated economic value of unpaid caregiving in 2007 was **\$375 billion**, compared to \$350 billion in 2006.<sup>3</sup>
- The average cost of selected long-term care services in the U.S. is:<sup>4</sup>
  - **\$185/day** for a semi-private room in a nursing home
  - **\$206/day** for a private room in a nursing home
  - **\$3,185/month** for care in an Assisted Living Facility (for a one-bedroom unit)
  - **\$19/hour** for a Home Health Aide
  - **\$18/hour** for a Homemaker services
  - **\$60/day** for care in an Adult Day Health Care Center

### Public Funding

- Medicaid long-term care expenditures for fiscal year 2009 totaled **\$114.1 billion**, approximately **32%** of total Medicaid spending.<sup>5</sup>
- Medicaid spending for nursing homes and home and community-based services in fiscal year 2008 was **\$61 billion** (57%) and **\$45.4 billion** (43%), respectively.<sup>5</sup>

- On average, Medicaid spending for home and community-based services for each older person and adult with a physical disability is **\$9,459**, compared to **\$26,096** for each person receiving services in a nursing facility.<sup>6</sup>
- The percentage of Medicaid long-term care spending for home and community-based services for older people and adults with physical disabilities varied from about **15%** to about **84%** across states.<sup>6</sup>
- Home and community-based waivers allow states to offer home and community-based services to individuals who would otherwise receive care in a nursing home. Home and community-based waiver expenditures totaled **\$33.5 billion or 29.3%** of Medicaid long-term care expenditures in FY 2009, a 9.6% increase from fiscal year 2008.<sup>5</sup>
- Expenditures for Personal Care totaled **\$11.7 billion or 10.2%** of Medicaid long-term care expenditures in fiscal year 2009.<sup>5</sup>
- Expenditures for Home Health totaled **\$4.5 billion or about 4%** of Medicaid spending for long-term care in fiscal year 2009.<sup>5</sup>

### Private Funding

- About **7 million** long-term care insurance policies were in place in 2005.<sup>7</sup>
- About **3.7 million** or **10.2%** of adults age 65 and older had long-term care insurance in 2005.<sup>7</sup>
- The average annual premium for a long-term care insurance policy purchased in 2007 was about **\$2,207**. Among those age 65-69 years old, the average premium was **\$2,539**, compared to **\$3,026** for those age 70 and older.<sup>8</sup>

### Sources

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