Asheir Manor

Assisted Living

Providing Quality Care from the Heart

How to Pay for Assisted Living

Except in the few situations mentioned below, very few government programs pay for assisted living. Almost all living services are paid for by residents (or their families) out of their funds. Long term care insurance generally will pay for assisted, but the insurance must be purchased in advance and paid for from personal funds.

Health Insurance, Medicare, and Medicaid
Many people think Medicare or private health insurance help pay for assisted living and other long-term care services.
***This is wrong*.** Medicare and private health insurance usually will *not* pay for the costs of assisted living. If you have limited resources, Medicaid may provide financial assistance *under certain circumstances.* Ordinarily, Medicaid is available for long-term care only if you reside in a nursing home. However, Maryland has a new Medicaid program that can pay assisted living services if you meet its strict eligibility requirements. The new program is called the Medicaid Home and Community Based Waiver Services for Older Adults ("Medicaid Waiver Program"). It serves a limited number of people. If all the openings are filled, Medicaid will not be able to pay for your assisted living services.

To qualify for the Medicaid Waiver Program, you must be at least 50 years old and meet both the medical and eligibility standards. To satisfy the medical standard, you must require enough care to qualify to live in a nursing home (even though you plan to live in assisted living).
The financial eligibility standards are an income test and asset test. You must have limited income and assets to be eligible. The financial eligibility rules are complex, but basically, your assets have to be less than $2,500 or $2,000, depending on eligibility category, and your monthly income cannot exceed three times the SSI amount for a single. This number is adjusted annually for inflation and is $1,635 in 2002.

Medicaid will not count as assets, your or your spouse's, cars or pre-arranged funerals. Also, under certain circumstances, your spouse can keep up to half of your joint assets. The eligibility standards are too complex to be summarized in this booklet so for more information on eligibility for the Medicaid Waiver Program call the Legal Aid Bureau's Assisted Living Project or your local agency on aging. You can also get an application from your local agency on aging. You can also get information from the Legal Aid Bureau's website at

Senior Assisted Living Group Home Subsidy Program

The Maryland Department of Aging has a limited subsidy program that you may eligible for if you are elderly and live in an assisted living facility that participates in the subsidy program. Only facilities that have between four and sixteen beds participate in this program.
There are often waiting lists for the program.

To be eligible you have to have limited assets and income. While the numbers change from year to year, in order to be eligible at the time this booklet was printed in 2002 your monthly income would have to be less than $1,945 and your assets less than $11,000. To apply, or for more information, contact your local agency on aging.

Long-Term Care Insurance

Long-term care insurance can pay for assisted living. The cost of long-term care insurance varies greatly, depending on the options you select and your medical condition. If you already need assisted living services, you probably will not be able to purchase a policy. If you are over age 85, even if you are in good health, you may also have a hard time finding a policy. The older a person is when a policy is purchased, the more expensive the policy will be.
However, even if it is too late for one spouse to purchase coverage, it may not be too late for the other spouse to buy a policy.

Annual premiums can range from a few hundred dollars for a healthy 40-year old to thousands of dollars for a 70-year old. Most policies offer premiums that are "level," that is, the rates do not change as you age. However, an insurance company typically can raise rates for a group of policyholders if it can show the rates are too low. Long-term care insurance policies are offered in many different options. It is very important for you to understand what a particular policy covers, as well as the rules affecting when the policy goes into effect.

What services are covered?

Make sure the insurance policy includes assisted living care. It is a good idea to buy a policy that covers all types of long-term care: home care, day care, assisted living, and nursing home services. Long-term care insurance may not necessarily include assisted living services, although most policies written in the last few years will. Older policies may be limited to nursing home care or at-home care. The "assisted living" concept was not common until recently so many older policies do not mention it or cover it.

Tax Deductions

Long-term care insurance premiums may be deducted from your federal income taxes. The deduction is based on the age of the person insured. The deduction covers only a small part of the actual insurance policy cost, ranging from about $220 for persons age 40 or less to about $2,700 for persons over age 70, but it should not be overlooked. Maryland offers a one-time state income tax credit of up to $500 for your purchase of long-term care insurance.
A credit is different from a deduction in that the full amount is taken directly out of the amount of taxes owed to the State.

For More Information

For more information about long-term care insurance, contact the United Seniors Health Cooperative,
409 3rd Street SW, Suite 200, Washington, D.C.
20024, telephone (202) 479-6678;

The Maryland Insurance Administration at (410) 468-2000 or 1-800-492-6116; or your local Senior Health Insurance Assistance Program

Reverse Mortgages

Reverse mortgages enable you to convert the equity in your home to cash. The cash can be spent to pay for assisted living.

However, in most cases, to qualify for a reverse mortgage, there must be one borrower living in the home. So, if you are single, a reverse mortgage probably will not help with assisted living expenses. A reverse mortgage is based on your age, the value of your home, and interest rates. Reverse mortgages are available to you if you are at least 62 years of age. The value of the home will be less after you take out a reverse mortgage.

This means that your heirs will receive less money than they would if there was no reverse mortgage on your home.

Banks, mortgage firms, and financial service companies offer reverse mortgages. You should do a lot of research to make sure you find a reputable reverse mortgage lender. There have been unscrupulous people using the reverse mortgage idea to scam seniors. You should also shop around to compare options.

For more information, contact the National Center for Home Equity Conversions at (651) 222-6775 or visit their website at www.reverse.org. Reverse mortgages can have substantial financial ramifications so you should contact a financial planner, accountant, or attorney before entering into one.

Tax Deductions and Credits
If you are paying out of your own pocket, some or all of the cost for assisted living may be tax deductible as an expense. To get the deduction, a resident must be "chronically ill" and receive care prescribed by a doctor or another health care provider. See IRS Publication 502 for more information.

To be considered "chronically ill" your doctor or other licensed health care practitioner must determine that you are unable to perform at least two activities of daily living for at least 90 days without substantial assistance from another or that you have a severe cognitive impairment (such as Alzheimer's disease) and need substantial supervision to be protected from threats to your health and safety.

You can only deduct medical expenses that are more than 7.5% of your adjusted gross income. Thus, you can only have a deduction for assisted living costs if your total medical expenses, including your assisted living costs, exceed 7.5 % of your adjusted gross income. Consult your tax advisor for more information about the tax deductibility of assisted living services.