



How to Pay for Assisted Living Costs

A guide to the costs associated with assisted living and the most common funding options family caregivers may not be aware of

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Understanding Assisted Living Costs

According to the [Glenworth Cost of Care Survey](https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/130568_040115_gnw.pdf)¹, at least 70 percent of people over the age of 65 will require some form of long-term care services and support during their lives.

Assisted living communities offer exactly what the name implies: assisted living. Your loved one can have as much independence as they want, and help is available if and when they need it. Assisted living communities primarily provide medical personal care and, in support, offer housekeeping and laundry services, transportation, medication management, access to some medical care services, health and exercise programs, social activities and programs, and typically two or three daily meals.

Assisted living costs are based on a number of factors, including where your loved one lives, level of care your loved one requires, size of the room, and the range of amenities the community offers.

Pricing of the Apartment

Residents pay rent for their room or suite in assisted living communities. Some communities may offer a variety of apartment sizes to choose from. Others offer only one or two different styles. Some assisted living communities use value pricing to allocate a higher cost to apartments that are closer to elevators, have better views, or are on the first floor of the building.

Assisted living facilities also include other benefits that are tied into the rental rate. When researching communities, investigate these other amenities and have a clear understanding of whether those benefits are bundled into the final price or an additional cost:

- **Utilities:** Rental fees typically include utilities, except for phone or internet.

¹ https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/130568_040115_gnw.pdf

- **Meals:** Dining packages may be in their base rental fees and others allow you to add one to three meals per day based on the resident's preferences and accessibility to a kitchen within their apartment. Some assisted living communities have apartments with kitchens or kitchenettes in them, and others only offer a communal dining experience in a common dining room.
- **Laundry and housekeeping:** Some offer laundry and housekeeping services within their base rental fees. Others allow you to add this into your service package as needed. Expected maintenance of the apartment is also usually included in the base rent, which includes upkeep of landscaping.
- **Transportation:** Many communities provide weekly shopping trips or shuttles to and from doctor appointments.
- **Activities:** The recreation program offered can also play a large part in the rental amount with communities that offer a dynamic activities program.

Typically, residents pay directly for cable, internet, and telephone service for their apartment. Residents also pay for their own personal toiletries, health and beauty aids, hairdressing, clothing, medications, incontinence supplies, and dry cleaning. Some activities out of the community may have a small fee associated with them to cover the cost of admission or tickets, such as going to a movie, play, or museum. Also, some communities do not include meals in their base monthly rental rate.



Three Pricing Structures

It's helpful for you and your loved one to understand the fee structures associated with assisted living communities when negotiating with care providers. There are three general pricing structures you'll find in assisted living communities: all-inclusive, levels of care, and fee-for-service. Most communities offer at least one of the following three models for billing their residents, though not every residence will necessarily offer all three choices.

- **All-inclusive:** A single monthly fee covers rent, meals, and any additional services a senior chooses, such as housekeeping, transportation, and assistance with dressing, bathing, and other activities of daily living. However, each assisted living community's definition of "all-inclusive" varies.
- **Levels of care:** Residents are assessed upon moving into the assisted living community to determine the level of care required. There are usually three to four tiers into which a variety of services are grouped.

Each tier allows for a certain number of care hours per month (often called “points”). For example, seniors who require very little or no extra care would be placed in the lowest level of care, which would also be the least expensive. Seniors are reassessed regularly to ensure they continue to be in the appropriate level. Non-care-related services in assisted living typically account for 50 to 75 percent of an individual’s total bill.

- **Fee-for-service:** A flat monthly fee for rent and meals is charged, and they pay only for those services they use. Also known as à la carte pricing, fee-for-service charges may be tracked by the specific service, such as medication management, or by time, such as \$150 dollars per hour.

It can be hard to compare assisted living costs between communities because each one charges differently for personal care and ancillary services. Get a clear description of what is and is not included in an all-inclusive agreement, the tier structure and frequency and process for re-evaluation of a resident’s care requirements in the levels of care agreement, and a cost breakdown for fees for each service in a fee-for-service agreement for each assisted living community you’re looking at.

When your loved one is living at home, they make separate payments for food, utilities, home maintenance, entertainment, and health care. When they move to an assisted living community, most living expenses are covered by the monthly base fee.

In many situations, total assisted living costs can be significantly less than in-home care costs. According to the Genworth survey, just hiring a home health aide costs an average of \$4,099 per month, and that doesn’t include access to the dining programs, recreation programs, and other amenities offered in a community environment. Assisted living can be an affordable option with more benefits than in-home care.

Companion suites or semiprivate apartments also offer an affordable solution in many assisted living communities. Although this option is more often offered in a memory care setting than an assisted living setting, this alternative to private suites offers another way to reduce costs.

Although you may not have considered a companion suite or semiprivate apartment option before, here are some of the benefits you may not have considered:

Ease the transition: When you bring two compatible seniors together to share an apartment, it makes transitioning into the new environment easier. This is especially true for those who are naturally introverted by nature. If your loved one isn't the type who thrives on making new friends or being the life of the party, the move into memory care could be less traumatic if someone more outgoing by nature is paired with him or her.

Reduce loneliness: Having social connections isn't optional; it's a fundamental necessity for health and happiness.

Assisted living communities often consider compatibility factors such as similar cleanliness values, tastes in music, common beliefs, and sleeping habits when pairing residents for companion or semiprivate living arrangements.



Funding Options

When the time comes where a parent can no longer manage daily living in their own home or they've become socially isolated and would benefit from an environment where they can make new friends and participate in recreational programs, an apartment in an assisted living community could be the next best thing.

But if you, like many, were thinking that Medicare will cover the cost of assisted living, you'll be surprised to know that Medicare isn't designed to pay for long-term care.

Most families pay for assisted living costs by using a combination of funding options, including private or family support, long-term care insurance or other forms of insurance, and public programs.

Private Pay

For many seniors, assisted living fees are paid out-of-pocket using funds from

a combination of resources, including their incomes, savings, and possibly the equity in their home. Other methods of paying for long-term care privately include reverse mortgages, annuities, and trusts.

- Reverse mortgage allows a homeowner to cash out the value of their home equity, either in a lump sum or in a series of monthly payments. The bank decides on a value based on what the home is worth, interest rates, the applicant's age, and other factors, and the loan balance gradually increases over time. To apply for a reverse mortgage, the homeowner must be over the age of 62, and one person must continue to live in the home. For couples who are trying to finance assisted living care for one spouse while the other remains at home, a reverse mortgage is a viable option for paying for assisted living.
- An annuity is a lump sum of cash invested to produce a monthly stream of income for a fixed period or for life. An annuity can help seniors stretch their budget and be sure that they'll always have at least some money coming, in even if they live longer than they expect.

Always speak with a financial adviser before taking risks with investments and assets. There are several other ways to get financial assistance for assisted living, such as tax credits and deductions related to assisted living, which can reduce a family's overall tax burden and free up additional financial resources to be put toward assisted living costs.

Long-term Care Insurance

Unlike traditional health insurance, long-term care insurance is designed to cover long-term services and supports, including personal and custodial care in a variety of settings, including an assisted living community. About 5 percent of seniors carry long-term care insurance, and benefits for assisted living can vary between \$1,500 to more than \$9,000 per month.

For those who don't already have long-term care insurance, a policy can be purchased through a private insurance company. For healthy seniors, *Consumer Reports* recommends not purchasing long-term care insurance coverage before the age of 60. However, if the need to pay for long-term care is immediate, this option will not help. Insurers typically do not accept new, elderly enrollees if they are already receiving or in need of care, and coverage is often denied for people with pre-existing conditions such as Alzheimer's disease, multiple sclerosis, a stroke, or Parkinson's disease.

Life Insurance

Many people think that life insurance only provides support after the policyholder's death. However, policyholders have options for converting insurance into funds that can be used to pay for assisted living while the policyholder is still alive. To cash out a policy, ask about "accelerated" or "living" benefits.

Bridge Loans

A Bridge Loan helps seniors and their families with the cost of assisted living, home care or skilled nursing on a short-term basis, typically for periods ranging up to 12 months but sometimes longer. Bridge loans are temporary loans that bridge the gap between the sale of a home and your parent's move to an assisted living community.

The bridge loan is secured to the buyer's existing home. The funds from the bridge loan are then used as funding to pay for assisted living costs while the home is on the market.

A bridge loan gives a family the flexibility to absorb the costs of moving into assisted living and ease the burden until other funds become available. It is an ideal solution if your parent needs urgent assisted living care but you can't wait for a home to sell to make the move.

Veterans Benefits

The Department of Veterans Affairs (VA) provides benefits and services specifically to address the changing health risks and financial challenges of aging veterans. There are three tiers of VA benefits for older wartime veterans and their dependents.

- Basic Veterans Pension can be considered the first tier. Veterans and survivors who are eligible for a Veterans Pension and are housebound or require the aid and attendance of another person may be eligible for additional monetary payment, also known as Special Monthly Pension for Veterans.
- Housebound, the second tier, and Aid & Attendance, the third tier, are paid in addition to the basic monthly pension. Award amounts increase as the tier increases, and the tiers are based on the needs of the applicant. The maximum annual pension rate for a veteran with one dependent who qualifies for aid and attendance is \$25,525. Benefits are directly deposited into the bank account of the veteran or surviving spouse each month.

Medicare

Generally, Medicare will not pay for services for chronic conditions that require ongoing care. Medicare does not pay for assisted living, room and board, or personal care. However, medical expenses incurred at an assisted living residence may be covered by Medicare just as they would if the medical procedures occurred in a doctor's office, hospital, or at one's home. For example, lab draws or visit by an RN for home health care services would be covered.

Tips for Researching Assisted Living Costs

1. Don't wait until the last minute.

Give yourself and your parent enough time to evaluate communities

and research funding options before a crisis strikes. Finding care in an emergency situation is often costly, and options can be limited.

2. Compare level-of-care costs with all-inclusive and fee-for-service pricing.

Although some assisted living facilities offer a sort of “a la carte” pricing structure, it can be very difficult to predict costs. Communities that offer an all-inclusive structure typically also have add-on packages, and the expense of assisted living can add up quickly. Level-of-care costs are easier to calculate and tend to be very transparent in describing what changes in services would need to occur for your parent to change to a different level of care. Compare level-of-care costs with all-inclusive and fee-for-service pricing.

3. Understand care capabilities.

Not all assisted living communities offer the same range of services. In fact, some have different licensures that allow or prevent them from providing a service that a community down the street can. Have a clear understanding of the levels of service a community will provide and what criteria would lead them to recommend your parent move to another facility. Although many residents are able to age in place in an assisted living community, having a clear understanding of when your current community of choice may no longer be the right option for your parent allows you to predict costs beyond assisted living.

4. Get advice from the experts.

Choosing assisted living and determining how to pay for it can be a stressful and challenging adventure. Sometimes having a knowledgeable assisted living expert can help. Community Relations Coordinators at [Highgate Senior Living](https://info.highgateseniorliving.com/request-more-information-costs)² can assist you in identifying assisted living options as well as payment options for your parent.

² <https://info.highgateseniorliving.com/request-more-information-costs>

Assisted living can provide the support your parent needs while offering them an environment to make new friends; enjoy nutritious, delicious meals; and even participate in recreational activities they might not have had for several years. At the end of the day, we all deserve to live each day to the fullest. Paying for assisted living shouldn't prevent you from reaching your goals. It's important to make sure you don't go to the wrong place for the right price.



This guide is brought to you by Highgate Senior Living, an industry-leading assisted living and memory care provider offering a holistic approach to care. Pioneering change in the senior living industry, Highgate is committed to creating a unique and desirable living option where each resident can live a life of purpose.

Visit our website at www.highgateseniorliving.com to learn more.

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