Medicare vs. Medicaid: Who Pays for Nursing Home Care?

What families need to know before their parent needs long-term care

One of the biggest misunderstandings about Medicare is that it will pay for nursing home care if your parent eventually needs to live in a nursing home.

That’s not necessarily true.

Medicare and Medicaid are two very different programs, and understanding what each covers can help families avoid unexpected expenses and plan for future care.

What Does Medicare Cover?

Medicare is primarily health insurance for people age 65 and older and certain younger individuals who qualify.

Medicare may cover short-term skilled nursing care or rehabilitation when specific requirements are met.

For example, if your parent is hospitalized after a fall, stroke, or illness and needs skilled nursing care or rehabilitation afterward, Medicare Part A may help cover a stay in a skilled nursing facility.

Under Original Medicare, qualifying coverage generally requires:

- A medically necessary inpatient hospital stay of at least three consecutive days, not counting the discharge day, unless an exception applies.
- Admission to a Medicare-certified skilled nursing facility within the required timeframe.
- A need for daily skilled nursing care or skilled rehabilitation services.
- Remaining eligible for Medicare-covered skilled care.

Original Medicare can cover up to 100 days of skilled nursing facility care per benefit period, but coverage is not guaranteed for all 100 days.

There may also be daily coinsurance costs after the first 20 days.

Important: Hospital observation days do not count toward the three-day inpatient requirement.

Medicare Advantage plans may have different coverage requirements, prior authorization rules, and out-of-pocket costs.

What Medicare Does NOT Cover

Here’s where many families are surprised.

Medicare does not cover long-term custodial care when that is the only type of care your parent needs.

Custodial care means ongoing assistance with everyday personal needs, such as:

- Bathing and getting dressed
- Using the bathroom
- Eating
- Moving from a bed to a chair
- Other routine personal care needs

For example, your parent may no longer be able to live safely alone and may need supervision and help throughout the day.

Even if that care takes place in a nursing home, Medicare will not pay for long-term custodial care simply because your parent needs assistance.

This is an important distinction because nursing home care can cost thousands of dollars each month.

So What Does Medicaid Cover?

Medicaid is a joint federal and state program that helps eligible individuals pay for healthcare and certain long-term care services.

Unlike Medicare, Medicaid may pay for long-term nursing home care if your parent qualifies.

This can include ongoing nursing facility care for someone who needs substantial assistance and meets the state's eligibility requirements.

However, Medicaid eligibility is not automatic.

Your parent must meet specific financial and care-related requirements, which vary by state.

How Does Someone Qualify for Medicaid Nursing Home Coverage?

Medicaid eligibility for long-term nursing home care generally involves several factors.

1. Income

Your parent's income is considered when determining eligibility.

States have different rules for how income affects eligibility. Even after qualifying, many nursing home Medicaid recipients must contribute much of their monthly income toward their care.

2. Assets

Medicaid also reviews certain assets, which may include bank accounts, investments, and other resources.

Some assets may be excluded from eligibility calculations depending on state rules and individual circumstances.

3. Medical and Care Needs

Your parent must generally meet the state's requirements for nursing facility level of care.

Needing occasional help at home does not automatically mean someone qualifies for Medicaid-funded nursing home care.

4. Financial Transfers

Medicaid has rules about giving away money or transferring assets for less than fair market value.

For many long-term nursing home Medicaid applications, there is a five-year look-back period.

Certain transfers during that period can result in a penalty that delays Medicaid payment for long-term care.

Before transferring money, changing ownership of property, or making major financial decisions, consult a qualified elder law attorney familiar with Medicaid rules in your parent's state.

What Happens if Your Parent Owns a Home?

Owning a home does not automatically disqualify someone from Medicaid nursing home coverage.

Depending on the circumstances, a primary residence may be treated differently from other assets.

However, home equity limits, occupancy, marital status, and state-specific rules can affect eligibility.

Medicaid estate recovery rules may also allow a state to seek repayment for certain benefits after a recipient dies.

Do not assume your parent must sell their home to qualify for Medicaid.

And don’t transfer the home to someone else without understanding the potential legal and financial consequences.

What if One Parent Needs Nursing Home Care but the Other Still Lives at Home?

Medicaid has special rules intended to help protect a spouse who remains in the community when the other spouse needs nursing home care.

These are often called spousal impoverishment protections.

Depending on the circumstances, the spouse remaining at home may be allowed to retain certain assets and income.

The amounts and requirements depend on federal and state rules.

This is an especially important situation to discuss with a qualified elder law attorney before making financial decisions.

What Other Options Can Help Pay for Long-Term Care?

If your parent does not qualify for Medicaid, or while the family is exploring eligibility, other potential payment sources include:

Long-term care insurance

If your parent has a policy, review what services it covers, benefit limits, waiting periods, and requirements for receiving benefits.

Personal savings and retirement income

Many families initially pay for long-term care using savings, investments, pensions, Social Security income, or other personal resources.

Veterans benefits

Some eligible veterans and surviving spouses may qualify for benefits that can help with certain long-term care expenses.

State and community programs

Depending on where your parent lives and their needs, there may be Medicaid home- and community-based services, aging programs, or other assistance that helps them receive care outside a nursing home.

Availability, eligibility, and waiting lists vary.

Six Questions to Ask Before Your Parent Needs Nursing Home Care

1. Does my parent need short-term skilled rehabilitation or ongoing long-term care?
2. What will Medicare actually cover, and for how long?
3. Does the nursing home accept Medicaid?
4. What are my state's financial and medical eligibility requirements for long-term care Medicaid?
5. If my parent is married or owns a home, what protections or restrictions might apply?
6. What other benefits, insurance policies, or payment options should we investigate?

These questions can help your family understand the options before an urgent decision needs to be made.

Where to Get Reliable Information

Medicare — Skilled Nursing Facility Care

Explains when Medicare covers skilled nursing care, coverage requirements, and potential costs.

https://www.medicare.gov/coverage/skilled-nursing-facility-care

Medicare — Long-Term Care

Explains the difference between Medicare-covered medical services and long-term custodial care.

https://www.medicare.gov/coverage/long-term-care

Medicaid — Nursing Facilities

Information about Medicaid coverage of nursing facility services.

https://www.medicaid.gov/medicaid/long-term-services-supports/institutional-long-term-care/nursing-facilities

Medicaid — Eligibility

Federal information about Medicaid eligibility rules and state programs.

https://www.medicaid.gov/medicaid/eligibility-policy

Eldercare Locator

A federal resource that connects older adults and families with local aging services and assistance.

https://eldercare.acl.gov

A Final Thought From Parent Care Workshop

When my mom needed rehabilitation after being hospitalized, Medicare helped cover her qualifying short-term care.

That experience made me realize how easy it is to assume Medicare would also cover nursing home care if she ever needed it permanently.

But short-term rehabilitation and long-term nursing home care are two very different things.

And knowing that difference before your parent needs care can make a significant difference in how your family prepares financially.

You don't need to have every answer today.

But understanding what Medicare and Medicaid actually cover is an important place to start.

Parent Care Workshop

Practical information, trusted resources, and guidance for families navigating the challenges of caring for aging parents.

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