Long-term care is a vastly misunderstood part of the health-care world. Many people assume that Medicare, the federal program that provides health coverage for people who are 65 and older or disabled, also provides long-term care, but those benefits are limited, mainly to brief rehabilitation stays in nursing facilities. Here are the basics:

**Question: What exactly is long-term-care insurance?**

**Answer:** Long-term-care insurance typically provides custodial care needed when an elderly or disabled person becomes so frail that he or she needs help with two "activities of daily living," such as bathing or eating. Newer policies generally cover dementia care as well.

**Q: How does it work?**

**A:** Besides your age and health, there are three moving parts that have the biggest impact on your premium: The daily benefit amount, the length of coverage and your level of inflation protection.

When deciding how much coverage you need, consider how much family support you realistically could expect, costs where you live and whether you would use other savings to supplement your benefits.

Coverage periods typically range from two to six years. If you select $250 a day for three years, for example, you would have a "pool" of $273,750. If you used less than $250 a day, your benefits typically would stretch longer than three years.

Inflation protection is considered by many experts the most crucial piece, since people typically make their first claims around age 80—possibly decades after buying coverage.

The gold standard is 5% compound inflation protection, meaning your benefits would increase in value by 5% each year. (The $273,750 pool would be worth $726,343 in 20 years.)

But the 5% option is climbing in cost, with many buyers turning to 3% compound, 3% or 5% simple (meaning a $100,000 benefit, for example, would get $3,000 or $5,000 tacked onto it each year), 5% compounded for 20 years only or a rate increase linked to a consumer-price index.

**Q: How much does long-term-care insurance cost?**

**A:** A 55-year-old single adult can expect to pay $2,065 a year for $162,000 in benefits with 3% compound inflation protection, which would increase to about $330,000 in coverage at age 80, according to the American Association for Long-Term Care Insurance, a trade group.

Costs are rising, and they vary widely. Among 12 insurers, the most expensive policy cost 87% more than the comparable cheapest policy, the group found.

Costs of care are climbing as well. But home care can cost much less than more-intensive institutional care, as long as you don't need round-the-clock assistance.

**Q: What are the risks?**
A: The biggest risk is that rates will go up beyond what you can pay. Although insurers can’t raise rates on individuals, they can do so on a defined group of policyholders if they get state approval. So, it pays to look for insurers with strong financial statements who conduct significant business in your state.

Still, some independent insurance brokers are telling clients to expect at least one increase in the 20% range at some point. If that happens, the insurer may let you reduce the increase in exchange for lower benefits.

The other big risk: You’ll die without using your benefits. The downside is that you would have paid thousands of dollars in premiums and gotten nothing in return. The upside is that you never would have needed long-term care.

Q: What are some alternatives?

A: The biggest hurdle for buyers is writing premium checks for coverage they hope never to use. Increasingly, older adults are turning to life-insurance policies packaged with long-term-care benefit riders instead. That way, any heirs generally get a payout even if you don’t use long-term care. And in most cases, people buy the product with a lump-sum payment, effectively removing the risk of future premium increases.

The downside: It often costs more to buy combined coverage than separate policies, and the benefits may not be as generous.

Wartime veterans and their spouses or widows also may qualify for long-term-care benefits through the Department of Veterans Affairs, though the paperwork involved in qualifying is extensive and approval can take as long as a year.

Married couples with some savings might want to consider buying an immediate annuity that pays benefits for a set number of years to preserve savings for the "well" spouse while the other spouse gets care.

The annuity generally shouldn’t count against them in qualifying for assistance from Medicaid, the state and federal program that pays for health and long-term care for the poor. However, the well spouse would have to live through the entire annuity period. If not, the state would have the first claim on any remaining payments.

Q: Doesn't Medicare pay for long-term care?

A: Not much. Medicare will help pay for a short nursing-home stay if you are hospitalized for at least three days and you need skilled care.

If you meet those hurdles, Medicare will pay all your costs for the first 20 days. But you are responsible for $148 a day for days 21 through 100. After that, Medicare runs out.

Medicare also provides limited coverage for home-health services when your doctor says they are medically necessary.

Hospice care is covered as well, as long as you meet specific conditions. Medicare’s consumer handbook, "Medicare & You," spells out what it does and doesn’t cover (at medicare.gov).

Q: Can I get coverage if I already have a medical condition?

A: Insurers are getting tougher, and almost always deny people with diagnosed memory loss or arthritis. They are getting tougher on diabetes and osteoporosis as well.

Surprisingly, some will approve survivors of some conditions, as long as they can show resolution and stability, including cancer, bypass surgery, Crohn’s disease, congestive heart failure and some forms of hepatitis.

Q: Where can I get help online?

And the U.S. Department of Health and Human Services has extensive resources at longtermcare.gov.