

# An Overview of Medicaid Planning



**COSTA Law Offices**

# Medicaid

- IS...

- Help to pay for long term care needs for individuals who are both **MEDICALLY** needy and **FINANCIALL** needy
- Subject to repayment after death

- IS NOT...

- Insurance
- Automatic
- An “entitlement”
- Meant to pay for everyone so they may give their money to their kids

# Common comments:

- I worked hard all my life...I don't want to use my money up to pay for a nursing home.
- I want my family to get my money...not the State.
- You're better off not having anything!



# Consider your everyday expenses:

- Mortgage/Rent...in other words, living accommodations
- Home repair/maintenance
- Utilities
- Food
- Clothing
- Dr. visits/medication/etc.
- Entertainment



# Consider what Nursing Homes provide:

- Living accommodations...so....you would pay rent?
- Maintenance upkeep of the facility
- Utilities to run the facility
- Food...purchase, preparation and serving
- Clothing...to an extent
- Professional, RTC medical and nursing care
- Some type of social interaction



# Side by Side



## Your home

- Your living space
- Your meals
- Your responsibility to maintain the building
- You manage your health, medical status and safety
- You decide the budget
- **Monthly cost to you: varies by individual's needs/assets**

## Nursing Home

- Your living space
- Your meals
- Their responsibility to maintain the building
- Your health, medical status, and safety are monitored and cared for by professional staff
- Budget is affected by overhead, including salaries at multiple levels, multiple insurances, payroll expenses, etc.
- **Monthly cost to you: approx. \$7,000.00 per person in 2008**

# Some of the biggest problems with Nursing home costs:

- Most people want to keep their home to return to “someday”
- Most people cannot afford to cover the costs of their own home AND the costs of nursing home.
- People spend their entire lives saving for living expenses in retirement, but don’t consider nursing home costs “living expenses” when they physically need to move their residence to a nursing home.



# Payment options for Nursing Home Care

- **Insurance?** Medicare will pay for 10 days of long term care. After that, you have a period of approx. 90 more days with a copay around \$140/day. Beyond that, your needs are considered “custodial” or “maintenance” rather than medical and there is no further medical insurance coverage.





**Long term care insurance?** Yes, if you are fortunate to have it. Read your policy to see when it kicks in, what it covers, and how long the benefit period is. Most policies will not cover the full monthly cost of a nursing home and you will need to make up the difference.

**Private pay?** This is the least favorite option and the most costly. Your private pay rate is HIGHER than what the State will pay AND does not include incidentals such as medication, medical supplies, etc. Your base rate is mostly just for room, board and medical care.

**Your kids?** Act 43 CARE OF THE INDIGENT PERSON sets forth who is responsible for providing care to those who cannot afford to care for themselves:

**Spouses and children make the list.** However, certain conditions must be present to hold these individuals financially responsible.

**WHAT ABOUT MEDICAID?!**  
**WHEN DOES THE GOVERNMENT**  
**HELP YOU?!**



# Criteria to qualify for Medical Assistance:

You must be medically needy. In other words, you must be deemed to need nursing home care.



# You must be financially needy

Your assets must be below \$2,400.00 (or \$8,000.00 if you have low monthly income) before you qualify for Medical Assistance



Can I just give my money away so I don't have more than \$2,400.00?

Simply put...Yes and No.

If you give away your money, you don't own it anymore and it isn't available to help pay for your care.



**BUT...**

The government checks to see what  
you've done with your money

# THE DEFICIT REDUCTION ACT

Yikes! What is that?

# Limitations on qualifying for Medicaid

## Old Rules

- Look-back period 3 years
- Ineligibility because of a gift started to run AT THE TIME OF THE GIFT
- Annuities could be used to move money
- Even after in the NH, you could save up to half of your money

## DRA

- Look-back period 5 years
- Ineligibility because of a gift starts to run after you are otherwise eligible for MA— OR AFTER you have run out of money
- Annuities must be for benefit of spouse AND name the DPW as beneficiary

# IS THERE ANYTHING I CAN DO?



- Plan early. If you can give away your money and make the 5 years, your money is safe.
- Remember, giving money away and putting it into an irrevocable trust have the same 5 year condition
- A revocable trust (sometimes called a “living trust”) does NOT protect assets from nursing home costs.



# Anything else?

- Consider long term care insurance at younger age when the annual premium is lower and your health makes you insurable.
- Married couples with a surplus of “excess resources” can work with an attorney if one spouse enters a nursing home. There is a technique that can convert the NH spouses’ half to income for the spouse at home and INSTANTLY qualify him/her for MA.

# Planning options have been cut

- You must be careful how you move your money if you are planning for the possibility of entering a nursing home. Moving assets incorrectly can result in ineligibility for government assistance.



# DISREGARDED TRANSFERS

- \$500 per month gifting
- Purchases for fair market value
  - Home improvements
  - Clothing
  - Vacations
  - Really, any purchase for fair market value
- Transfers made more than 5 years before application

# Be creative but careful

- Work with your attorney and your financial planner to come up with the best combination
- See if a combination of long term care insurance and private pay can get you through the 5 year period
- Discuss an irrevocable trust
- Discuss gifting
- Discuss adequate long term care insurance
- Don't just put your house in your kid's names! This should be a discussion with your attorney and not just a meeting to sign a deed.

# Nothing in Life is Simple

Live as you are able. Offer help when you can.  
Get help when you need it.



We care. When you are ready, let us help.