<u>The Financial Dilemma: Long Term Care and Medicaid</u>

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Rising health care coverage costs and the aging population of Alaskans have resulted in many individuals needing assistance with their long term care needs. Reaching the magic age of 65 is not a guaranty that Medicare will cover all your health costs, despite the fact that you have paid Medicare taxes for years. Regardless of age, most people who need long term care are advised to apply for Medicaid.

<u>Medicaid</u>

Over and over we hear from clients that they have been advised to apply for Medicaid by hospitals, nursing homes and caregivers, only to be shocked to find out that they do not qualify because they make too much money or have too many assets. What is one to do when they cannot pay for care, but cannot qualify for Medicaid? Their first instinct is usually to give away their assets to their children. DO NOT DO THIS! You cannot give your assets away to qualify for Medicaid. If you do, in most cases you will be assessed a penalty (ineligibility period). When applying for Medicaid you must report all gifts you have made for five years. So giving away assets is not a Medicaid planning solution.

Medicaid has two financial eligibility requirements: income and resources. To receive Medicaid, you must qualify under both the income and resource tests.

<u>Income Eligibility</u>

Medicaid has an income limit of $1,656 per month for the Medicaid recipient. If the applicant's income is above the limit, but the applicant still cannot afford his or her medical costs, the applicant might be able to qualify using an Income Cap Trust. A simplified version of what happens with a trust is: 1) all of the Medicaid recipient's income is placed in the trust, 2) the recipient receives a personal needs allowance (starting at $75 per month and increasing depending on where the individual lives), 3) Medicaid allowed distributions are made for health insurance, past medical bills, etc., and 4) any remaining funds are paid for the recipient's current medical care. Any money in the trust at the Medicaid recipient's death will reimburse the government for what it paid for the recipient's medical care. In most instances there will be nothing in the trust at the end of each month, except a nominal amount to keep the trust bank account open, because if the recipient could pay all his or her medical expenses Medicaid would not be needed.

When determining income, Medicaid will look at all earned and unearned income of the applicant. Some examples of unearned income are Social Security payments, pensions, retirement, rents and interest.

Resource Eligibility

Resources are all the assets (liquid and non-liquid) that the applicant and applicant's spouse own that can be converted to cash to be used for the applicant's support and maintenance. Yes, that is right. Medicaid will look at the applicant's spouse's assets and take that into account when determining eligibility. All resources are counted unless the resource is specifically exempt or excluded. The following assets are a few of the current exempt and excluded resources: personal residence where the applicant or spouse lives (there is a limit on the amount of equity that is exempt), household effects and a vehicle.

Medicaid has resource limits for both the Medicaid recipient and spouse. The Medicaid recipient is only allowed $2,000 in non-exempt assets. The spouse is currently allowed $119,220 in non-exempt assets. If the couple has assets in excess of the limits, the applicant will not qualify for Medicaid until the assets are spent down below the limit. One way to do this is to invest in exempt assets. The best approach to Medicaid planning and how to spend down assets will be different for each individual and family.

Pioneer Homes

If you need long term care a Pioneer Home might be an alternative to consider. Pioneer Homes cost significantly less than other types of long term care and they also have payment assistance programs. The financial eligibility requirements are similar to those used by Medicaid. The major difference is that the Pioneer Home only has a three year look back on gifts for its payment assistance program instead of the five year look back on gifts for Medicaid.

There is much demand for a spot in the Pioneer Homes. If you are an Alaska resident and are 65 or older, we recommend applying for the Pioneer Homes. There is a wait list to get placed in a home and priority for entry is given based on the date of application, not need of assistance. You can get on the waitlist now, but stay on Inactive Status, meaning you do not want to enter the home now. When you are ready to move into the Pioneer Home you switch your status to Active. Active status requires moving into the Pioneer Home within 30 days of invitation, or you will lose your place in the home and on the wait list.

Out of State Options

Many elderly Alaskans consider moving to the lower 48 for care. Generally care for elderly and disabled individuals costs less there. If you are considering this option, please keep in mind that each state has its own Medicaid eligibility requirements.

Each individual's circumstances are different. The options and information in this article may not be beneficial to your needs. You should contact your legal advisor to make a plan that meets your needs and circumstances. If you would like more information, please contact the author.