

Medicaid Planning Myths: Get Advice, Not Speculation

Medicaid eligibility planning requires a thorough knowledge of the applicant's assets, income, health care requirements and legal documentation. Families must be (or become) aware of their loved one's circumstances in order to resolve the financial, legal and practical issues facing them at the point of long term care placement. Unfortunately, there are many myths about Medicaid which tend to build confusion and fear when they are told to the spouse or children seeking advice. Some of the Medicaid myths we hear can and should be debunked:

- Myth #1: "The nursing home will take your house." False. The nursing home doesn't want your real estate. Single, applicants must sell it and spend down the proceeds before Medicaid will apply. For married applicants, while the house is an exempt resource so long as the well spouse is living there Medicaid pays for the other spouse's care. Special rules can apply in both cases to preserve some or all of the value of the home.
- Myth #2: "Living trusts protect your assets from the required spend-down under Medicaid eligibility rules." False. Since one can always withdraw assets from the trust or revoke it altogether, the assets titled in the trust are available to the owner and are considered as "countable resources" to be spent down before Medicaid benefits will be paid.
- Myth # 3: "Gifts of less than \$13,000 per year do not cause ineligibility for Medicaid." False. The \$13,000 figure represents an amount that is considered de minimis by the IRS, and one may therefore give that sum to any number of persons each year without reporting the gifts. However, those gifts are considered transfers of assets by the folks handling Medicaid eligibility, and under new rules implemented in February 2006, they will come back to haunt the donor who is now applying for Medicaid benefits. Specifically, a person will be ineligible for Medicaid for a period of one month for every \$4,060 given, beginning with the date of application for benefits, not the date of transfer.
- Myth # 4: "You have to disinherit a disabled loved one who is receiving Medicaid or other government benefits." False. While such a loved one should not receive legacies directly, one may leave assets to the trustee of a special needs trust (SNT) naming the loved one as beneficiary. These trusts are designed to allow for distributions of funds

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to enhance the quality of life of your beneficiary without making them ineligible for their entitlements, including Medicaid. Upon the death of the beneficiary, the remaining assets in trust may pass to other beneficiaries.

There are many complex and ever-changing rules, along with equally complicated exceptions, which could affect a family arranging long-term care for a spouse, parent, child or sibling. Word of mouth advice should be ignored where so much is at stake.

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