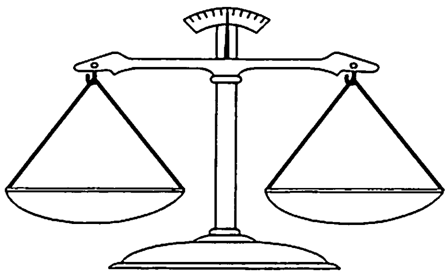
Do You Qualify for Financial Assistance for Nursing Home Care?



THE CONSUMER'S GUIDE TO MEDICAID PLANNING AND DIVISION OF ASSETS

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INTRODUCTION

The decision to move a family member or loved one into a nursing home is one of the most difficult decisions you can make.

Perhaps the move is being made because the family member can no longer care for himself or herself...or has a progressive disease like Alzheimer's...or has had a stroke or heart attack.

No matter the reason, those involved are almost always under great stress.

At times like these, it's important that you pause, take a deep breath and understand that there are things you can do. Good information is available and you can make the right choices for you and your loved ones.

This Consumer's guide to Medicaid Planning and Division of Assets is designed to help you with information and answers to some of the questions you will encounter. These are questions which we, as Elder Law attorneys and nursing home professionals, deal with on a daily basis.

Our clients have found this guide to be a valuable resource, and we hope you will find it useful too.

Americans are living longer than ever before. At the turn of the 20th century, the average life expectancy was about 47 years. As we enter the 21st century, the life expectancy has almost doubled. As a result, we face more challenges and transitions in our lives than those who came before us.

One of the most difficult transitions people face is the change from independent living in their own home or apartment to living in a long term care facility or "nursing home". There are many reasons why this transition is so difficult. One is the loss of home...a home where the person lived for many years with a lifetime of memories. Another is the loss of independence. Still another is the loss of the level of privacy we enjoy at home, since nursing home living is often shared with a roommate.

Most people who make the decision to move into a nursing home do so during a time of great stress. Some have been hospitalized after a stroke, some have fallen and broken a hip, still others have progressive dementia, like Alzheimer's disease, and can no longer be cared for in their own homes.

Whatever the reason, the spouse or relative who helps a person transition into a nursing home during a time of stress faces the immediate dilemma of how to find the right nursing home. The task is no small one, and a huge sigh of relief can be heard when the right home is found and the loved one is moved into the nursing home. For many, the most difficult task is just beginning: *How to cope with nursing home bills that may total $5,000 to $8,000 per month or more?*

How to Pay for Nursing Home Care

One of the things that concerns people most about nursing home care is how to pay for that care. There are basically four ways that you can pay the cost of a nursing home:

1. **Long Term Care Insurance** - If you are fortunate enough to have this type of coverage, it may go a long way toward paying the cost of the nursing home. Unfortunately, long term care insurance has only started to become popular in the last few years and most people facing a nursing home stay do not have this coverage.

2. **Pay with Your Own Funds** - This is the method many people choose at first. Quite simply, it means paying for the cost of a nursing home out of your own pocket. Unfortunately, with nursing home bills averaging around $6,000 to $8,000 per month in our area, <u>few people can afford a long term stay in a nursing home.</u>

3. **Medicare** - This is the national health insurance program primarily for people 65 years of age and older, certain younger disabled people, and people with kidney failure. Medicare provides a short term assistance with nursing home costs, but only if you meet the strict qualification rules.

4. **Medicaid** - This is a primarily federally-funded and state-administered program which pays for the cost of the nursing home if certain asset and income tests are met.

Since the first two methods of private pay (i.e., using your own funds) and long term care insurance are self-explanatory, our discussion will concentrate on Medicare and Medicaid.

What About Medicare?

There is a great deal of confusion about Medi<u>caid</u> and Medi<u>care</u>.

Medi<u>care</u> is the federally-funded health insurance program primarily designed for older individuals (i.e., those over age 65). There is a limited long term care component to Medicare. In general, if you've had a hospital stay of at least three days, and then you need to go into a skilled nursing facility (often for rehabilitation), then Medicare may pay for awhile. (If you are a Medicare managed Care Plan beneficiary, a three day hospital stay may not be required to qualify.)

If you qualify, traditional Medicare <u>may</u> pay the full cost of the nursing home stay for the first 20 days and <u>can</u> continue to pay the cost of the nursing home stay for the next 80 days, but with a deductible that's $148.00 per day. Some Medicare supplement insurance policies will pay the cost of that deductible. For Medicare Managed Care Plan enrollees, there is no deductible for days 21 through 100, as long as the strict qualifying rules continue to be met. So, in the best case scenario, the traditional Medicare or the Medicare Managed Care Plan may pay up to 100 days for each "spell of illness." In order to qualify for this 100 days of coverage, however, the nursing home resident must be receiving daily "skilled care" and generally must continue to "improve." (Note: Once the Medicare and Managed Care beneficiary has not received a Medicare covered level of care for 60 consecutive days, the beneficiary may again be eligible for the 100 days of skilled nursing coverage for the next spell of illness.)

While it's never possible to predict at the outset how long Medicare will cover the rehabilitation, from our experience it often falls short of the 100 day standard. But even if Medicare does cover the 100 day period, what then? What happens after the 100 days of coverage have been used?

At that point, you're back to one of the other alternatives...long term care insurance, or paying the bills with your own assets, or Medicaid.

What is Medicaid?

Medicaid is a benefits program which is primarily funded by the federal government and administered by each state. So the Medicaid rules may vary from state to state.

One primary benefit of Medicaid is that, unlike Medicare (which only pays for skilled nursing), the Medicaid program will pay for long term care in a nursing home once you've qualified. Medicare does not pay for treatment for all diseases or conditions. For example, a long term stay in a nursing home may be caused by Alzheimer's or Parkinson's disease, and even though the patient received medical care, the treatment will not be paid for by Medicare. These stays are called custodial nursing stays. Medicare does not pay for custodial nursing home stays. In that instance, you'll either have to pay privately (i.e., use long term care insurance or your own funds), or you'll have to qualify for Medicaid.

Why Seek Advice for Medicaid?

As life expectancies and long term care costs continue to rise, the challenge quickly becomes how to pay for these services. Many people cannot afford to pay $7,000 per month or more for the cost of a nursing home, and those who can pay for a while may find their life savings wiped out in a matter of months, rather than years.

Fortunately, the Medicaid Program is there to help. In fact, in our lifetime, Medicaid has become the long term care insurance of the middle class. But the eligibility to receive Medicaid benefits requires that you pass certain tests on the amount of income and assets you have. The reason for Medicaid planning is simple. First, you need to provide enough assets for the security of your loved ones – they too may have a similar crisis. Second, the rules are extremely complicated and confusing. The result is that without planning and advice, many people spend more than they should and their family security is jeopardized.

Exempt Assets and Countable Assets: What Can You Keep and What is at Risk?

To qualify for Medicaid, you must pass some fairly strict tests on the amount of assets you can keep. To understand how Medicaid works, we first need to review what are known as *exempt* and *non-exempt* (or countable) assets. *Exempt assets* are those which Medicaid will not take into account (at least for the time being). In general, the following are the primary exempt assets:

- Home, (equity up to $536,000). The home must be the principal place of residence. The nursing home resident may be required to show some "intent to return home" even if this never actually takes place.
- Personal belongings and household goods.
- One car or truck.
- Income-producing real estate.
- Burial spaces and certain related items for applicant and spouse.
- Up to $1,500.00 designated as a burial fund for applicant and spouse.
- Irrevocable prepaid funeral contract.
- Value of Life Insurance if face value is $1,500 or less. If it does exceed $1,500 in total face amount, then the cash value in these policies is countable.

All other assets are generally non-exempt, and are countable. Basically, all money and property, and any item that can be valued and turned into cash, is a countable asset unless it is one of those assets listed above as exempt. This includes:

- Cash, savings and checking accounts, credit union share and draft accounts.
- Certificates of Deposit.
- U. S. Savings Bonds.
- Individual Retirement Accounts (IRA), Keogh Plans (401K, 403B).
- Nursing home accounts.
- Prepaid funeral contracts which can be cancelled.
- Trusts (depending on the terms of the trust).
- Real estate (other than the residence).
- More than one car.