MARTELLA LAW FIRM, PLLC

Will Medicaid Pay for Your Nursing Home?

TOO OFTEN, the first time anyone thinks about how they are going to pay for nursing home care (also known as skilled nursing care), is when they, or a loved one, needs it. Most of us assume that we will go on living our relatively healthy lives and it is not something that we need to think about.

Unfortunately, if you have assets that you would like to pass on to your spouse, your children, other loved ones, or your favorite charity, without knowing the facts I am going to share with you, at a **cost of $10,000 to $15,000 a month for a nursing home**, your hard-earned nest egg can be eaten up fast! In this article I will share with you **five facts** that relate to Medicaid and the payment of nursing home care that you need to start thinking about now. For purposes of this article, I am going to assume that the applicant meets Medicaid's "medically needed" requirement for nursing home care and I am going to focus on the financial considerations and requirements to qualify for Medicaid payments for your nursing home care.

1. Income Limitations

First, you must remember that **MediCARE DOES NOT** cover nursing home costs. Only **MediCAID** covers those costs if you qualify. It is a joint program between the Federal government and the States. The States set their own rules. Therefore, each state has different rules. What I will share in this article only applies to FLORIDA residents. If you live in another State, you need to consult with counsel licensed to practice in your state familiar with your state's Medicaid rules.

The first hurdle we have here in Florida to qualify for Medicaid is an **income limit**. If you make more than **$2,901* a month**, you will not qualify. For example, if you have Social Security income of $2,500 a month and a pension of $901, you are over the income limit by $500. If you are looking at a monthly bill for care of $10,000 and don't have any retirement savings, what happens? While this sounds scary, we can get you qualified by using an irrevocable trust called a **"Qualified Income Trust"** where the extra $500 is put into the trust and paid over to the nursing home, and then Medicaid picks up the monthly cost difference.

If you are married, the good news is that your spouse can make as much income as they want, and it does not count against you. Also, if they do not make a minimal monthly income, they may be entitled to some of your Social Security as well.

2. Asset Limitations

This is usually the real shocker for people when applying for Medicaid. If you are single, here are the most common assets you get to exclude from your asset calculation: a.) a home, furnishings, and personal belongings; b.) a car; c.) a burial plot; d.) certain retirement funds if periodic payments are being made; e.) income producing property; f.) Medicaid qualified annuities; and e.) $2,000. Therefore, if, for example, you have $20,000 in a checking account, $30,000 in a CD and $50,000 in stocks and bonds for total non-excluded assets of $100,000, after deducting the $2,000 you get to exclude, you would have to pay out $98,000 to the nursing home before you would qualify for

Medicaid benefits. If you are married, you also must include ALL of yours and your spouse's combined assets and the total assets your spouse can then exclude is **$157,920*.**

Therefore, if your spouse has an additional $100,000 in cash, savings and stocks and bonds, in my above example, you would have combined non-excluded assets of $198,000. Deducting the $157,920 exclusion leaves $40,080 to be paid down before the applying spouse qualifies for Medicaid benefits. I discuss below how you can protect some of these assets.

3. Five Year Lookback Penalty

One question that I often get asked is: "What if I transfer my assets to my kids so I can qualify for Medicaid?" While that is a strategy you can employ, there are some issues. Can you trust your child? What if your child had creditors that will try to attach it down the road? While those are serious concerns, the real concern from a Medicaid standpoint is that there is a five-year lookback period for transfers for "less than fair market value." For example, if you gave your daughter $100,000 for a down payment on her house two years ago, Medicaid would penalize you at the rate of **$10,438*** a month, or 9.58 months, before you would qualify for Medicaid benefits.

For this reason alone, it is important to start planning well before you may need nursing home care.

4. Crisis Planning

Crisis planning is what we refer to when someone is about to enter a nursing home or is already in a nursing home and needs to apply for benefits. If that person has too much income or too many non-excluded assets to qualify, that is where we can assist you in qualifying for benefits to reduce your income through a Qualified Income Trust and applying other strategies, such as a **Caregivers Agreement** gifting, promissory notes, **spousal refusal** and qualified annuities to preserve a portion of your assets and getting you qualified as soon as possible for Medicaid benefits.

5. Proactive Planning

As I am sure you have concluded by now, being proactive is the best approach to Medicaid planning because it is done on a thoughtful basis, bringing in all your professional advisors such as your accountant and investment advisor, as well as your trusted family members. Using this approach, you can take advantage of our process which includes a "Family Asset Protection Blueprint™" where we analyze your current financial situation and provide you with options and recommendations to preserve your assets which may include an irrevocable trust, purchasing an income producing property, setting up Medicaid qualifying annuities or making sure your retirement accounts qualify to protect the principal.

Finally, I am often asked: "When should we start planning." The short answer is if you are over 50, now.

However, if you are beginning to suffer from more and more medical issues and, especially if there is the onset of dementia, then the answer is to start taking action immediately, while you are still competent, to avoid the five your lookback period penalty. If you are incompetent and do not have a proper power of attorney in place, your family will have to first apply for a guardianship before applying for Medicaid.

For a complimentary, confidential consultation with me, Mark Martella, Esq., please call 941-867-6865 or e-mail me at mark@martellalaw.com.

* This figure changes annually and is for 2025.