

Understanding Medicaid Eligibility

by Gary Villnow

What is Medicaid?

Medicaid is a federal program that provides payment for medical care for eligible individuals. For the purposes of this article, Medicaid is the program that pays for the costs of care in a facility such as a nursing home.

Why is Medicaid eligibility important?

The cost of residing in a nursing home is approximately \$7,000 per month. At that rate of spending, a person residing in a nursing home may completely deplete his or her assets in a relatively short period of time. Assets that would be depleted could include cash assets, investments, and real estate. Many people would like to preserve assets and pass them on to their heirs. Achieving Medicaid eligibility may stop the depletion of assets and allow for the passage of assets on to heirs if proper planning is applied. Medicaid is an important program because the cost of long-term care is not covered by Medicare. Even for individuals who are not concerned with estate preservation, most individuals who need care in a nursing home for extended periods will eventually deplete their assets and will be unable to pay for their care. At such time, Medicaid is available to pay the difference between the income of the Medicaid recipient and the actual costs of care, including room and board in a nursing home, medical expenses, and medications.

How do I become eligible for Medicaid?

Eligibility for Medicaid is determined based on the value of assets owned by a person, together with the income of that person. In the case of married persons, the assets and income of both spouses are considered in the determination process. A single person must have \$2,000 or less in available assets to qualify for Medicaid. In a situation where one spouse is residing in a nursing home and the other is in the community, the spouse in the community can have between \$50,000 and \$104,400, depending on the assets the couple had when the spouse who is residing in the nursing home was admitted. An available asset is an asset that can be sold, transferred, liquidated, or used for a person's care, support, and maintenance.

Can I gift assets to become eligible for Medicaid?

A person can gift assets to become eligible for Medicaid benefits, but there are consequences to gifting for this purpose. When an application for Medicaid benefits is made, the applicant will be required to report gifts which are given in the five-year period immediately prior to the application. If a gift was given in that time period, the applicant will be ineligible for Medicaid benefits for a period of time which is called the penalty period. The length of the penalty period depends on the amount of the gifts. The penalty period starts on the day the person applies for Medicaid benefits and is otherwise eligible.

Can I become eligible for Medicaid without gifting?

Several procedures are available and permitted by the Medicaid rules which will allow for Medicaid eligibility without spending a person's entire estate or having to wait for the expiration of a lengthy penalty period. The procedures available depend on the amount

of assets, the type of assets, and the marital status of the applicant. The procedures include converting available assets into unavailable assets, utilizing exemptions allowed by the Medicaid rules, and repositioning assets.

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