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**"Accumulating wealth is one thing. Preserving it is another.
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Special Report

Myths About Medicaid

The federal and state Medicaid regulations are extremely complex and few people take the time to read and understand the rules regarding applying for Medicaid. Those that do take the time describe them as confusing, cumbersome and in some instances vague. Because of their complexity there are many myths regarding the actual eligibility rules for Medicaid. In an effort to dispel some of the rumors regarding Medicaid eligibility that we hear on a daily basis, this special report is intended to clarify some of the common misconceptions.

1. The government will take my house. This first myth is something we hear in almost every initial consultation. People are constantly worried the government will take their home if they apply for Medicaid. There are rules associated with qualifying a house as an exempt asset for Medicaid eligibility. There also is an estate recovery program which allows the department to place a lien on a home or recover from the estate of a deceased Medicaid recipient. Upon application, however, the government cannot take the person's house. There are numerous planning techniques to preserve the equity in the home for future generations which are legal under the regulations.

2. Donations to charity do not count as transfers. Many of our clients are charitably inclined and we run into this issue on many occasions while applying for Medicaid. Unfortunately, under the regulations any donation to a charity is considered a transfer under the Medicaid rules. Transfers create periods of ineligibility. A period of ineligibility means from the time the person is otherwise eligible and applies for Medicaid the person will have to privately pay until the end of the period of ineligibility. If you are charitably inclined but may need Medicaid in the future, it is important to talk to someone knowledgeable about planning in advance so you are aware of the period of ineligibility you are creating.

3. The account is a joint account so it is not my asset. Many people add their children to their bank accounts as a way for their children to have access to the money should something happen to the parent. While this can be a convenient planning technique, it potentially has adverse consequences. A joint account by definition means both parties have equal right to the entire amount of the account. Upon applying for Medicaid, half of the amount will be considered a transfer to the child while the other half will be considered an available resource to the applicant. In order to remedy this, the child's name must be taken off the account. It is often difficult for banks to take one person's name off the account without closing the account and reopening it solely in the individual's name. This can have adverse consequences for automatic deposits of Social Security or other retirement income sources.

4. I can't give away any of my money and be qualified for Medicaid. Under the current regulations a person can lawfully give away some of their assets and still qualify for Medicaid. This has to be done thoughtfully and carefully while taking into consideration the effect the transfer will have on the eligibility of the applicant. A transfer creates a period of ineligibility. There are ways to pay for the individual's care during that period of ineligibility and still qualify them for Medicaid upon the exhaustion of the period of ineligibility. This should not be done without the advice and counsel of an attorney because adverse consequences could result.

5. I have to be in a nursing home to receive Medicaid. There are many different programs under the Medicaid umbrella. Many Medicaid services are home-based community services, meaning they are provided in either the individual's home or at an independent living facility. While the individual must meet the level of care required to be eligible for Medicaid, the person does not need to be in a skilled facility prior to applying for Medicaid. Assisted living facilities may also be paid for under the Medicaid program. If planned properly, Medicaid can provide resources in the individual's home, allowing them to stay in the community longer. As that person progresses through assisted living and into skilled care, Medicaid will follow the recipient along the aging process.

6. Both my spouse and I have to have resources under \$2,000 before one of us will qualify. If one person in a couple needs Medicaid but the other does not, the regulations provide for spousal protection for the community spouse. The institutionalized spouse must spend down their assets to under \$2,000. This can be done by either spending the money or transferring the money to a spouse. Transfers between spouses do not create a period of ineligibility. The community spouse can keep assets valuing up to \$137,400 for 2022. In 2023 the amount a community spouse can keep is expected to increase to \$148,620. This number is above and beyond the exempt resources of a house, a car, a small life insurance policy and funeral or burial plans. If both spouses need Medicaid, their combined resources must be less than \$3,000, if in a shared room, \$4,000.