

Medicaid & Long-Term Care Costs

–MontGuide
199511



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Major Concern

• Will costs for long-term care exceed my/our savings?



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Research

• 43% spend time in nursing home



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Average Stay

- 55%
 - At least one year
- 21%
 - 5 or more years



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Nursing Home Care Costs 2010

- Montana Average
 - \$ 5,652.67 monthly
 - \$ 67,832 yearly



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Who Pays????



- Residents & Families 32%
- Medicaid 61%
- Medicare 7%

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4 Ways to Provide for Long-term Care COST\$



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Ways.....#1

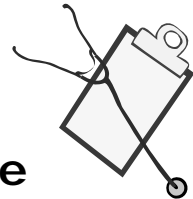


- Use Personal Resources
 - Current income
 - Savings/Investments
 - Sale of assets

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Ways.....#2

- Purchase long-term care insurance



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Example Policy Costs

Age	Cost Yearly	Cost Monthly
40	\$1,320	\$110
50	\$1,920	\$160
60	\$2,760	\$230

* Sample costs are from one insurer with a 90-day waiting period & \$150 per day maximum benefit.

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Montana Insurance Dept.



- 1-800-332-6148
- Montana Consumer's Guide to Long-Term Care

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Senior & Long Term Care Division

• 1-800-332-2272

– Montana Legal Guide to Long Term Care Planning



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Ways.....#3

• Depend on relatives to pay nursing home costs



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Ways.....#4

• Medicaid
– 60% of Montanans in nursing homes receive assistance



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Eligibility Requirements



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Montana Eligibility Tests

- Circumstances
- Assets
- Income



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Circumstances

- Group covered by Medicaid
- Permanent U. S. resident
- Montana resident
- Social Security number
- Financial Need (DPHHS)



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Assets Test (*Resources*)



- Countable
- Excluded



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Countable Resources



- Property
 - Real (land)
 - Personal (financial accounts)

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Countable Resources:



- Non-home real estate
- Vehicles
- Checking & savings accounts



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Countable Resources:



- Investments
 - Stocks
 - Bonds
 - Mutual funds

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Countable Resources:



- Retirement Plans
 - Keogh accounts
 - IRAs
 - SEPs, SIMPLES

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Countable Resources:



- Retirement Plans (con'd.)
 - 401 (k) plans
 - 403 (b) plans
 - 457 plans

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Countable Resources

- Life estates
- Oil & mineral rights
- Assets in living (*revocable*) trusts



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Countable Resources

- Any asset over which individual has control



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Excluded Resources



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Excluded Resources

- Home (Single Person)
 - If applicant was living in it & expects to return to it within 6 months



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Excluded Resources

- Home (value less than \$500,000)
 - If used as primary residence by
 - Spouse
 - Other dependents



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Excluded Resources

- Personal Effects
- Ordinary Household Goods



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Excluded Resources



- Cash value of life insurance
 - Total value of \$1,500 or less

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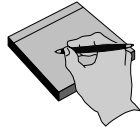
Excluded Resources



- Burial plot
- Burial fund
 - \$1,500

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Excluded Resources



- Irrevocable burial contract
 - On Montana approved form with funeral home

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Excluded resources



- Income producing property
- Up to \$6,000 of equity value



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Excluded resources



- Livestock, if:
 - Used to produce income
 - Raised for home consumption
 - Used as pets



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Marital Assets



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Marital Assets

- Assets of both spouses are included
 - Regardless of whose name appears on titles



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Marital Assets

- Includes all separately & jointly owned real & personal property



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Joint Tenancy Property

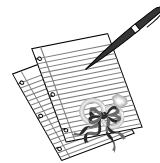
- All included
 - Even if children or grandchildren's names are on document



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Solely Owned

- Includes all property in separate names of spouses



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PreMarital Agreement

- Doesn't matter
- All property is *countable resource* for Medicaid Eligibility test



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Andy & Nancy

- Each had wills bequesting separate property to their respective children



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Nancy & Andy 6 months later



- Andy is diagnosed with Alzheimer's disease
- All property of both are *countable resources*

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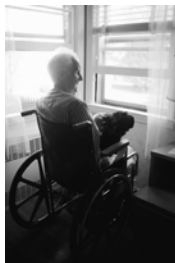
Community Spouse



- Spouse who lives outside the nursing home

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Institutionalized Spouse



- Spouse who lives in the nursing home

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Community Spouse Protection



- Can keep up to one-half of value of countable assets (2010)
 - Minimum \$21,912
 - Maximum \$109,560

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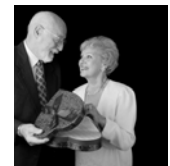
Bonnie & Sam

- Assets = \$25,000
- Can keep minimum \$21,912



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Betsy & Bill



- Assets = \$70,000
- Can keep one-half
 - \$35,000

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Budd & Sara



- Assets = \$218,000
- Can keep maximum
 - \$109,560

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Amounts over limit: Spend-down amount

- Available resources must be spent down to \$2,000 for nursing home spouse



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Frank & Catherine

- Assets = \$200,000
 - Keep \$109,560
 - Reminder of \$90,440 must be spent down to \$2,000 before Frank is eligible for Medicaid



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Assets: Couple with children from prior marriage

- Andy = \$100,000
- Nancy = $\frac{\$800,000}{\$900,000}$



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Nancy Keeps



- Maximum: \$109,560
- Remainder: \$790,440
 - Must be spent down to \$2,000 before Andy is eligible for Medicaid

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Assets Test Summary



- Countable Resources
- Excluded Resources



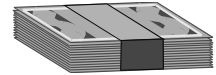
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Income Test for Medicaid Eligibility



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Countable Income



Most income received
in name of Medicaid
applicant is countable

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Countable Income Examples

- Social Security
- Retirement pensions
- Railroad retirement
- VA benefits



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Countable Income Examples (con'd.)

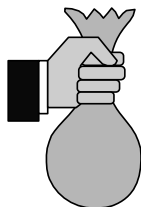
- Lease & rental
income
- Dividends
- Interest earnings



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Countable Income Examples

- Trust income
- Annuity
payments



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Personal Needs Allowance

- \$50 per
month



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Health Insurance



- Can pay monthly premium cost from income

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Income Rule



- Income of an individual in a nursing home must be used to pay for care

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Medicaid eligibility

- If applicant's cost of nursing home care is greater than income, income test is met



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Bruce: \$2,000 income



\$50 personal care allowance
\$550 health insurance
\$600 total allowance

\$2,000
- \$600
\$1,400 available income for nursing home cost

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Available Medicaid Payment

Cost of Bruce's Care	\$5,652
Income	<u>\$1,400</u>
Balance	\$4,252

- \$4,252 Paid by Medicaid

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Marital Income



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Community Spouse

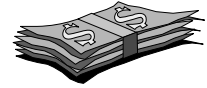
- Can keep all income paid solely in his or her name



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Institutionalized Spouse

- All income in nursing home spouse's name is counted for the income test



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Income in names of both spouses' will usually be attributed:

- 1/2 institutionalized spouse
- 1/2 community spouse



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Community Spouse

- Monthly Allowance up to maximum – \$2,739
- 2010 figure



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Calculation for monthly allowance



- Home maintenance costs:
 - Rent or Mortgage
 - Insurance
 - Taxes
 - Utility Charges

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Community Spouse

- If he/she has sufficient income no monthly allowance granted



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Application Process for Medicaid Eligibility

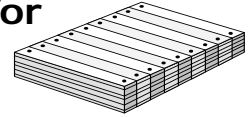


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Forms



- Resource Assessment
- Pre-screening Medical Determination
- Application for Assistance



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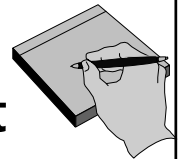
Resource Assessment



- Based on first day of the month that an individual entered nursing home

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Resource Assessment

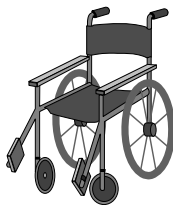


- DPHHS Form
 - HCS 457 or
 - HCS 245

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Pre-screening determination

- Is the applicant in need of long term care services?



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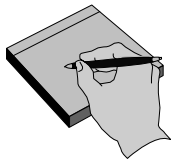
Pre-screening



- Mountain Pacific Quality Health Care Foundation
1-800-219-7035

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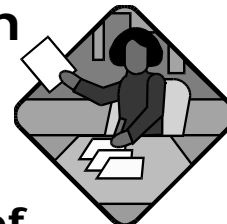
Application



- Montana
 - County Office of Public Assistance

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Decision on Eligibility



- 45 days from date of application

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Denial



- Request hearing
 - Written request within 90 days

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Approved



- Issued a one-time permanent card
- Used to access eligibility data



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Front of Card



- Individual's Name
- Date of birth
- Client I.D. number
 - Not Social Security Number

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Summary Eligibility Requirements

- Medical Need
- Assets
- Income



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Transfer of Property Rules



Become “impoverished” to qualify for Medicaid Assistance

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Consequences

- Legal
- Tax
- Emotional



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Look-Back Rules

- Assets transferred on or after:
 - February 7, 2006.



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Look-Back Rules

- 3 years
 - Most transfers
- 5 years
 - Trusts



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Period of ineligibility



- Depends on:
 - Value of gift or transfer
 - When it was made

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Period of ineligibility



- Number of months that would otherwise be required to spend the uncompensated value on nursing home care

90

Value based on average cost per month of nursing home care in Montana

- \$ 5,652.67  –2010 figure

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Example: John gifted stocks valued at \$182,000 in 2010

- Adult children & spouses
- Grandchildren
- No gift tax
- Annual Exclusion \$13,000 for each



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Ineligibility Calculation

- Value of Gift
–\$182,000 ÷
- Nursing Home Costs
\$5,652.67 = 32.20 months



93

Period of Ineligibility

- John not eligible for Medicaid for a little over 2 ½ years



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Transfers made before the look back period:

- Do not affect Medicaid eligibility



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Excluded Transfers

- Home; if lived in by
 - Community spouse
 - Child less than age 21
 - Adult child
 - Blind or permanently disabled



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Excluded Transfers



- Home, if
 - Child lived in home
 - Provided care to parent for at least 2 years
 - Care allowed parent to remain at home

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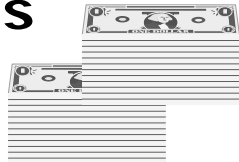
Excluded Transfers



- Home, if
 - A sibling owns an interest & has lived there for one year

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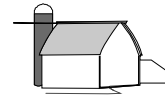
Role of Trusts in the Protection of Assets



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What is a Trust??

- Legal arrangement whereby an individual transfers assets into a trust



100

Beneficiary?



- Person(s) or organization(s) to whom the trustee distributes trust income or principal

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Revocable Living Trust

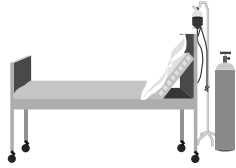
- Created during owner's lifetime



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Revocable Living Trust

- Can be changed anytime
- Considered as available resource for nursing home costs



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Irrevocable Trust

- If payment from trust could benefit individual in nursing home then considered an available resource



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Trusts

- Contact an attorney to obtain legal advice



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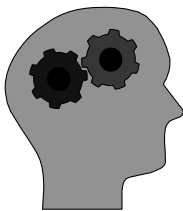
Consequences of Giving Away Assets

- Emotional
- Perspectives



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Emotional Consequences?



- Feelings of older adults of being on "welfare"

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Medicaid patients

- Often more difficult to place
- Move more often



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Tax Consequences

- Federal Estate Tax
- Federal Gift Tax
- Income Tax
 - Capital Gain



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Basis in Property

- Stepped up Basis at death of owner
- Carryover Basis when gifted during life of owner



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Present Law

- Real & Personal Property receives *stepped-up basis* in value at death of owner



111

Stepped-up basis

- Fair Market Value
- Date of death of owner



112

Grandma's House

- Purchased
 - \$ 40,000 in 1950
- Value in 2009
 - \$400,000



113

Bequest to Granddaughter

- House receives stepped-up basis of \$400,000 when Grandma dies



114

Tax Status

- NO Federal Estate Tax because under \$3.5 million (2010)
- No Montana Inheritance Tax



115

Tax Status

- Granddaughter sells house at stepped up basis in 2010
 - \$400,000
 - No Capital gain tax



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Gift

- Property received as gift receives *carryover basis* in value



117

Carryover Basis When Gifted

- Grandma's basis of:
 - \$40,000 becomes Granddaughter's basis in home



118

Federal Gift Tax

- Gifts are subject to federal gift tax
- Fair market value at date of gift



119

Gift

- \$400,000 Gift
 - \$13,000 Annual Gift Exclusion
 - \$387,000 Subject to Federal Gift Tax



120

Federal Gift Tax

- No federal gift tax paid because
 - Up to \$1 million can be gifted without a federal gift tax



121

Granddaughter sells

- \$400,000 Sale Price
- - 40,000 Basis
- \$360,000 Capital Gain for Granddaughter



122

Carryover basis

- Appreciation in asset value above its basis subject to capital gain taxation upon later sale



123

Federal Tax Status

- \$360,000
 - X .15
 - \$54,000 potential Capital Gain Tax for Granddaughter



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Results



- From a tax savings perspective, bequests are *better* than for gifts

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Summary Tax Consequences

- Federal Estate Tax
- Federal Gift Tax
- Income tax
 - Capital Gain



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Grandpa Gifts Farm



- Value
\$2,000,000
- Basis
\$40,000

127


Federal Gift Tax

- Grandpa's Tentative Gift Tax on
\$2,000,000
–\$429,600




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Federal Gift Tax

- Computation 
\$775,400 Tax
\$345,800 Applicable Credit
\$429,600 Due


129

Gifts to Grandson

- If grandson sells: 
\$ 2,000,000 Value
– \$ 40,000 Basis
\$ 1,960,000 Capital gain

130

Gifts to Grandson

- On \$1,960,000 capital gain (assuming 15% tax rate)
- Capital gain tax
–\$294,000 

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Grandpa Bequests

- Stepped-up value at date of death
–\$2,000,000 

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Grandson Sells

- No capital gain tax
- No federal estate tax
- No Montana Inheritance Tax



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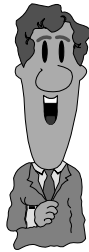
Medicaid Lien & Estate Recovery Program



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Federal Mandate

- States are required to:
 - Recuperate costs for Medicaid recipients who pass away



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Lien



- Must be paid before title to property can be sold or transferred

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Robert: House \$75,000



- Creditors
 - Medicaid \$24,000
 - Funeral + \$8,000
 - Probate + \$2,000
 - Total \$34,000

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Son Inherits

\$75,000 Estate Value
– \$34,000 Expenses
\$41,000 Left for Son

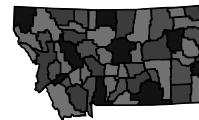
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Recovery procedures while Medicaid recipient living



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Montana



- Files lien on real property owned by Medicaid recipient



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Medicaid Estate Recovery Program



• 1-800-694-3084

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Sources of Information about Medicaid



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Senior & Long Term Care Division

- Can Medicaid help me with my nursing home bills?



• 1-800-332-2272

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Medicaid Recipient Hotline

• 1-800-362-8312



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Public Assistance Office

- Medicaid Eligibility Specialist
- Telephone book
– Name of county



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