

You Just Thought You Knew About Medicaid

One thing has always been consistent within our government...hang around long enough and they are sure to make it worse. Many of you reading this today may have loved ones that are being faced with the possibility of a confinement into a long term care facility and are dealing with the thoughts of how to pay for such indebtedness. Your choices are paying for it out of pocket privately, be one of those diligent individuals that acquired long term care insurance early on or apply for federal benefits. You may be thinking,

“We will just file for Medicaid benefits like our neighbors did last year.”

Well folks, allow me to be the first to tell you that the rules of last year are not the rules of today. On February 8, 2006, President Bush signed into law what is known as the Deficient Reduction Act (D.R.A.) commonly referred to by elder attorneys and estate professionals across this nation as The Nursing Home Bankruptcy Act due to the changes that occur on 28 pages of the 700 or more pages of this new law. Of the 15 guidelines and rules used in past years, 11 of them have been either altered or eliminated by this new bill and will catch many families off guard. These new guidelines will have the greatest affect on the single applicant the most but will affect couples who are faced with such an issue as qualifying for benefits under the new D.R.A. as well.

Though the federal government placed these new laws into effect on February 8, 2006, the state of Tennessee is expected to begin enforcing them as early as July 1, 2006. The most commonly known rule of the past being affected is that of the Look-Back Period. I have been in lines at the grocery store and have overheard conversations that say,

“You have to watch that 3 year look-back period you know. It really caught my neighbor off guard.”

Well, folks, that three year look-back is now five years and before 2006, it was calculated from the date of the transfer or gift. Now the clock begins the day you file for benefits looking back a full five years. This will affect many families right here in Tennessee that have taken advantage of the Internal Revenue Service's (IRS) rules involving annual lifetime gifting. You must remember that the IRS and the Medicaid rules mix like oil and water.

Another commonly understood rule of the past was the dealings with the Spend-Down of the estate. Under the old rules, a senior adult could gift up to \$3,300.00 to an individual of choice each and every month leading up to the filing for benefits. This was commonly referred to as Rounding-Down ones estate. This rule has been replaced under the new guidelines with the Aggregate Rule. Under this new rule, all monthly gifts shall be added up and considered as one single transfer amount and divided by the state divisor to determine the proper penalty period of not receiving Medicaid benefits.

The remaining rules that have been altered or removed deal with those issues of life estate usage of real estate, the exemption of the personal home by the new Homestead Act even if there is still a surviving spouse living in the residence in some cases, loan and real estate contracts, continuing care contracts of retirement communities, annuities, gifting and income protection.

These and other changes will force families to begin this type of planning much earlier in their lives than ever before. If you do not understand what you are doing, you could be walking into a hornet's nest when it comes to your attempt to qualify for these much needed benefits. You owe it to yourself to seek a professional who is fully versed in these and other laws that could be affecting you and your loved one's lives.

Be smart ...and learn how to work the system before the system works you!

For more information, contact Mike Verble, president of Verble Estate Preservation & Advisors, LLC at 615-373-2733.