



Joe Gahm

Changing MEDICAID Eligibility Rules

By Joe Gahm, CLTC

For years, Elder Law Attorneys have advised their wealthy clients on strategies to impoverish themselves to qualify under Medicaid (the Government's program of Nursing Home care for the indigent), thereby preserving the family's assets for their heirs. On February 8, 2006, all this changed when President Bush signed into law "The Deficit Reduction Act of 2005." The most visible provision of this law, as applies to qualifying under Medicaid, is that the look-back period for transfer of assets has been extended from three years to five years.

As bad as this seems, this is not the half of it. The real killer is that the Government changed the rules on how these transfers are recovered! Under the old rules, the Government divided the amount of money transferred by the average cost of a Nursing Home stay to obtain the number of months that that money could have sustained the patient in a Nursing Home. They then subtracted the number of months between the actual date the patient qualified for Medicaid and the original date of funds transfer to determine how many months, if any, the family would have to pay before Medicaid would start picking up the costs. The number of months from the date of funds transfer to the date the patient qualified under Medicaid was included in the calculation. For example, if the average cost of a Nursing Home stay is \$5,000/month, and if the patient made a transfer of \$50,000 to a family member on January 1, 2005, and then subsequently qualified for Medicaid on January 1, 2006 – then Medicaid would start paying on January 1, 2006, because the \$50,000 transfer was essentially deemed to have been used up in the first 10 months of 2005 (\$50,000/\$5,000 = 10 months).

Under the new rules, the official beginning date for the transfer month is now on a "look-forward" basis, meaning that in the previous example, the \$5,000/month would not apply before the patient qualifies under Medicaid on January 1, 2006. This means that the Medicaid patient would have to use personal resources

during his first ten months of Medicaid eligibility! This calculation now takes place for all transfers of assets over the previous five years prior to the date the patient qualifies under Medicaid rules! The IRS allowed \$10,000/year tax exempt gifting per child is not exempt from the asset transfer rule. Also, your home, which used to be an exempted asset under the old rules, in many cases is no longer a protected asset! [NOTE: The explanations above have been purposely simplified to conserve space. For additional questions about the changing Medicaid eligibility rules, you may contact Joe Gahm at (443) 880-2600.]

For a majority of retirees with assets of a couple hundred thousand dollars to \$2M, the only practical protection available today is Long Term Care Insurance (LTCI). This insurance is designed to protect your spouse and/or your family from the devastating financial consequences of an unplanned chronic illness, accident, or dementia. LTCI is available from many of the largest and most reputable insurance companies in the world. This insurance pays for care in your own home, in an Assisted Living Facility of your choosing, or in a Nursing Home. Because you most likely will not need to use these plans for many years, all plans are offered with inflation protection features to protect against the rising cost of health

care. An additional benefit of having such a plan in place is that your family will be able to choose from among the wide variety of care options and facilities available in your area at your time of need.

MAGGIE'S MEMO:

Joe Gahm, founder of the DELMARVA LTCI CENTER, has assisted hundreds of older workers and retirees on protecting their hard-earned assets from chronic health issues. After a highly successful business career, a personal experience drew Joe's attention to the financial risk of chronic health issues in retirement. Joe has developed a specialty in working with folks who are rightfully concerned with losing their assets in their later years.

MAGGIE SAYS:

One of Joe's recent customers was quick to tell us that he found Joe to be very professional, thorough, up-to-date and above all, honest. A second related that following her experience with her parents, she went looking for protection for herself and her children. "Joe was very responsive," she told us. "He walked me through everything [until] I had no questions left. I was very pleased. I have since talked to others and Joe's product is still the best as far as price and being the coverage I wanted." Don't wait until it's too late - call Joe at DELMARVA LTCI CENTER, 443-880-2600.



Avoid Mistakes in Buying Long-Term Care Insurance



Provided to you by

Joe Gahm, CLTC



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