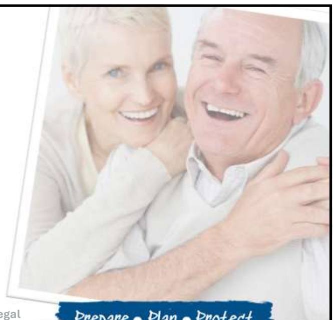
Understanding Medicaid – What You Should Know



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Seven Misconceptions

1. If I run out of money, I will immediately qualify for Medicaid.
2. We will have to sell our house, and my spouse will have no place to live.
3. My spouse will have to spend all our assets to qualify.
4. It is too late to protect my assets.
5. My income is too high to qualify for Medicaid.
6. If I put all my assets in my spouse's name, I can qualify for Medicaid.
7. If my assets are in a living trust, they are protected.

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What is Medicaid?

- A joint State and Federal program
- Each state has different rules about Medicaid eligibility
- Maryland has a five (5) Year Look Back Period from month of application
- Designed to assist Americans with low income and low assets
- Individuals must meet **both financial** and **medical eligibility** requirements
- If approved, Medical Assistance Benefits can be used for:
  - Long Term Care (i.e. Nursing Home, Adult Daycare, some Assisted Living situations
  - Daily Medical Needs in the Community

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Medicare is NOT Medicaid

Medicare…

- Is a federal program
- Provides medical insurance coverage for individuals over 65
  - Available to disabled people under the age of 65
  - Individuals with end-state renal disease
- Has four parts:
  1. Medicare Part A (Hospital Insurance)
  2. Medicare Part B (Medical Insurance)
  3. Medicare Part C (Medicare Advantage Plan)
  4. Medicare Part D (Prescription Drug Coverage)

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Activities of Daily Living/ Normal Daily Activities (COMAR 10.07.14.02)

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Waiver Program

Financial eligibility for the Waiver Program is NOT the same as long term care Medicaid. Program assesses INCOME and Assets.

2025 Income Limit:	$2,901/month
Asset Limit:	$2,000.00

In order to apply for the Waiver Program, an individual must be either:

A) Invited to apply from the Registry; OR

B) In a nursing home for 30+ days and receiving long term care Medicaid benefits.

As of 2025… 6,348 slots for Waiver
21,000 + individuals on the registry

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Long Term Care

Assets must not exceed $2,500.00 the first of each month that the individual is being considered for Medicaid coverage.

Asset limit when transfers have occurred is $2,000.00.

For an institutionalized person with a community spouse, there is a process for determining the amount of assets the spouse can retain, resource assessment. The resource assets is an evaluation of the couple's total combined resources as they existed at the beginning of the first continuous period of institutionalization.

Minimum limit for 2025: $31,584.00
Maximum limit for 2025: $157,920.00

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Medicaid Exemptions

(not counted toward eligibility)

A person's home will not be counted if:

- It is the principal place of residence or the individual plans to return to the home.
- A spouse resides in the home.
- Disabled children.

Vehicles owned by the individual and/or spouse

Ordinary household items

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Medicaid Exemptions Continued

(not counted toward eligibility)

Burial spaces/irrevocable funeral service trust

Term or group life insurance

Protected assets to become Medicaid eligible

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Medicaid Eligibility

Bank Accounts
Stocks
Savings Bonds
Property/House
Whole Life Insurance Policies
Valuable Collections
Mutual Funds
Retirement Accounts
Recreational Vehicles
Five Year Look-Back on All Transfers/Gifts
Penalty Divisor: $11,513

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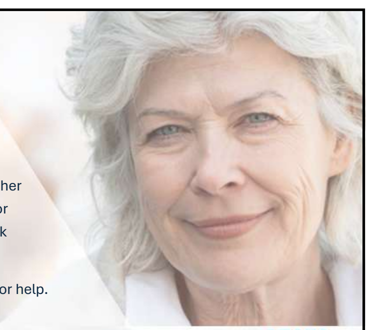
Meet Mary (82)

After a Dementia diagnosis, Mary enters a nursing home.

To avoid losing her life's savings to the nursing home, she wants to gift some of her wealth to her children, set funds aside for things not covered by Medicaid, and seek Medicaid benefits.

Mary turns to a local elder law attorney for help.



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Mary's Goal

Obtain Medicaid eligibility as quickly as possible while preserving her assets and creating a transfer to her heirs for ancillary expenses while she is living. Then, pass assets to her heirs upon her death.

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Case Facts

- Mary's income = $1,875
- Mary's Assets = $145,000
- Divestment Penalty Divisor = $11,513
- Cost of Care = $12,000

Determine the Spend-Down Amount

Mary is allowed to keep **$2,000** in countable assets as her Individual Resource Allowance.

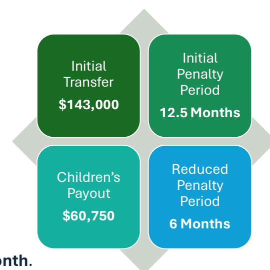
This leaves **$143,000** for her to spend down.

Apply for Medicaid

After making the wealth transfer to her children, Mary applies for Medicaid.

During her 12-month penalty period, Mary's children uses some of her transfer funds to pay the nursing home bill.

Mary will have a shortfall of **$10,125/month**.



Implement the Plan

Using the formula to the right, start by calculating the burn rate or shortfall, then the plan length. The length is rounded up to the nearest whole number.

To determine gift amount, the length of the plan is multiplied by the Divestment Penalty Divisor.

Cost of Care	$12,000
Mary's Income	-$1,875
Mary's Shortfall	$10,125
Div. Penalty Divisor	+$11,513
Burn Rate	$21,638
Spend Down Amount	$143,000
Burn Rate	$21,638
Length of Plan	6 months
Div. Penalty Divisor	x $11,513
Gift Amount	$69,078

Burn rate or shortfall = the amount Mary will burn through during each month of the plan

Planning for a Married Person

For an institutionalized person with a community spouse, there is a three-step process for determining resource eligibility.

1. A resource assessment of the couple's countable resources as of the beginning of the first continuous period of institutionalization;

   A resource assessment is an evaluation of the couple's total combined resources as they existed at the beginning of the first continuous period of institutionalization.

2. An eligibility determination based on attributing a specific portion of the resources to the institutionalized spouse and a specific portion to the community spouse; and
3. A post-eligibility period during which the resources attributed to the community spouse during the eligibility determination are placed in the name of that spouse.

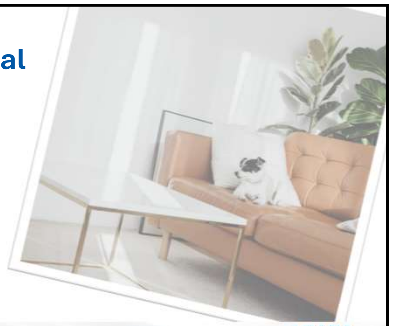
Meet Jack (81) and Maura (78)

Jack was recently diagnosed with Dementia and must move into a nursing home.

His wife, Maura, worries the nursing home bill will deplete their life savings, so she meets with a local elder law attorney to learn how Jack can qualify for Medicaid benefits.

Jack & Maura's Goal

Obtain Medicaid eligibility for Jack while preserving the couple's assets and ensuring Maura has enough assets and income to live comfortably at home.



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Case Facts

- Jack's income = $1,875
- Assets = $350,000
- Maura's income = $1,800
- Cost of Care = $10,000

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Determine the Spend-Down Amount

Maura is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of **$157,920**.

Jack will keep **$2,000** as his Individual Resource Allowance, so they must spend-down **$190,080**.

Countable Assets	$350,000
Maura's CSRA	-$157,920
Jack's Allowance	-$2,000
Spend Down Amount	$190,080

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Jack & Maura's Solution

Maura purchases a Medicaid Compliant Annuity (MCA) to spend down the couple's excess countable assets and to accelerate Jack's eligibility for Medicaid benefits.

The MCA payments provide Maura a monthly stream of income to maintain her lifestyle in the community.

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What is a Medicaid Compliant Annuity?

An MCA is a spend-down tool used in crisis planning. It is a single premium immediate annuity (SPIA) that converts excess funds into an income stream with no cash value. It accelerates Medicaid eligibility while protecting assets for a community spouse.

MUST BE:

1. Irrevocable
2. Non-assignable
3. Actuarially sound
4. Equal payments
5. Stated as beneficiary

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Implement the Annuity Plan

Maura funds the spend-down amount into a Medicaid Compliant Annuity, which converts the couple's excess assets into an income stream.

Single Premium	$190,080
Period Certain	36 months
Monthly Payout	$5,280

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