## Paying for the Nursing Home: Medical Assistance
## By: Claudia M. Revermann

Medicaid (called Medical Assistance in Minnesota) is a governmental program that provides health insurance coverage for low-income seniors and people with disabilities. As the baby boomers age, Medical Assistance's other role, as a source of nursing home benefits, is getting more attention. The following is an overview of Minnesota's Medical Assistance program.

**Asset Rules**

An individual may have no more than $3,000 in "countable" assets to be eligible for Medical Assistance nursing home benefits. Assets that are not counted or excluded from this calculation include personal possessions, one motor vehicle, a principal residence, prepaid funeral plans, and other assets deemed to be inaccessible such as certain trusts, and some non-homestead properties.

For a married couple, their assets are totaled as of the date that a spouse enters a long-term care facility in which he or she then stays for at least 30 days. To promote the independence of the nursing home resident's healthy spouse, usually referred to as the "community spouse," that spouse may keep one-half of the couple's countable assets, up to a maximum of $119,220 in 2015. The least that a community spouse is allowed to retain in 2014 is $33,851.

**Transfer Penalty**

To avoid giving benefits to those who present a false picture of poverty, there is a transfer penalty that is imposed when people transfer assets without receiving fair value in return (a "gift"). The gift is divided by the average monthly cost of a nursing home, which is currently $5,660. The person is then ineligible for Medical Assistance during the resulting number of months. For example, Jane gives a gift of $50,000 in July 2014, and goes into the nursing home on January 1, 2015. Jane would be ineligible for Medical Assistance for nine months beginning on the date she would otherwise have been eligible, if not for the gift. Therefore, Jane would have to find a way to pay on her own until Medical Assistance would kick in on October 1, 2015 ($50,000 / $5,660 = 9).

Several rules limit the impact of this transfer penalty. First, Medical Assistance looks only at transfers made during the 60-month "look-back period" preceding the application for Medical Assistance. You are not required to report transfers made five years prior. Second, the transfer of assets to particular categories of individuals, such as spouses, and blind or disabled children, will not bring about a penalty. Finally, a penalty can be disregarded to the extent the transferred assets are returned.

**Treatment of Income**
The starting point for dealing with income under Medical Assistance is that nursing home residents pay all of their income, less certain deductions, to the nursing home. The types of deductions are as follows: a $97 per month allowance for the resident's personal needs; a deduction for any uncovered medical costs, including premiums for medical insurance; for married applicants, an allowance for the spouse at home if he or she needs income support; and a deduction for any dependent children living at home. Income belonging solely to the community spouse is off-limits. It is not taken into account in determining eligibility and the community spouse will not have to use his or her income to support the spouse receiving Medical Assistance benefits in a nursing home.

**Planning Tools**
There are several ways to conserve assets from nursing home costs: 1) You may spend money on uncounted or excluded assets; 2) You may make gifts to others; however, gifts will trigger the transfer penalty with no de minimis amount; 3) You may transfer real estate to another person while reserving the right to use the property for your lifetime (a "life estate"). However, this is a gift, which will cause a transfer penalty. Also, the State can place a lien on the value of your life estate interest, but the remainder interest in the property is protected; 4) You may transfer an asset to an irrevocable trust. You may not change or revoke this type of trust and once you transfer the assets, you may not take the asset out. This transfer will also trigger a transfer penalty, which requires a 60-month "look back" period; and 5) You may obtain a long-term care insurance policy. There are various types of policies designed to meet your needs and your budget.

Weeding through the complex Medical Assistance rules may seem overwhelming when you or a loved one are facing the issue of dealing with the high cost of nursing home care. If you are faced with such a situation, contact an attorney specializing in Medical Assistance to assist in this planning.