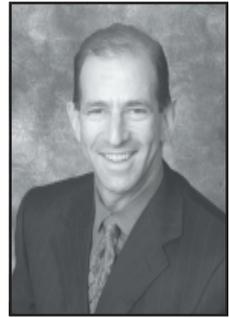


## PLANNING FOR YOUR FUTURE

**Medicaid planning can protect your savings**

By Bernard A. Krooks, Certified Elder Law Attorney



Long-term care costs can devastate a family. In the New York metropolitan area, the average annual cost of nursing home care can exceed \$150,000. The cost of home care and assisted living care is also very expensive.

Here is an all too familiar situation. Richard and Nancy have been married for 50 years. They own a house and have savings of \$250,000. Richard collects monthly Social Security benefits of \$1,200 and he has a modest pension of \$700. Nancy receives \$600 in Social Security benefits. Richard has advanced dementia and needs nursing home care. The nursing home bill is \$12,500 per month.

Richard and Nancy cannot afford nursing home care. At an annual cost of \$150,000 they would be broke in less than two years. Sooner or later, they will be forced to rely on Medicaid to help pay for Richard's nursing home care. Moreover, Nancy would be forced to apply for public assistance for herself after spending all their money on Richard's care. Nancy wonders if her husband can qualify for Medicaid without decimating the savings it took over 50 years to accumulate while keeping a sufficient income to maintain her independence.

Or consider the case of Samantha, a widow. Her daughter has given up work to live with her. Samantha's son has a child who has a developmental disability. Samantha now needs nursing home care. She wonders whether she can provide for her daughter and grandchild with special needs and still qualify for Medicaid.

Medicaid eligibility is inevitable for Richard and Samantha. What the government fails to tell consumers is that it is possible for middle-income Americans to preserve their savings and also qualify for Medicaid.

Many confuse Medicare and Medicaid.

Medicare is the federal insurance program covering those 65 and older. Medicare pays for a very limited amount of nursing home care and does so only if the patient is receiving skilled nursing care. Medicare will pay for up to 100 days of skilled nursing care, provided that the patient was hospitalized for 3 days during the 30-day period preceding the nursing home admission. In addition, Medicare will pay only for the first 20 days in full; thereafter (days 21-100) a co-payment of \$133.50 per day is required. Thus, Medicare is simply not a viable alternative for those in need of long-term care.

Long-term care insurance provides a valuable planning alternative and should be considered as part of an overall plan. However, many seniors cannot afford long-term care insurance or are not insurable due to various infirmities.

Seniors with acute care needs receive generous insurance benefits from Medicare. A senior who needs surgery can rely on Medicare. Conversely, a senior who has chronic needs due to Alzheimer's or Parkinson's disease will soon discover that Medicare benefits are very limited.

Medicaid is a jointly-funded federal and state program that pays for nursing home care for seniors. However, unlike Medicare, there are strict income and asset guidelines which must be met in order to become eligible for benefits.

Fortunately, Congress has enacted laws to protect against spousal impoverishment when one spouse enters a nursing home, to permit certain transfers of assets and to preserve assets through legal means. Far too few middle-income Americans know about these rules.

Many Medicaid myths abound. Contrary to popular belief, in many instances Medicaid does not count your home as an asset and the nursing home does not take your home when you become a resident. In fact, there are significant limitations on what the state can recover from your estate on your death.

Medicaid planning is not illegal. Medicaid planning is ethical and is similar to tax planning. It is not illegal to reduce your tax liability by using the tax rules to your benefit. The same principle applies to Medicaid planning. You can preserve assets provided that you comply with the Medicaid rules. Learning about these rules can help families from losing virtually their entire savings to pay for nursing home care.

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