

## MEDICAID PRIMER

by John B. Linvill, Jr., CSA ~ June 26, 2005

Medicaid, a federal/state program, pays for healthcare insurance and long term care costs of the poor. Medicaid is a *means-tested*, not an *entitlement* program.

Medicaid is the largest payer of personal healthcare expenditures for nursing home residents.

Each state administers its Medicaid program. Federal funding is 2-3 times the funding provided by the state. Each state's Medicaid budget number is usually right behind education as one of the highest expense items. Long term care costs are a significant portion of each state's Medicaid budget.

Medicaid is designed as a safety net for only those individuals who have virtually no financial resources. Thus, people needing care must spend down their financial resources for private pay long term care and when the money runs out, they become eligible for Medicaid.

It is not the intention of this article to list in detail the specific requirements needed to become eligible for Medicaid. The complex Medicaid rules are subject to change. Elder law attorneys tell me that the process to apply for Medicaid actually differs by county within the state. Each state legislature is attempting to grapple with the escalating costs for long term care for the poor. We fully expect that many states will create more restrictive rules to prevent families from attempting to move assets away from the parents so that a parent will become eligible for Medicaid. The Federal Estate Recovery Act forces the states to file a lien on the family's house so that the state can claim back Medicaid dollars spent on the eligible family member's care.

Medicaid law is a sub specialty under the Elder Law field of legal specialization. Please recognize that it is very important to work with an experienced elder law attorney should a family wish to consider having a parent apply for Medicaid eligibility. Elder law attorneys tell me that the Medicaid laws will become more restrictive. In other words, what may work today may not work next year.

***Please keep in mind that a family may not wish to have their parent in a Medicaid setting!***

Most experienced elder law attorneys will recommend to the children that they purchase long term care insurance for themselves so that adequate funding is in place for their future.

In summary, Medicaid programs will tighten up the eligibility requirements (taking away certain asset transfer loop holes). The states will continue to be under severe financial pressure to keep up with society's demands as families spend down their assets for private care-only to run out of money and qualify for Medicaid.

Statistically, women live 6-7 years longer than men. Since many wives are somewhat younger than their husbands, the wife could out live her spouse by 6-10+ years. Should the husband **not** die quickly and need

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care for 1-2-3-4-5-6+ years, the wife's financial condition could be severely impacted. Please remember, quality private pay cost of care is going up at 5% annually now. With a continuation of this inflationary trend, in 30 years assisted living annual cost could easily reach \$315,000 for one person for one year.

Long Term care planning is a process that must commence early to be most effective and affordable.

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Inflation calculations are based upon current economic statistics and estimates for the Philadelphia area.*

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