



MEDICAID MYTHS

A Collection of Plausible, but False Propositions

Many people want to know how to have Medicaid cover nursing home costs that can run over \$72,000 a year. Few can pay the cost out of their regular income. It doesn't take long to lose all one's savings. Long-term care insurance is not available if the person is already sick. It is too expensive for many older people. So, folks will ask friends and neighbors how to get Medicaid to pay and hold on to precious dollars for the rest of the family. But, does the question presume the nursing home is the only choice?

My goal in dispelling the Medicaid Myths is to help elders and their families arrive at the best long term care plan. Informed families can budget and allocate their resources to alternatives to nursing home care, such as; caregiver aid, professional in-home care and residential assisted living. When they must so place they will get the best care for their loved one. Medicaid is a complicated area of the law.

Myth #1: "Medicare will cover my nursing home bill."

The Truth: Medicare only covers a small amount of the nursing home care provided in this country. Many older people are surprised to learn this. Medicare provides 20 days of full coverage if you spent at least three days in the hospital and need skilled care (not intermediate level care). Then, if you still need skilled care, you can get up to 80 days of partial coverage from Medicare, the co-pay will usually be picked up by your supplemental insurance. After that, you will either pay by your savings, your long-term care insurance or get Medicaid.

Myth #2: "Only substandard nursing homes participate in Medicaid."

The Truth: Only a few Michigan nursing homes do not have Medicaid certified beds. The vast majority do.

Myth #3: "I will get better care if I private pay."

The Truth: It is illegal to treat Medicaid patients less well than private pay patients and it is illegal to discriminate against Medicaid patients. There may be no "Medicaid wing" and no public identification of a "Medicaid bed." Typically, the staff does not know which patient is a Medicaid recipient.

Myth #4: “If I enter a nursing home as a private pay resident, I must use up my assets before I can get Medicaid.”

The Truth: You are not required to “spend down” your assets to pay for the nursing home care. However, some nursing homes might try to make you believe that you do. You do have legal options. Informed people seek advice from an elder law attorney to decide if they wish to have Medicaid pay the bill before having spent a significant part of their assets.

Myth #5: “I can only ‘spend-down’ my assets on medical or nursing home bills.”

The Truth: See #4 above. Nursing homes may tell you that you have to spend your savings on the nursing home bill before applying for Medicaid, but this is not true. In fact, it’s against the law for them to tell you this!

Myth #6: “I can find out all I need to know about Medicaid from the nursing home or the Medicaid agency.”

The Truth: The Medicaid law is very complex and counter-intuitive. It was written by Congress, after all! The nursing homes and Medicaid agencies do not have lawyers to interpret the law in your favor.

Myth #7: “I have to lose my home and everything I own to get Medicaid assistance.”

The Truth: A person is permitted to own “exempt property” and be eligible for Medicaid. This includes a home, even if return is unlikely, and a car, even if the patient will not drive. In addition, the “community spouse” is entitled to keep a share of the assets. Further, some other assets are simply not counted by Medicaid. The trick comes in knowing what is “countable” under the Medicaid rules. The bottom line is, you don’t need to lose everything to be Medicaid eligible.

Myth #8: “I can keep all of my separate property when my spouse gets Medicaid.”

The Truth: When a married person applies for Medicaid, assets in either or both spouse’s name are considered by the Medicaid agency.

Myth #9: “If I put my property into my spouse’s name, I will be eligible for Medicaid.”

The Truth: All assets are counted, regardless of which spouse’s name they are in. If either spouse’s name is on the property, it is included. This includes IRAs, inheritances, property jointly owned with children and insurance policies for example.

Myth #10: “I must spend half our assets before I can get Medicaid for my spouse.”

The Truth: A community spouse can keep half, up to approximately \$100,000 in countable assets. Any more than that will either be spent or converted into non-countable assets. This is the “spend down” process.

Myth #11: “I can hide my assets and get eligible for Medicaid.”

The Truth: Intentional misrepresentation in a Medicaid application is a crime and can be costly. The IRS shares any information concerning income or assets you have with the Medicaid agency. These reports include interest income and the sale of stocks or bonds. You or whoever applied may have to pay Medicaid back to avoid prosecution.

Myth #12: “I can give away \$10,000 per year under Medicaid rules.”

The Truth: This is a rule under federal gift tax law, not under Medicaid law. (Actually, the amount has changed to \$12,000.) In 2006 a person may give \$12,000 per year without liability for gift tax. However, since taxpayers have a \$1 million lifetime exemption for the gift tax most do not need to be concerned paying the tax. And, millionaires should not worry about getting Medicaid.

Myth #13: “I can’t give anything away and get Medicaid.”

The Truth: The Medicaid rules provide that a person can be disqualified for giving away property. It depends on what is given away, to whom and when. So, again, it’s complicated. Some asset transfers are not penalized under the Medicaid rules. Consult with a lawyer who knows the law.

Myth #14: “I have to wait 5 years after giving anything away, to get Medicaid.”

The Truth: The disqualification isn’t always 5 years long and sometimes there is no disqualification at all. True, there is now a 5-year “look back” for some asset transfers under the Medicaid rules. This means that the Medicaid agency will look back at all transfers of property, including sales for less than market value.