# Medicaid Training Module

Presented by Mark Randall

# Let's Talk Medicaid

Sample Spend-down For

John & Mary Doe

## Let's Talk Medicaid!

John & Mary, right now, you have the following assets and income:

- Home: $250,000
- Other Assets*: $332,000
- John's Income: $2,990
- Mary's Income: $900
- Total Monthly Income: $3,890

**You decide to self-insure!**

*Examples include other property, investments, stocks, bonds, retirement plans including IRA's and employer sponsored plans,, cash value of life insurance policies, etc.

## If a LTC Situation Arises…

- Without LTCi, you may have to deal with a Medicaid situation
- In the following slides, we will outline the Medicaid spend-down process
- Medicaid laws may vary from state to state and the assets and income numbers change on January 1 and July 1 of each year
- This presentation is current as of June 1, 2003 in your State - VA

**You can access current Medicaid info by contacting your County Social Services**

# Medicaid Spend-Down

## Medicaid allows certain assets to be considered "exempt" or "unavailable." Some of the most common* are:

**Your Home is normally exempt for the first six months. It may then be considered unavailable in certain situations including if a spouse is living in the home**

**Personal property normally retains the same status of the home**

**Personal items such as a wedding ring, etc.**

**Automobile**

**Burial fund**

***There are other assets considered exempt or unavailable, this is just a partial list of the most common.**

# The Medicaid Spend-Down*

| | | | |
|---|---|---|---|
| Step 1: Total Assets | | $582,000 | |
| Step 2: Subtract Exempt and Unavailable Assets | House is exempt | $250,000 | |
| Step 3: Leaves Countable Assets | | $332,000 | |
| John | John | | Mary |
| Step 4: Split Assets Equally | $166,000 | | $166,000 |
| Step 5: Medicaid Limits<br>Institutionalized Spouse is entitled to keep $2,000.<br>Community spouse is allowed one half of assets with minimum of $18,132 and maximum of $90,660 | $2,000 | | $90,660 |
| Step 6: Find balances | $164,000 | | $75,340 |
| Step 7: Add individual balances for Total Spend-down Amount | | $239,340 | |

*State laws will vary as to the amount of assets the Institutionalized Spouse and Community Spouse can keep. This chart is based upon VA Medicaid numbers as of June 1, 2003.

# The Spend-Down Process

Normally the "Spend-Down" amount must be spent on care before Medicaid will begin paying

There are ways you can protect some assets during this process:

- Set up burial fund
- Improvements to home
- New Automobile

Once spent, Medicaid may pay…but, first their incomes will be reviewed

# The Income Calculation

| Steps of the income calculation | John | Mary |
|---|---|---|
| Step 1: Current Monthly Income | $2,990 | $900 |
| Step 2: Community Spouse is entitled to some of husband's income, if needed, to bring her income up to the Monthly Maintenance Income Allowance – currently $1,493 | Moved to spouse - $593 | Moved from head + $593 |
| Step 3: Determine Balances: | $2,397 | $1,493 |
| Step 4: Community Spouse may be entitled to additional income in special circumstances.* | $0 | $0 |
| Step 5: Institutionalized Spouse is entitled to a Personal Needs Allowance - currently $30*** | $30 | N/A |
| Step 6: Amount couple must pay towards Care: | $2,367 | N/A** |
| Remaining Monthly Income: | $30 | $1,493 |

**How would this affect Mary's lifestyle?**

*Excess household expenses, dependent child, grandchild or parent. **Community Spouses income does not have to be used for Spouses care. ***May be entitled to additional income in special situations.

## Let's Review The Net Result?

If the Husband's care lasted long enough...

- They could spend up to $239,340 of their assets to qualify for Medicaid
- Even after qualifying for Medicaid, they may spend up to an additional $2,367 per month of income towards the husband's care ($28,404 annually)
- Their State is allowed to place a lien against their home under Estate Recovery Rules. This lien is for the total dollars they spend on the husband's care. The lien is satisfied when the house is sold or after the wife dies. (Unless she predeceases husband, in which case a sale may be forced by Medicaid under normal circumstances.)

**But, lets go a step farther…**

## Let's Look At Another Possibility…

- While John may need some care, Mary is able to deliver that care until John passes away
- Now Mary is living alone...

**And she ends up needing Long Term Care!**

# Mary's Medicaid Spend-Down

| | | | |
|---|---|---|---|
| Step 1: Total Assets | | $582,000 | |
| Step 2: Subtract Exempt and Unavailable Assets | House is exempt | $250,000 | |
| Step 3: Leaves Countable Assets | | $332,000 | |
| Step 4: Medicaid Limits<br>Mary, the Institutionalized Spouse is entitled to keep $2,000. | | $2,000 | |
| Step 6: Subtract to find<br>Total Spend-down Amount | | $330,000 | |

*State laws will vary as to the amount of assets the Institutionalized Spouse and Community Spouse can keep. This chart is based upon VA Medicaid numbers as of June 1, 2003.

# If Spend-Down Is Completed

- Medicaid will normally require that the children liquidate the Home and make the net proceeds available*
- The net proceeds of the sale will have to be spent for care until Mary is left with the $2,000** in assets she is entitled to.

*There are exceptions to this rule in special situations. Also, in the State of Florida the home is protected under law.
**This is VA dollar amount effective June 1, 2003. Other states may vary from $999.99 to $4,000. (The most common is $2,000)

## Then, The Income Calculation

| | Mary |
|---|---|
| Current Monthly Income | $2,200 |
| Institutionalized Spouse is entitled to a Personal Needs Allowance - currently $30* | $30 |
| Balance is to be paid against Care: | $2,170 |
| New Monthly Income: | $30 |

**If the care lasts long enough, they've lost their home, up to $330,000 in the initial spend-down, and are now paying up to $2,170 a month! But, more important...**

*May be entitled to additional income in special situations.

## You've Lost Your Independence

The choice of care will no longer be up to you

- Staying home is normally not an option under Medicaid
- Assisted Living Facilities and other special care units are normally not options under Medicaid

Some people have to rely on Medicaid - for others, Medicaid can be an option

**Is it the option *you* want?**