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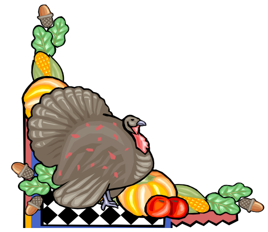
Happy Thanksgiving!



"Tip of the Month"

Medicaid Eligibility Rule Changes

Medicaid is the part of the Social Security system that pays for long-term care, such as nursing home care. Only people with no assets are eligible for Medicaid assistance. A federal program funded by state and federal money, Medicaid is administered here by the NH Department of Health & Human Services.

Some people try to hang onto some of their assets by giving them away to family members in order to become eligible for Medicaid benefits. Because long-term care is so expensive, the government wants to discourage this and has made new rules. The Deficit Reduction Act of 2005 became effective as of February 8, 2006.

The new law imposes a 60 month look-back period for all transfers of assets after the effective date. The old rule was 36 months. Except for the shortened look-back period under the old rule, the new rule means that if a person gives away an asset during the 5-year period before applying for Medicaid, that person will be disqualified for Medicaid benefits for a period of time.

The disqualification period is a formula. Take the value of the gift and divide it by $6,000. That is the amount that Medicaid pays nursing homes for long-term care. For example, if a person gives her daughter $60,000, the disqualification period would be ten months ($60,000 divided by $6,000 = 10).

Another sticky part of the new rule has to do with when the disqualification period starts. Under the old rule, the disqualification period started at the time of the gift. This meant that if a person had enough extra cash at the time he/she applied for Medicaid, he/she could buy back the disqualification period by paying his/her own way in the nursing home, say, for the ten months noted above.

That Medicaid planning method, sometimes called "half-a-loaf" gifting, does not work under the new rule. This is because Medicaid no longer allows a person to buy back the disqualification during the look-back period. Instead, disqualification starts when the person becomes eligible for Medicaid, that is, when he/she is all out of money. That means no money and no Medicaid for, say, the ten months in the example above after becoming Medicaid eligible.

Thus, under the new Medicaid law, people have to be more careful than ever about their planning. If people give away assets of significant value, they must either stay out of long-term care for five years or have enough money to pay their own way in the nursing home until the five years have passed.

The new law also changed some other provisions, and the topic of Medicaid planning is quite complicated. If you need help with estate planning or planning for long-term care, please do not hesitate to give us a call at 668-1971 or contact us through the internet at *mailbox @ biz-patlaw.com*.

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