“You should certainly brace yourself for future nursing home expenses when you are creating a budget for your retirement years. There are those who ignore the subject, because they assume that Medicare will cover living assistance. In fact, this is not the case at all.”
Medicare will pay for costs that are associated with convalescence, but the program will not pay for custodial care.

Of course, you could reach into your pocket to pay for nursing home care if you ever need it, but if this is your plan, your pockets could be empty by the time everything is said and done.

Genworth Financial has been conducting a very useful survey that provides a great deal of detailed information about long-term care costs in the United States. We serve clients in the greater Philadelphia area. In this area, the median annual
cost for a private room in a nursing home is $127,750 according to the survey.

When you consider the fact that people often require multiple years of care, you can see that paying out-of-pocket can be financially devastating.

Optimism is great, but you probably shouldn't assume that you will never need long-term care. The United States Department of Health and Human Services states that 70 percent of people who are reaching the age of 65 will need help with their activities of daily living at some point in time.
There is another government health insurance program that is called Medicaid. This program exists to provide health insurance for people who have virtually no financial resources. Medicaid does pay for long-term custodial care.

Since it is only available to people who can demonstrate a significant level of financial need, there is a limit on countable assets. For an individual applicant, this limit is $2000.

In spite of this low limit, most seniors in nursing homes are enrolled in the Medicaid program. People who were never poor qualify for Medicaid by giving away countable assets to their loved ones before they apply.
There are some assets that are not considered to be countable. Your home is not a countable asset, but in Pennsylvania in 2015, there is an equity limit of $552,000. If a healthy spouse is remaining in the home, there would be no equity limit at all.

The fact that your home is not a countable asset is a good thing, but you do have to be aware of Medicaid recovery efforts. If you were to pass away after using Medicaid to pay for your long-term care, and your home was part of your estate, all or part of its value could be absorbed by the Medicaid program.

MEDICAID TRUSTS

Now that we have provided the necessary background information, we can look at trusts and nursing home asset protection. There are different types of trusts; some are revocable, and some are irrevocable. You retain control of assets in a revocable trust, so Medicaid would count the assets if you were to apply for coverage.
Things are different with an irrevocable trust. You can't change your mind and take back the assets, and generally speaking, you can't change the terms of the trust once it has been established. A Medicaid trust would be an irrevocable trust. Since you are surrendering ownership of the assets, Medicaid would not count these resources.

If you want to receive income from the earnings of the trust, you could create an income only Medicaid trust. The principal would not be counted, but you could continue to receive income from the earnings of the trust. The bad news is that the income would probably go toward the cost of your care if you were to use Medicaid to pay for long-term care at some point in time.
Medicaid is relied upon by many seniors who need long-term care, because it will pay for living assistance, and Medicare will not. Since Medicaid is a need-based program, you cannot qualify if you have significant assets in your own name.

To remove countable assets from your financial profile, you could convey resources into an irrevocable Medicaid trust. These assets would not be counted if you were to apply for Medicaid to pay for long-term care.

If you would like to learn more about Medicaid trusts and nursing home asset protection, schedule a consultation with a licensed elder law attorney.

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About Flood & Masiuk, LLC

Marianne Flood

As the founder and managing partner of the Southampton, Pennsylvania law firm of Flood & Masiuk, LLC, Marianne Flood oversees a practice devoted to providing clients with personalized service and counsel in all aspects of estate planning.

Because of Ms. Flood’s deep commitment to the specialty of estate planning, she became a member of the American Academy of Estate Planning Attorneys in April, 2000. Her entire private practice has been devoted to helping families of all ages and backgrounds.

Joe Masiuk

As a partner in the law firm of Flood & Masiuk, LLC, Joseph Masiuk is committed to a practice which provides people of all ages and walks of life with thoughtful and comprehensive solutions in Estate Planning, which includes Elder Care, Medicaid and Special Needs Planning.

Today, Mr. Masiuk is a widely noted speaker, author and seminar leader on topics ranging from estate and Medicaid planning to asset protection for traditional and GLBT couples and families.

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