PLANNING FOR LONG-TERM CARE COSTS: FACT OR FICTION?

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It's no surprise that long term care is a primary concern for our aging population. Costs of long term care, either at home or in a facility, have increased exponentially, and odds are high that you will need such care at some point in your life. Many myths about planning for long term care persist. This article sets the record straight about what's fact and what's fiction.

MYTH #1: *Medicare pays for long term care.*

FACT: Medicare Part A pays for skilled nursing care in a skilled nursing facility only under certain conditions and for a limited time. To be eligible, your entry into the facility must be preceded by an inpatient hospital stay of 3 days or longer. Your care must be prescribed by your doctor and necessary for treatment of a hospital-related condition. If you qualify, Medicare will pay all costs for the first 20 days. You must pay $157.50 per day for days 21-100. Medicare does not pay beyond 100 days.

MYTH #2: *I will have to get rid of everything that I own to qualify for Medicaid.*

FACT: Medicaid exempts certain assets from its qualification guidelines. You are allowed to keep your home, other real estate owned jointly with a non-spouse, one vehicle, personal and household items, jewelry, artwork, and term life insurance. If your spouse is still living at home, you may also keep a certain amount of other assets for your spouse. These exempt assets are not considered when determining whether you meet the Medicaid asset qualification, which is currently $2,000. However, if left in your name, these exempt assets would be subject to Medicaid estate recovery after your death, meaning they would likely have to be sold.

MYTH #3: *I should transfer all of my property to my children to qualify for Medicaid.*

FACT: While transferring property to your children is often an excellent Medicaid planning strategy, there are several issues to consider. First, the transfers must occur outside the Medicaid lookback period, which is currently 5 years. Second, after the transfers are completed, the children need to execute proper Wills and Powers of Attorney to ensure that the assets are protected from the children's creditors, death, and/or divorce.

MYTH #4: *I can put everything in an annuity or a trust to protect it from Medicaid.*

FACT: Only certain, very specialized annuities are helpful in Medicaid planning. The annuity must meet specific criteria or the value of the annuity will be countable toward the $2,000 asset limit, or the transfer of the funds into the annuity will be an impermissible transfer that will render you ineligible for Medicaid for a period of time. With regard to trusts, only an Irrevocable Trust can protect your assets from Medicaid. A Revocable Living Trust does **<u>nothing</u>** to protect your assets and should not be used for Medicaid planning. Transferring assets into an Irrevocable Trust is subject to the Medicaid lookback period, so this should be done at least 5 years in advance of applying for Medicaid.

MYTH #5: *The State or the nursing home will take my house when I die.*

FACT: Neither the State of North Carolina nor your nursing home takes your house when you die. However, Medicaid will file a lien and become a creditor of your estate after your death. This is called Medicaid estate recovery. In that event, regardless of how many or how few assets are in your estate, a full estate administration must be performed. All of the assets in your estate, including your home, must be sold and the proceeds used to repay Medicaid and your other creditors. Estate recovery is waived if you are survived by a spouse. With proper, advance planning, you can often protect many of your assets from Medicaid estate recovery by removing them from your estate.

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