



**ESTATE PLANNING**  
**&**  
**ELDER LAW SERVICES**



**Medicaid Asset  
Protection Planning**

Phone: (888) PLAN-050 | [www.formyplan.com](http://www.formyplan.com)

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# Medicaid Planning

## The Cost of Long-Term Care

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Nobody wants to need long-term care, but the reality is that many of us will at some point in our lives.

The impact that long-term care costs can have on you and your family should not be ignored. Here are the facts:

- *The average monthly cost of a nursing care facility in Michigan is \$12,216*
- *Roughly one out of four Americans aged 55-79 is severely disabled*
- *Forty percent of people aged 65 or older will spend some time in a nursing home*
- *Many seniors do not have, or are unable to qualify for, long-term care insurance*
- *Long-term care policies may only provide partial coverage and/or coverage for a limited number of years*

Not surprisingly, one of the biggest fears of the elderly is that they or their spouse will have to enter a nursing home and their entire life savings will be consumed as a result. That fear is understandable, but this unfortunate result can be avoided.

Our firm encourages our clients to consider long-term insurance. In addition to traditional long-term care insurance, there are newer options such as “hybrid” long-term care policies that allow you or your heirs to recoup a portion of your premiums if you never make a claim against the policy. Our firm can assist them in evaluating which option is best for them and with acquiring such coverages.

Another way to avoid nursing home costs is our firm’s Elder Transitions Plan™. Using the Elder Transitions Plan, we can often help our clients stay in their homes safely, delay the need for them to enter a nursing home, and help them receive the care they need.

In order to avoid losing everything you’ve worked for to pay for long-term care, our firm is also able to help you find the means to pay for care, including qualification for Medicare, Medicaid and Veterans’ benefits.

## Medicaid Planning

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The average cost of a nursing care facility in Michigan is \$12,216 per month. Most families cannot afford to pay this cost out-of-pocket for very long. Medicaid is a federally funded benefit that is available to pay for long-term care, but certain conditions must be met before you can become eligible.

## Medicare vs. Medicaid

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Because they sound similar, it is easy to get confused about the difference between Medicare and Medicaid. Just because you may be entitled to Medicare benefits does not necessarily mean you are entitled to Medicaid benefits. The Medicare program pays for hospital and physician costs for seniors and the disabled. The Medicaid program covers long-term care costs, subject to certain income and asset eligibility requirements.

Michigan offers a number of programs funded by Medicaid and/or Medicare that help with the costs of nursing home care, as well as with in-home care assistance. Knowing the eligibility requirements for each program before applying is essential to getting the assistance you may need. Our attorneys can work with you to identify the options that are best for you,

## The Unpleasant Truth About Qualifying for Medicaid

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To be eligible for Medicaid benefits a person or married couple may only own certain assets, subject to certain limitations, including the following:

- A homestead
- Personal property and furnishings
- A motor vehicle
- Pre-paid funeral and/or burial contracts

**Most other assets are considered “countable,” including non-homestead real estate, IRAs and other retirement accounts, bank accounts, etc. Without proper planning, those “countable” assets must be “spent down” to pay for long-term care before qualifying for Medicaid.**

The need to “spend down” cannot be avoided simply by giving assets away to a spouse, child, or other loved one. Indeed, in Michigan, with a few exceptions, making gifts to non-spouses can actually cause Medicaid disqualification if the gifts are made within five years before applying for Medicaid. The length of disqualification (called a “divestment penalty”) depends upon the value of the gift, when it was made, and to whom it was made.

## **Good News About Qualifying for Medicaid**

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There are ways to qualify for Medicaid coverage without having to first “spend down” all of your assets. These include, but are not limited to, the following:

- An asset conversion plan
  - A “controlled” gifting plan, which our firm calls its Gift Plus Planning™ program
  - Transferring your home (following Medicaid requirements) to an adult child caretaker who has lived with you prior to your entry into a nursing home
  - Use of actuarially-sound Medicaid compliant annuities
  - Use of specialized trusts, such as Medicaid Exception A or B Trusts, Third-Party Special Needs Trusts, “Solely for the Benefit of Trusts”, as Medicaid and Veterans Asset Protection Trusts, and other types of trusts
- Maximizing “spousal” asset and income allowances, including the “Community Spouse Resource Allowance” (up to \$162,660) with use of a living trust

**Do I have to spend my life savings before I can qualify for Medicaid?**

**No. With proper planning a majority, if not all, of your assets can be protected from Medicaid “spend down.”**

An experienced elder law attorney can help you put these measures in place in a way calculated to protect your eligibility for Medicaid.

## Proper Planning Required

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To take advantage of these “spend down” avoidance methods, a proper estate plan must be in place before a person becomes incapacitated. At a minimum, the estate plan should include a Will, a Financial Power of Attorney with essential “long-term care planning” powers, and a medical power of attorney. For a married couple, the plan should usually include a Living Trust.

### **Does Medicare cover the costs of long-term care?**

**Medicare covers certain “skilled” nursing services and in-home care costs for a limited period of time and only under certain conditions. After that, Medicare does not provide coverage for long term care costs.**

Without a proper estate plan, preserving your assets from “spend down” is much more difficult, and sometimes impossible. If you already have an estate plan, you should have it reviewed to make sure it addresses Medicaid and long-term care issues, and takes advantage of any changes in the law that have occurred since you created your plan.

Once you are approved for Medicaid, proper estate planning is necessary to prevent your assets from passing through probate. Otherwise, the state may make a claim against your probate estate to recoup the cost of the Medicaid benefits paid on your behalf or, perhaps, on your spouse’s behalf. This requires a coordinated plan, which may include the use of certain types of trusts, certain jointly titled assets, special real estate deeds, beneficiary designations, etc.

### **Request a Free Consultation with Our Medicaid and Long-Term Care Planning Professionals**

We welcome you to learn more by contacting Estate Planning & Elder Law Services, P.C. for a consultation to discuss your own situation. Please complete our online form or call (888) PLAN-050. We have been serving Metropolitan Detroit and Southeast Michigan for over 20 years, including Livingston, Washtenaw, Oakland and Wayne Counties with offices in Northville, Brighton, Bloomfield Hills, Royal Oak, Troy and Ann Arbor.



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