



Frequently asked questions about nursing home costs and Medicaid eligibility

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In a multiple part series, Mr. Longstreet will discuss the most common questions he encounters regarding nursing home costs and the Medicaid program. He can be reached at 269-945-3495 or rlongstreet@siegelhudson.com.

Historically, attorneys have been asked to provide estate planning advice regarding two areas: probate and estate tax avoidance. With many of our clients spending a large portion of their estate on nursing home care, a third area of estate planning has emerged at Siegel, Hudson, Gee & Longstreet: Long Term Care Planning. With clients facing the extraordinary emotional and financial demands associated with long-term care, we seek to provide reliable advice regarding this complex area of the law.

Frequently Asked Question: I have heard that I can give away \$10,000 per year

and that won't interfere with my eligibility for Medicaid assistance. Is this true?

It is very common for clients to believe that transfers of less than \$10,000 per year will not result in penalties for Medicaid purposes. These clients are confusing the IRS rules regarding annual exclusions (currently \$11,000) with the very different Medicaid rules. I advise my clients that the two sets of rules (IRS and Medicaid) have nothing to do with each other.

Penalty periods for Medicaid are calculated based on a formula established by the Family Independence Agency. Depending on when a gift is made with respect to the filing of a Medicaid application, a \$10,000 gift may result in a period of Medicaid ineligibility. The IRS's exclusion of the gift for tax purposes in no way diminishes the Medicaid penalty. I also reassure clients that it would be very unusual for someone who needs to worry about federal estate and gift tax issues (usually clients with high value estates) to also be seeking Medicaid assistance.

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