

# Financial Benefits Available

## Medicaid and VA Assistance



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OF TEXAS



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Escobedo Cabral  
Treasurer of the United States.

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2006

## Financial Benefits Available:

If you are reading this report, chances are you or a loved one is no longer able to live independently, but can't afford to pay for assisted living or nursing homes without completely drying up a lifetime of savings.

The good news is there are benefits out there to help subsidize the cost of these expensive senior care facilities. You don't have to be bankrupt or financially destitute to qualify for benefits. There is hope!

If you are a Veteran you could qualify for a maximum of \$1842/month to help pay for assisted living or nursing homes. For non-veterans, Medicaid will pay for 100% of your nursing home needs if you qualify. When early financial planning is done, veterans could qualify for BOTH VA Benefits and Medicaid.



## Average Costs: Nursing Homes and Assisted Living in The State of Texas

If you read our report on "Senior Housing Basics" you may already know the differences between assisted living, nursing homes, in home care, and memory care facilities. The major differences are the level of care offered and cost. To review, here are the average costs for long-term care in Texas:

2016	Per-Month	Per Year
Semi-Private Nursing Home	\$4,500	\$54,000
Private Nursing Home	\$6,000	\$72,000
Assisted Living Home	\$3,750	\$45,000
Memory Care Facility	\$4,950	\$59,400

This is a LOT of money to spend on care over a long period of time! Think about it – if you have \$200,000 of lifetime savings it could all be gone in 3-4 short years to pay for these facilities. Then what??



## Veteran's Assistance Benefits

There are two options specifically for veterans who served during war-time. The first is called "Aid and Attendance Benefit" (also called "Disability Pension Income"). It's called this because war-time veterans may "require the aid of another person to perform activities of daily living (such as bathing, eating, dressing, personal hygiene, walking, etc.).



The Aid and Attendance program helps veterans in financial hardship. To qualify for financial help, the veteran's income and financial assets are both considered during the application process. If approved, veterans can use the benefit towards paying the cost of nursing home care or assisted living facilities.

## Qualifications for "Aid and Attendance" Benefits

- Must have served active duty for at least 90 consecutive days AND at least ONE day during a war time.
- Did not have to go overseas, could serve stateside. Did not have to have seen battle
- No income limit, but a percentage of total family income must be spent on some sort of medical expenses to qualify
- If a doctor suggests the need of the an assisted living or nursing home for the veteran, the entire bill is considered "medical expenses" and can be counted as such
- Total financial assets owned can vary and with our assistance we can help you calculate what you can qualify for
- Homestead value does not count towards total financial assets



## “What if I have too many financial assets over the \$50,000 limit?”

If this is your situation, we can help! We have VA certified attorneys and financial advisors who can legally transfer your assets from “countable” to “ non-countable” financial instruments. This preserves a portion of your assets for beneficiaries while allowing you to qualify for VA benefits.

Be careful! There are some illegal ways to “artificially impoverish” applicants, like investing in financial instruments that are inaccessible or selling assets far below fair market value. Having skilled, experienced attorneys and financial planners who are familiar with legal and ethical ways to qualify applicants for VA benefits is critical.



## Non War-Time Veterans Assistance

Non-wartime Veterans really only have two choices for help with eldercare: State supported VA Nursing homes or qualify for Medicaid (which will pay 100% of Nursing home costs if Medicaid is accepted).

VA nursing homes suffer from inconsistent application/eligibility process. However, one rule that seems to be fairly consistent is the veteran (or their spouse) must be medically designated at least 70% disabled. This must come from a Doctor. In Texas, there are only 8 state VA nursing homes, so space is EXTREMELY limited and 1-2 year waiting periods are not uncommon.

## Medicaid and Medicare benefits

Let's take a look at additional financial benefits offered if the applicant qualifies for Medicaid. We will take a look at benefits, qualifications, and tactics to qualify. Can a Veteran qualify for both VA benefits and Medicaid? Yes! Keep reading, we will discuss how, down below.

First of all, Medicaid will not pay for Assisted Living facilities. Medicaid only pays for Nursing homes, however not all nursing homes accept Medicaid. Before considering a particular nursing home, ask if they accept Medicaid.

## The statistics on aging

Nine out of every ten Americans will need some form of care as they age, while only about 5% of Americans have long-term care insurance. If you are in “crisis mode” and suddenly need round-the-clock skilled nursing care and don’t have long-term care insurance your options can be limited.

Most people know that Medicaid is for low-income US. citizens, but you may not know that it pays for 100% nursing home care if you qualify. Medicare can pay for an initial 21 day stay in a nursing home after hospital stay, and partially for up to 100 days. This is usually considered rehabilitation after a fall, surgery, or severe illness. If needing a more permanent solution you may want to look to Medicaid which pays for long-term nursing home care.



## What are the Maximum Income Limits for Medicaid Qualification?

Medicaid will look at both income and resources (assets) and these amounts can change every year. Texas is an income cap state, meaning that in order to be eligible for Medicaid long term care benefits, there is a hard income limit. This means Texas requires the amount to be no higher than their limit at time of application.

What is considered “income”? Any money coming in on a regular basis, such as Social Security, pensions, IRA distributions, dividends, and rental income to name a few. As of 2017, your monthly income must be \$2205 or less which is \$26,460 per year. If you are married and both spouses need Medicaid qualification, the income limits are doubled to \$4,410/month or \$52,920 per year.



## **“What if you earn more income than the maximum monthly limits?””**

Even if you earn more than the \$2205/m (if you are single) or \$4,410 for a couple (you and your spouse), there are ways to still qualify! Your income can be artificially lowered with an IRS approved “Medicaid trust” sometimes called a “Qualified Income Trust” or “Miller trust”, to qualify for Medicaid .

### **Miller Trust**

- ALL income of the “institutionalized individual” (the one going into the nursing home), is directed INTO this Trust fund first
- All the money must flow in—and out of--the Miller trust (Medicaid Trust) each month.
- Next, the “community” spouse (spouse who stays home and is not going into the Nursing home) can receive income from the “institutional spouse’s” (spouse going into the nursing home) income from the Trust, up to \$3022.50 per month, so that they can stay home and pay their bills. This is called a “Minimum Monthly Maintenance Needs Allowance” or MMMNA.

- Next, the “institutional spouse” (the nursing home resident) gets a \$60.00 personal needs allowance from the Trust. It’s not much, but in reality the Nursing home provides everything needed for the resident.
- Whatever is left in the Trust after Community and Institutional spouse the takes their “income out” is used to pay the Nursing home – but it won’t be enough!!
- Medicaid will then pay the remaining balance to the nursing home that your Trust cannot pay.

If someone has income over the limits, the Miller Trust is the only IRS approved method that Medicaid will use to pay nursing homes for the costs you can’t cover. You will need a Medicaid approved attorney or financial planner to set up this trust fund for you. Ok, we’ve talked about income limits but what about limits on all your assets combined? What counts as an “asset”? What does not count as an “asset”? What are the asset limits? What if you have assets that exceed these limits? Great questions!



## What are the maximum asset limitations for Medicaid qualification?

What is considered a “financial asset”? An asset is something of value that is NOT generating income. Some examples include brokerage accounts, CDs still maturing, cash value life Insurance (not term), precious metals, jewelry, and antiques. If it was generating income (like dividends, rental income, IRA distributions, pensions, etc.) it would be categorized as income.

The general rule is that a couple’s assets are split in half, and the person going into the nursing home (institutional spouse) has to reduce their half to the \$2,000 maximum limit before a Medicaid application can be approved. If both spouses are trying to get qualified for Medicaid, the maximum asset limit per couple is \$3000. It doesn’t sound like a lot, however, some resources are not counted, such as your home (as long as it’s value is under \$560,000), one car regardless of value, and a burial policy.



## “What if I have too many financial assets to qualify for Medicaid?”

Do not fear! There is hope. Like Income planning, there are legal ways approved by the IRS and Medicaid that allow you to preserve your assets and still qualify for Medicaid. Don’t make the mistake of the misinformed: those who start “spending down” their assets, which is the systematic liquidation of assets to meet the limits in order to qualify for Medicaid. Not only is this exhausting, it’s emotionally draining to watch a lifetime of wealth accumulation sold off right before your eyes!

## Can I preserve my assets AND still qualify for Medicaid?

The answer is “yes” with professional planning! You can protect assets from Medicaid “spend down” (liquidation of your assets first to meet the asset limits before qualifying for Medicaid). Asset protection planning specifically helps those who want to preserve as many of their assets as possible for their beneficiaries without selling to pay for a nursing home. This can be done through legal maneuvering provided by special irreversible trusts and other legal financial strategies.



There are legal and illegal ways to protect and transfer assets for Medicaid qualification. Some legal techniques utilized by attorney's and financial planners include charitable donations, and repositioning assets in financial instruments not counted by Medicaid. However, there are various techniques used to artificially impoverish Medicaid applicants that will lead to Medicaid disqualification - like investing assets in financial instruments that are inaccessible, excessive gifting, and executing financial transactions for which fair market value are not actually received.

## **“Exactly how can I preserve assets and qualify for Medicaid?”**

Medicaid spend down is what you must do when you have too many resources. In other words, you have too much money and you have to “spend down” assets before you will be eligible for Medicaid coverage. Those excess assets are called the “spenddown” amount.

The classic “spend down” technique is to pay for the nursing home bill by exhausting your assets first until you've reduced your life savings to the point that you qualify for Medicaid. This totally dries up a lifetime of savings and leaves nothing for beneficiaries. Through careful and legal estate and financial planning, you do not have to spend anything “down”. Instead you can essentially convert an asset that is “countable” by Medicaid into one that is “not countable”.

This can be tricky but the idea is that instead of “selling the farm” and using the proceeds to pay for nursing homes, you instead convert it to something that will benefit you or your family yet not be considered a gift or a countable asset. There are some very smart ways to spend down but please first consult with a Medicaid financial planning professional.

The consequences of making transfers that are not eligible for exemption can be severe and include immediate and extended disqualification for Medicaid. Before transferring any assets, you should always seek professional advice from an attorney or financial advisor.

## **Why should I use a Medicaid qualified financial planner? Can't I do it by myself??**

In reality, medical need for nursing homes or assisted living comes on fast like a freight train. Before you know it, you are in “crisis mode”. You'll have a loved one in a nursing home shelling out \$5000 per month! You need help and you need it fast!

When you are in crisis mode, you need skilled, experienced help that can quickly navigate through the treacherous Medicaid waters efficiently to save you time. Remember, you are paying about \$5000 for every month you are not prepared for Medicaid and are paying out of pocket.



One of the trickiest Medicaid obstacle is called a “5 year look back period”. This means Medicaid will look back over the last 5 years of financial transactions to make sure they all fell within the legal and acceptable guidelines to qualify. The look-back period is a balancing act between the government's way to provide Medicaid support and your desire to be able to leave property to heirs in a will or trust.

You can't simply give property away and begin receiving Medicaid. In 2005, The Deficit Reduction Act (DRA) changed the Medicaid asset-transfer rules:

1. The look back rule time period was changed from 3 years to 5 years.
2. The penalty period or ineligibility period for transferred assets is the date when the person applies for Medicaid generally when the person enters a nursing home.
3. States are required to apply the DRA to their state programs because Medicaid is run by both the state and federal government.

## In summary,

There are legally approved methods for qualifying for financial help through either VA benefits or Medicaid, even if you are over the income and asset limits. Early planning for your loved one will give you the peace of mind that mom or dad will be cared for in a manner they need, and payment will be made for their lifetime.

Again, we strongly recommend contacting one of certified attorneys or financial planners by visiting [www.seniorplannerstx.com](http://www.seniorplannerstx.com) and sign up for a complimentary, no obligation consultation for your loved one.

**Free Consultation  
Click Here**

