

# You Do NOT Have To “Spend Down” In A Nursing Home

The term “Spend Down” is often used to describe the process of using up assets of an individual in a nursing home to qualify for state sponsored coverage for their care (Nursing Home Medicaid).

Although “Spend Down” is an accurate description of what is occurring during this stage, when families are paying out \$7,000 - \$9,000 per month for care for an institutionalized individual, what many people still do not realize is that it is NOT A REQUIREMENT to obtain Nursing Home Medicaid coverage!

How can this be so? The answer is three words: “ASSET PROTECTION PLANNING”.

This process, Asset Protection Planning, is complex due to the intricate nature of the Nursing Home Medicaid laws and practices in each state (and the way that they are constantly changing). In order to get a better understanding of exactly why this solution is one of the most valuable, and least widely known, forms of prudent financial planning in a nursing home *crisis situation* – which is when someone already requires nursing facility care – you need to know the following important facts:

1. There are only three ways to pay for nursing home care: Medicare, Private Pay and Medicaid (... and everyone usually ends up at #3 (Medicaid) sooner or later.)

2. Medicare only pays for 20 days at 100% coverage in a nursing home – and then it only pays if you have had a qualifying hospital stay first AND you are doing rehabilitation sufficient to meet certain benchmarks.

3. Private Pay in a nursing home in the Western Kentucky/Southern Indiana area averages \$7,500 per month or more, and that does NOT include prescription drug costs.

4. Medicaid (Specifically for Nursing Homes) has asset limits and asset transfer rules – but that does not mean that you can do no planning to preserve assets. It simply means that planning will have to be very precise and carried out according to the laws governing the program in order to be successful.

Everyone has probably heard about the “5 Year Look Back” period for Medicaid. (Note: You may have heard that the Look Back Period was increased to 7 years or that it is only 3 years, but it is, in fact, still 5 years.)

So, what is Medicaid “looking back” to find? The answer is **GIFTS** or **TRANSFERS** of assets (money, property, car, etc.). The most important thing to note about any gifts

or asset transfers that occur during the look back period is that while they **MUST** be disclosed to the Medicaid agency, they are not “**ILLEGAL**”. This is America – you can still do what you want to do with your own things – including giving them away. However, if you have divested yourself of assets within 5 years of applying for nursing home Medicaid, you must disclose how much you gave away and who you gave it to.

So, many times, when setting a plan in place for Asset Protection Planning, we do, in fact, transfer assets. This is not “hiding assets”. On the contrary – we operate on a full disclosure basis with the Medicaid agency. However, we know the Medicaid regulations so well that we can save the maximum amount of assets possible while complying with those regulations and obtain Medicaid qualification as quickly as possible. Working with experienced professionals, it is not only possible, but common, to save more than 50% of your assets that would otherwise be lost. (In the case of a couple with only one spouse in the nursing home, we can save nearly 100% of the potential “spend-down” assets!)

In essence, when setting out to accomplish Asset Protection Planning, it’s all about having expertise and experience on your side. The professionals at Elder Advantage, LLC have nearly 15 years of valuable experience in this field and we work with qualified individuals such as elder law attorneys and financial planners in order to better serve our clients.

Why do you need professional advice when it comes to Nursing Home Medicaid? Well- depending on the Medicaid agency to give you advice on how to maximize your protection of assets, is not unlike asking the IRS for help to maximize your allowable deductions for income tax planning. You need an advocate on YOUR side to assist you in this endeavor. There is nothing simple or easy about nursing home Medicaid. If you need confirmation of this – just ask the nursing homes themselves. In the last 2 years, they have become some of our most common sources of new client referrals.

Plan on the team that you can trust. At Elder Advantage, we are always on your side.

About the Author:

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