

Kansas Department of

Social and Rehabilitation Services

Janet Schalansky, Secretary

**Long Term Care Services Task Force
October 23, 2003**

**Medicaid Resource Spend down and
Long Term Care Insurance Credit**

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Mister Chairperson and members of the committee. I am Jeanine Schieferecke, Medicaid Eligibility Manager with SRS. Thank you for the opportunity to provide information regarding Medicaid eligibility.

Persons who request long term care services under Medicaid must meet three basic eligibility requirements to qualify: (1) a general/non-financial test; (2) an income test; and (3) a resource test. The information presented today provides additional details on the resource test. Persons cannot own resources, or assets, in excess of \$2,000 and qualify for Medicaid. However, not all assets count toward this limit. Certain assets are exempt:

- The home in which the individual or spouse lives or intends to return
- One vehicle per family
- Personal effects and keepsakes (e.g. furniture, clothing, household goods)
- Burial funds and merchandise (limits apply)
- Small life insurance policies

Most other assets, such as bank accounts, stocks, bonds, retirement accounts and other investments, are countable toward the resource limit. Persons must have resources below the \$2,000 level before Medicaid will assist in payment of expenses.

For married couples, special Spousal Impoverishment (Division of Assets) rules apply which allow the couple to protect a certain level of resources for use by the spouse who remains at home. That level varies based on the total value of assets the couple owns but the maximum amount that can be protected is currently \$90,660.

If assets exceed the \$2,000 limit at the point long term care services are needed, the individual must fund their own care until eligibility rules are met. The process of reducing the resources to the allowable limit is sometimes referred to as "spending down" the assets.

There is no set method for decreasing one's assets. The process varies from individual to individual and depends upon such factors as the total assets owned by the client or couple, the type of assets they own, and the care needs of the individual. Other less common factors may also impact the process, such as Medicaid estate planning through transfers or other means.

In most cases, during the period in which the individual is spending down resources, savings are generally used to fund the costs associated with health care. Nursing facility room and board expenses, other medical expenses (such as prescription drugs and health insurance premiums) and extras a person may want at the care home can easily reach \$4,000-\$4,500 each month. SRS encourages families to purchase prepaid funeral agreements and burial plots, which generally total about \$6,000. In some cases, SRS will also encourage a family to purchase necessary personal items, such as appropriate clothing, shoes, or small items for the nursing facility room. Most of a person's savings will be spent on these costs.

However, there are some who take advantage of resource exemptions and other loopholes. These actions are usually initiated at some point during this spend down period. Persons may transfer large sums of

money, establish a special trust fund or invest in exempted assets to expedite Medicaid eligibility and reserve additional monies for heirs. Although transfers of assets up to 3 years prior to the point of the Medicaid application can impact eligibility for benefits, earlier planning can occur outside of this time period to avoid penalties. Congress has enacted laws over the past 10 years to restrict estate planning through tightened transfer and trust provisions but there are still opportunities to effectively shelter assets. SRS continues to review such practices and propose and implement changes to policies to close loopholes where allowable.

Staff attempt to identify resources that have not been reported to SRS during the time of spend down, at the point of application. It is standard practice to request information on prior activity on accounts, property transfers, or when large or unusual expenditures have occurred. Bank account records are also searched for notes regarding other accounts or changes.

Long Term Care Insurance Credit:

When a Medicaid recipient of long term care services dies, the total amount of Medicaid expenditures for the recipient are recoverable from the estate through the Estate Recovery program. Based on state law, the Estate Recovery claim will be reduced by the total payments made by a legitimate long term care insurance provider.

Consider the following example: Mr. Jones enters a nursing facility in January, 2002. He is insured under a long term care plan that provided benefits of \$100/day for up to three years of care. As he also has some additional assets to help pay for his care, he does not apply for Medicaid. Over the course of the next 3 years his insurance policy pays out over \$100,000 for his care. He subsequently files an application for Medicaid in February, 2005 following the end of his insurance benefits and is found eligible. He receives Medicaid coverage for his nursing home bill over the next 10 months until his death in January, 2006. Total Medicaid expenditures paid on his behalf during this time come to \$40,000. This amount would normally be recovered through the estate recovery process but since his insurance benefits exceed the amount of Medicaid paid out, no estate recovery claim is made (\$40,000 estate recovery claim - \$100,000 long term care insurance credit).

In a similar example, Mr. Jones' long term care insurance only provides 1 year of benefits at \$100/day. Mr. Jones then applies for Medicaid in January 2003 following the end of his insurance coverage. The insurance paid out \$35,000 from January 2002- January, 2003. Mr. Jones is approved for Medicaid and receives coverage for his nursing home and medical expenses until his death in January, 2006. Total Medicaid expenditures for him equal \$110,000. This would also be the amount of his estate recovery claim but since his insurance paid out \$35,000, that claim is reduced to \$75,000 (\$110,000 estate recovery claim - \$35,000 long term care insurance credit).

It should also be noted that some consumers have long term care insurance coverage which pays only a partial benefit and does not fully cover the nursing home cost on a monthly basis. In these instances, the consumer may receive Medicaid coverage while the insurance policy is in effect and the insurance benefits are treated like health insurance to reduce the amount that Medicaid pays out.

Thank you. I hope this information helps clarify both issues. I will stand for questions.