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Planning For Long-Term Care: Medicare v. Medicaid

Both Medicare and Medicaid can assist you with your individual long-term care plan. While the two programs sound similar, there are important differences to consider.

Let's start with a brief definition of each program. First, both programs provide medical care. However, Medicare is an entitlement program, meaning that everyone who reaches the age of 65 and is eligible to receive benefits from Social Security can also receive Medicare. By contrast, Medicaid is a public assistance program, meaning it is designed to help people with limited income and assets to pay for medical care. Recipients of Medicaid assistance must meet certain income and asset eligibility guidelines.

Let's look at some of the fundamental differences between the programs.

WHO RUNS EACH PROGRAM?

Medicare is completely run by the federal government, whereas Medicaid is run as a joint, federal-state program. Typically, the federal government pays for approximately one-half of a state's Medicaid Program, with the state paying the balance. The eligibility rules will differ from one state to the next. However, in order for the state to receive money from the federal government, the program must adhere to certain federal guidelines.

LONG-TERM CARE COVERAGE

Medicare, by and large, does not cover long-term nursing home care. For example, Medicare Part A will only cover up to 100 days in a skilled nursing facility for a particular illness, and only after the patient has spent at least three days in a hospital. And, from day 21 to day 100, the individual at the skilled nursing facility must make a copayment for each day. Few people actually receive Medicare coverage for the full 100 days, in part because of the copay, and in part, because restrictions and conditions for coverage are quite stringent.

By contrast, Medicaid covers long-term nursing home care for people who meet its income and asset limits. It does not matter whether you need assistance for one hundred days, one year, or five years—Medicaid will pay for the care as long as the recipient is eligible. Given the high cost of nursing home care, the dearth of affordable alternatives, and the restrictions inherent in Medicare coverage, Medicaid is now the single largest payer of nursing home stays in the United States.

DO I QUALIFY FOR MEDICAID?

If your income and assets are less than your state's guidelines, you are already eligible for assistance. However, if your income and assets exceed state limits, you will have to take the appropriate steps to become eligible. An experienced elder law attorney will be able to determine the best way for you to secure your Medicaid benefits.

Being eligible is not as simple as giving your “stuff” away a few weeks before entering a nursing home, with the expectation that Medicaid will pay for the stay. Instead, when you apply for Medicaid, any gifts or transfers of assets made within five years of the date of application will be subject to penalties that delay your benefits. This is known as the look-back period, and the penalty period is determined by dividing the amount transferred by what Medicaid determines to be the average private pay cost of a nursing home in your state. A skilled elder law attorney will be able to guide you through the planning and application process so you can receive your Medicaid assistance as expeditiously as possible.

In short, while Medicare may be able to help you afford a short-term stay in a nursing home, Medicaid will be able to pay for your long-term care, if you are eligible. Through early and proper planning, you can obtain assistance from Medicaid to pay for your nursing home care and protect your hard-earned assets in the process.

Overview of the Difference — Chronic vs. Community Medicaid

Chronic Medicaid and Community Medicaid. Each program implements different eligibility criteria and offers different coverage.

The Chronic Medicaid program handles the claims for people who need chronic or long-term institutional care in facilities like nursing homes and other hospital-like settings. Chronic Medicaid is sometimes referred to as Institutional Medicaid.

Community Medicaid is the program that manages claims for healthcare and related services provided to people at home or in other community settings, including needs for long-term community-based care, adult day healthcare, some assisted-living centers, personal care aides to help with activities of daily living, and skilled visiting nurses.

Educational Offerings

Know someone who would benefit from learning about estate planning? Wondering whether your estate plan is still up-to-date and poised to meet your goals? Know someone concerned about financing the costs of long-term care? It is easier than ever to participate in one of our workshops from the convenience of your computer, tablet, or smart phone. Visit www.cg-lawyers.com/workshops/ or call (315) 309-8211 to register for one of our free, virtual workshops:

Estate Planning Essentials.

This workshop is the starting point for the estate planning process. It provides an important background for anyone seeking to learn more about the components of a sound plan.

Community Medicaid: What You Need to Know About the Lookback Period.

This workshop explores changes to New York law regarding look-back periods for community-based Medicaid benefits.

Never Too Late: Protecting Assets from Long Term Care Costs if you did not Plan in Advance

This workshop explores options for financing long-term care for individuals who did not plan in advance. Even if someone is already in a nursing home, it may not be too late to save significant assets.