

Paying *for Nursing Home Care*



Please keep in mind that the following information does not substitute for the advice of an attorney. To discuss your specific situation, please contact a lawyer.

The following information is general in nature, and should be considered a broad overview. It does not include all Medicare, Medicaid, Veterans Administration and long-term care insurance requirements that must be met in order to qualify for nursing home care, and is not a guarantee that you will receive benefits under any of these programs.

This brochure has been written for people who live in Texas, and some of the information will not apply to people who live in other states. The income and resource limits are current as of 2007, and will change in 2008 (and every year after that). All information contained in this brochure is subject to change.

Paying for care in a nursing home is expensive. In Texas, the average cost of nursing home care is \$50,000 a year.

What can you do if you don't have enough money to pay for nursing home care? *There are some government and private programs that can help pay, for those who qualify.*

Will Medicare pay for my nursing home care?

Medicare can pay for skilled care in a nursing home. If you have Medicare Part A, Medicare may pay for your short-term stay in a skilled nursing facility if you meet all of the following conditions:

- You have been a hospital inpatient for at least three days in a row during the past 30 days and go into a skilled nursing facility within 30 days of leaving the hospital;
- Your doctor has ordered skilled care, such as nursing, physical therapy, occupational therapy, or speech therapy;
- You need skilled care on a daily basis; and
- You enter a skilled nursing facility that is certified by Medicare. (Tip: If you're looking for a nursing home that has Medicare beds, ask the hospital discharge planner, or call the area agency on aging at 1-800-252-9240 and ask the nursing home ombudsman for a list of Medicare facilities. Not all nursing homes participate in Medicare. Even those that do participate may not have an empty bed when you need it, so ask the nursing home that you're considering if it will have a Medicare bed available when you're ready for it).

In general, Medicare will not pay for care in a skilled nursing facility if you need custodial care only. Custodial care includes help with walking, getting up from bed or a chair, taking a bath, getting dressed, grooming, using the toilet, and eating.

If you have a need for skilled care, and meet the requirements listed above, you can stay in a skilled nursing facility and get up to 100 days of Medicare coverage in a benefit period. A benefit period ends when you have not been in a skilled nursing facility or a hospital for at least 60 days in a row, or when you stay in a skilled nursing facility but do not receive skilled care there for at least 60 days in a row. If you have questions about when your benefit period begins and ends, you can call Medicare at 1-800-633-4227.

During the first 20 days in a skilled nursing facility, people who qualify for Medicare coverage don't have to pay for the care, since Medicare covers all of the cost. From day 21 through day 100 in the skilled nursing facility, people who qualify for Medicare must pay \$124 per day, either out of pocket or through an insurance policy (e.g., Medicare supplement). After 100 days, Medicare coverage for that benefit period ends.

Will Medicaid pay for my nursing home care?

Medicaid can pay for care in a nursing home, once a person who qualifies has been in a Medicaid-certified bed for at least 30 days in a row. Medicaid may pay for your nursing home care if you have a low income, limited resources, and a medical need for nursing home care. You must also be a United States citizen or a qualifying alien, as well as a Texas resident.

- **Income:** If you're not married, you can make up to \$1,869 per month from all sources (or more, in some cases, as explained on page 6). If you are married, and your spouse also needs nursing home Medicaid, your combined income can be no more than \$3,738 per month. Government checks, paychecks, interest and rental payments, annuities, mineral rights, and gifts are considered income.

- * **Resources:** If you're not married, you can have no more than \$2,000 in resources. If you are married, and your spouse also needs Medicaid to pay for care in a nursing home, your combined resources can be no more than \$3,000. Resources include cash in checking and savings accounts, certificates of deposit, other liquid assets, and property other than your homestead or burial plot. In most cases homesteads are not considered. One vehicle, life insurance policies, and burial policies may not be counted as resources.
- **Medical Need for Nursing Home Care:** To qualify for nursing home Medicaid, you must have specific medical needs. How do you know, or prove, that you meet the medical requirements? A nurse or other health care professional (often the director of nurses at the nursing home) assesses your health, using Medicaid guidelines. Then, he or she sends the assessment form to the Texas Department of Aging and Disability Services for review.

If your income, resources, and medical needs are within the Medicaid guidelines, Medicaid will begin to pay for your care in a nursing home.



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What if my monthly income is over the Medicaid limits? Can I still qualify?

Single people who make more than \$1,869 per month and married couples who make more than \$3,738 may qualify for nursing home Medicaid if they set up a qualifying trust, and/or are protected under the Spousal Impoverishment law.

If you have too much income to qualify for Medicaid, you might consider a Qualifying Income Trust (or QIT). This trust should be set up by a lawyer. It creates a special account where you can place some of your monthly income. Although you don't have to put all of your income into the QIT, you do have to put all of your income from the same source into the QIT. For example, if you are single and receive a monthly Social Security check of \$900, and a monthly annuity of \$1,000, you can place your Social Security check of \$900 into the QIT. Then, your monthly income would be considered \$1,000 a month—which is below the Medicaid income limit. Each month, money that is deposited into the QIT is taken out to help pay the costs of your nursing home care.

Keep in mind that the QIT must be irrevocable (i.e., you can't alter or change it). And after you die, the State will take money out of your QIT that's equal to the amount that Medicaid paid for your care while you were living.

If you are married, and your spouse does not need nursing home Medicaid, it may be possible to divert some of your income to your spouse. The Spousal Impoverishment law allows the spouse who lives in the community to keep more of your combined income and more of your combined resources than Medicaid otherwise allows.

The spouse who lives in the community gets to keep \$2,541 per month in income.

What if my resources are over the Medicaid limit? Can I still qualify?

The Spousal Impoverishment law also protects resources held by couples when one spouse applies for nursing home Medicaid and the other spouse lives at home. The spouse who stays at home gets to keep half of the couple's countable resources, or \$20,328, whichever is more. The maximum protected amount for spouses is \$101,640. Remember, the homestead, one car and a burial policy are usually not counted as resources.

Let's look at a few examples to see how these protections work. Mr. and Mrs. Smith have \$60,000 in combined resources, and Mrs. Smith applies for nursing home Medicaid. Mr. Smith, who continues to live at home, would be allowed to keep \$30,000 in resources, or half of the Smiths' combined resource amount.

Mr. and Mrs. Jones have \$35,000 in combined resources, and Mr. Jones applies for nursing home Medicaid. Half of their combined resources is \$17,500. But Mrs. Jones, who remains at home, would be allowed to keep \$20,328 in resources, since that is the minimum resource amount protected under the Spousal Impoverishment law.

In contrast, Mr. and Mrs. Anderson have \$400,000 in combined resources, and Mr. Anderson applies for nursing home Medicaid. Half of their combined resources is \$200,000. Mrs. Anderson, at home, would be allowed to keep \$101,640, since that is the maximum resource amount protected under the Spousal Impoverishment law.

In all of these cases, the spouse who goes into a nursing home must still "spend down" his or her portion of the assets to the \$2,000 limit.

In most cases, if you are single, or you if are married and both you and your spouse require nursing home Medicaid, you will need to spend resources until they are at or below the Medicaid limits (i.e., \$2,000 for a single person, and \$3,000 for a couple). Spending your resources on your own care is the best and safest way to “spend down.”

If you give your money away as gifts to other people, and apply for Medicaid, your eligibility for Medicaid may be delayed. For example, let’s assume that you’re single and have \$12,000 in resources. You give \$10,000 to your daughter, and have \$2,000 remaining. The next day you apply for Medicaid. Even if you meet the income requirements, because you have given away resources, you will have to wait before you become financially eligible for Medicaid. In general, you can divide the amount of the gift (or gifts) you make by the daily cost of nursing home care to figure out how long you have to wait. In this example, \$10,000 divided by \$117.08 a day (the average cost of care in 2007) is 85. So you will have to wait 85 days from the date of your application before becoming financially eligible for Medicaid.

Federal law now states that gifts made within five years of applying for Medicaid are reviewed. The State of Texas, however, will implement this new policy on March 1, 2009. Texas currently reviews gifts made during the three years before applying for Medicaid.

Will I have to give up my home in order to qualify for Medicaid?

You can have up to \$500,000 equity in a homestead and still qualify for Medicaid. However, the State may have the right to recover some or all of the money that Medicaid has paid for your care after you die, under the federal Medicaid Estate Recovery provisions.

Medicaid Estate Recovery applies to people age 55 and over who apply for Medicaid long-term care services (i.e., care in a nursing home, and in certain community-based programs) after March 1, 2005. However, the State may not ask for money from your estate, even if you are over the age of 55 and have applied for Medicaid long-term care after March 1, 2005. There are a number of exemptions that can protect your estate from recovery.

You are likely to be exempted from Medicaid estate recovery if you have a spouse who survives you, if you have a surviving child who is under the age of 21; if you have a surviving child of any age who is blind or disabled; if you have a surviving, unmarried adult child who lived in your homestead for a year prior to your death; and/or if estate recovery would cause undue hardship for your survivors. In addition, the State will not ask for any money back from your estate if your home is valued at less than \$10,000, or if recovery would not be cost effective. For more information about Medicaid Estate Recovery, call 1-800-458-9858.

Will the Veterans Administration pay for my nursing home care?

The Veterans Administration (VA) can pay for short-term and long-term nursing home care. To see if you qualify, contact the VA Health Benefits Regional Office at 1-800-827-1000. Veterans are considered according to priority, such as having a service-connected disability, having been prisoners of war, having been

exposed to toxic chemicals in Vietnam or in the American occupation of Hiroshima and Nagasaki, having served in World War I, and/or receiving a VA pension that is not adequate to cover the cost of nursing home care. Other veterans are considered on a case-by-case basis.

The VA owns some nursing homes that are for veterans only. In addition, the VA can pay for a veteran to receive care at a non-VA nursing home.

I don't think I'll qualify for any of these programs. Should I buy long-term care insurance?

Long-term care insurance is a good investment for some people, but not for everyone. You might want to buy a long-term care policy if you expect to have too much money or resources to qualify for Medicaid, and don't expect to have enough money to pay for nursing home care out of your own pocket. You may want to talk to a financial planner to see if buying a long-term care policy makes sense for you.

If you buy a long-term care insurance policy and later find out that you qualify for Medicaid, you can still receive Medicaid benefits.

Finding a long-term care insurance policy that's best for you can be hard. Unfortunately, policies are not standardized, and you must read each policy carefully to understand what kind of care it covers, how much it will cost, if the cost will increase, how much it will pay, how you will qualify for coverage, and what the limits on coverage are.

Your health is a factor in whether or not you can buy a policy. Do you have any medical problems now? Are these likely to get worse over time? What is your family medical history?

As you look at long-term care insurance policies, ask the following questions:

- What types of care are covered, and in what setting? Will the policy pay for home health care, adult day care, care in an assisted living facility, and care in a nursing home? What about hospice and respite care?
- What will I have to prove in order to qualify for benefits? Must I need help with at least two or three activities of daily living (i.e., bathing, dressing, grooming, toileting, transferring, walking, and feeding)? What if I'm in good shape physically, but have problems with my memory? Will the policy pay if I need reminders and supervision, rather than hands-on care?
- How long is the elimination period, or time that I need to wait between qualifying for benefits and getting the insurance company to start paying for my care? Some policies will make you wait 30 or 60 days after you qualify for benefits before the policy will start paying.
- How much is the daily benefit for each type of care? Is the daily benefit set at a certain dollar amount, or will it go up as costs increase? Since the cost of long-term care is rising all the time, it's risky to buy a policy with a daily benefit that's set at a certain dollar amount. If the daily benefit seems generous now, it may not be high enough to cover the costs when you're ready to use the policy.
- How long will benefits be paid? Is there a certain dollar limit on coverage, such as \$100,000 in benefits? Or does the policy provide lifetime coverage?
- Does the policy have a pre-existing waiting period? If so, how long will I be asked to wait before I can start using the policy?
- If I cancel the policy, will I be able to get any of the money back that I've paid in premiums?
- Is the policy tax-qualified? That is, can I deduct part of the premiums I pay as medical expenses on my income tax?
- What special options are included in the policy?

If you need more information about long-term care insurance policies and the companies that offer them, you can call the **Texas Department of Insurance** at **1-800-252-3439**.

Helpful Resources for Long Term Care Planning:

Area Agency on Aging Benefits Counseling Program:

1-800-252-9240 (*general information and counseling about public and private benefits*)

Centers for Medicare & Medicaid Services:

1-800-633-4227 (*information about Medicare coverage & claims*)

National Clearinghouse for

Long-Term Care Information: www.longtermcare.gov

(*a U.S.-sponsored website about long-term care planning*)

Own Your Future, Texas: www.ownyourfuturetexas.org

(*a State-sponsored website about long-term care*)

Texas Department of Insurance: **1-800-252-3439**

(*information about insurance products and companies*)

Texas Health and Human Services Commission: **2-1-1**

(*information about Medicaid*)

Texas Legal Services Center: **1-800-622-2520**

(*legal information and advice about public and private benefits*)



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