

Medicare, Medicaid & Health Care Cost Considerations during Retirement

March 2, 2021 | 8:30am
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Introduction



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Agenda

- Introduction
- Community Medicaid Eligibility and Pitfalls
- Pre-Medicare, Medicare, Dual, IRMAA and LTC insurance
- Home Care
- Assisted Living
- Full Nursing Home
- Q&A

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Community Medicaid Eligibility and Pitfalls

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Medicaid – Basics

FEDERAL	STATE
<ul style="list-style-type: none"> Centers for Medicare & Medicaid Services <ul style="list-style-type: none"> Social Security Act, Title XIX State Plan Requirements Waiver Programs 	<ul style="list-style-type: none"> NYS Department of Health <ul style="list-style-type: none"> Medicaid Regulations <ul style="list-style-type: none"> 18 NYCRR Part 360 Social Services Districts <ul style="list-style-type: none"> County DSS/DHS NYC

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Medicaid – What does it provide?

Medicaid pays for medically necessary services and supplies, including:

- Physicians and dentists
- Laboratory testing/diagnosis
- Physical therapy
- Hospital care
- Drugs
- Medical supplies

(18 NYC RR § 360.13)

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Medicaid – Basic Eligibility

Types of Medicaid

- Aged, Blind, and Disabled (categorically and medically needy)
- Home and Community Based Services Waivers (SSA § 1915(c))
- Institutional/Chronic Care Medicaid (nursing home care)



Medicaid – Categorical Eligibility

Categorically Needy – includes individuals who are eligible for or receiving SSI—the aged (≥ 65 y.o.), blind, or disabled that meet income and resource limits

- Income includes earned, unearned, in-kind, and deemed income
 - Complex calculation
 - Less than Federal benefit rate (\$794/month for individual) (state supplement also available)
- Resources include cash, securities, real and personal property, life insurance, and deemed resources
 - \$2,000 limit for an individual
 - \$3,000 limit for married couples

(18 NYCRR § 405.6(a))



Medicaid – Medically Needy Eligibility

Medically Needy – aged, blind, or disabled, but not eligible for SSI; however, net available income and resources do not meet the cost of necessary medical care and services. Determination is based upon:

- Household size
- Available income eligibility standards
- Available resources eligibility standards

(18 NYCRR § 405.6(d))
(18 NYCRR § 405.6(e))



New York Eligibility Standards

2021 Levels		
Household Size	1	2
Monthly Income	\$884	\$1,800
Total Resources	\$15,900	\$23,400

2020 Levels		
Household Size	1	2
Monthly Income	\$875	\$1,284
Total Resources	\$15,750	\$23,100

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Medicaid – Spend Down

“Spend Down” assets and resources to eligibility standard using incurred medical expenses

- (income) (income eligibility standard) (excess income)

Outpatient care and services (includes clinic, doctor, Rx drugs, medical supplies)

- One-month eligibility

Inpatient care and services

- Six-month eligibility

Permissible spend down expenses: doctor visits, transportation to medical appointments, co-payments, deductibles, medical supplies, therapists, Rx drugs, and even home health aides and personal care aides

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Pre-Medicare, Medicare, Dual, IRMAA and LTC insurance

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Pre-Medicare (under 65)

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Pre-Medicare (under 65)


Who's Eligible?

- Under 65 years of age
- Income based
- No employer based coverage (minimum coverage, creditable coverage)

Pre-Medicare (under 65)

- Medicaid ● No Cost for premium or services
- Essential Plan ● \$20/mth premium, low co-pays
- Exchange/Marketplace ● Subsidies on a sliding scale, income dependent
- Traditional Health Insurance ● Full premium

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Pre-Medicare - Marketplace & Traditional

Platinum	Gold	Silver	Bronze
<ul style="list-style-type: none"> Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket 	<ul style="list-style-type: none"> Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket 	<ul style="list-style-type: none"> Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket 	<ul style="list-style-type: none"> Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket Lowest out-of-pocket

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Medicare Coverage Choices

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    graph TD
      A[Original Medicare] --- B[Part A Hospital Insurance]
      A --- C[Part B Medical Insurance]
      B --- D[Medicare Supplement Insurance Medigap Policy]
      C --- E[Part D Prescription Drug Coverage]
      A --- F[or] --- G[Medicare Advantage Plan]
      G --- H[Part C Combines Part A and Part B]
      H --- I[May include, or you may be able to add] --- J[Part D Prescription Drug Coverage]
      J --- K["(Most Part C plans cover prescription drugs. You may be able to add drug coverage to some plan types if not already included.)"]
  
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Income Related Monthly Adjustment Amount (IRMAA) 2021

2021	Part B Base	Part B Additional	Part B Total	Part D Additional	Part D Total	Total (Part B + Part D)
Single 100% MAGI Household of 1-2	\$145.00	\$19.00	\$164.00	\$1.50	\$165.50	\$165.50
Single 100% MAGI Household of 3-4	\$145.00	\$14.50	\$159.50	\$1.50	\$161.00	\$161.00
Single 100% MAGI Household of 5-9	\$145.00	\$10.00	\$155.00	\$1.50	\$156.50	\$156.50
Single 100% MAGI Household of 10+	\$145.00	\$5.50	\$150.50	\$1.50	\$152.00	\$152.00
Single 100% MAGI Household of 10+	\$145.00	\$1.00	\$146.00	\$1.50	\$147.50	\$147.50

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Dual Eligible Special Needs Plans (D-SNPs)

Medicare



Medicaid



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Dual Plan Benefits

- Medical coverage
- Therapies; PT, OT, ST
- Vision
- Dental
- Hearing
- Prescriptions
- Fitness
- May include:
 - Personal Care Assistance
 - Medical Transportation
 - Meal Delivery after discharge
 - Personal Emergency Response systems
 - Chore Services
 - Over the Counter Allowance
 - Healthy Food Allowance

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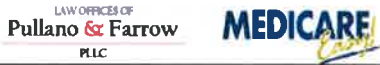


What Medicare Does Not Cover

Long Term Care (custodial care)	Care delivered outside the U.S.	Dental Care	Glasses and Contacts	Hearing Aids
Cosmetic Surgery	Acupuncture* and other alternative care	Outpatient Prescription drugs (covered under Part D)	Part A Deductible	Part B Deductible and Co-insurance



Home Care



Home Care/Independent Living - Health Insurance Costs

- U65, Original Medicare & Supplement Plans do not cover Home Care
- Medicare Advantage Plans may provide coverage if prescribed by a medical professional, select plans only
 - Up to 6xs a year
- Medicare & Medicaid (Dual) plans may provide coverage
 - MLTC (Managed Long Term Care) plans will provide Home care and works with the Dual plan
 - PACE Plans combine Medical and Home Care but limited provider network



Medicaid – Home Care

Personal Care Services

- Level 1 nutritional support and some household chores (8 hours week limit)
- Level 2 add on personal care (ADLs: bathing, dressing, transferring, ambulation, feeding, etc.)

Coverage Requirements

- must be essential to maintenance of health and safety in home
- ordered by physician
- formal assessment of patient's needs, appropriateness, and cost effectiveness
- provided by a qualified person
- plan of care
- supervised by an RN



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Transfers and Lookbacks

The April 2020 budget bill implemented a 30-month (2.5 year) lookback period for determining eligibility for community long-term care, including home care and assisted living

- Phase-In Period: assets transferred since 10/1/20 will be subject to lookback



Estate Planning



Estate Planning

Estate Planning is the process of planning for the accumulation, preservation, management and ultimate distribution of your assets.

- Will or Revocable Trust
- Living Will & Health Care Proxy
- Power of Attorney
- Long Term Care Plan: Pre Planning or Crisis Planning

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Will vs. Revocable Trust

- Will
 - Dormant document that takes effect after death
 - Appoints fiduciaries (Executor, Trustee or Guardian)
 - Transfer assets in individual name
- Revocable Living Trust
 - Currently funded legal entity
 - Avoids probate for trust-owned assets
 - Hold assets for the Grantor during life with directions about the disposition of assets at death

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Power of Attorney

- Permits appointment of one or more persons as agents to handle most legal and financial transactions on principal's behalf.
- New POA rules signed on December 15, 2020, scheduled to take effect June 13, 2021.
 - Separate Statutory Gifts Rider is eliminated
 - However gifting in excess of \$5,000 must be explicitly allowed in Modifications section
 - Notary and witnesses still required
 - Existing Powers of Attorney grandfathered

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Living Will and Health Care Proxy

- Living Will is the statement of intent regarding artificial feeding and hydration.
- Health Care Proxy names an agent to communicate with medical professionals, including medical procedures and end of life decisions

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Long Term Care Cost

- Forms of Payment
 - Privately Pay
 - Long Term Care Insurance
 - Medicaid
- Types of Planning
 - Insurance
 - Pre-Planning (5 Year Look Back)
 - Crisis Planning

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Pre-Planning: Transferring Assets

- **Outright Gifts**
 - Subject to 5 year look back period
 - Easy but Risky: death, divorce, creditor claims, poor spending habits
- **Irrevocable Medicaid Income-Only Trust**
 - Subject to 5 year look back period
 - Grantor may retain right to income and right to live in home (same as Life Estate)
 - Maintain enhanced STAR if residence transferred to trust
 - Provides for step up in cost basis for all trust assets upon death
 - House can be sold and proceeds used to purchase new home or stay invested, without causing a new five year look back period

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Pre-Planning: Transferring Assets

- **Gifts with retained Life Estate**
 - A deed where a party (or parties) retain the right to live in the home for the remainder of their life, also known as the life tenant
 - Upon the life tenant's passing, the real estate automatically vests to the remaining parties, also known as the remainderman/men
- **Capital Gains Tax Treatment**
 - Life Estate Deed - Life tenant only entitled to a partial qualification of the exclusion relative to the value of the life estate. The remaindermen will be subject to capital gains tax on their value of the sale proceeds
 - Medicaid Trust - Grantor's retain the right to the full \$250,000 exclusion of capital gain tax or \$500,000 if married couple

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Assisted Living

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Assisted Living – Health Insurance Costs

- Health Insurance Plans (including Medicare) do not cover Assisted Living
- Medicare & Medicaid (Dual/D-SNPs) plans may provide Personal Care Assistance with an Assisted Living facility
- Institutional Special Needs Plans (I-SNPs)
- Medicaid
- Long Term Care plans may cover some or all costs upon meeting requirements

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Testamentary Supplemental Needs Trust

- Trust that allows assets to be held for the benefit of a beneficiary with income and principal paid out as needed
- Trust assets are not considered available resources for purposes of qualifying for Medicaid
- Supplemental Needs Trust (SNT) for a spouse is created in the Will
- There is no 5 year look back period



Funding Testamentary SNT Trust

- Asset Ownership
 - Jointly owned assets vs. individually owned
 - Allow ability to shift assets to critical spouse
- Beneficiary Designations
 - Payable directly to trust
 - Flexibility to designate in part or whole
 - Retirement assets - consider CARES Act



Full Nursing Home



Nursing Home – Health Insurance Costs

- Health Insurance Plans (including Medicare) do not cover Nursing Home costs
- Medicare & Medicaid (Dual) plans may provide Personal Care Assistance with an Assisted Living facility
- Institutional Special Needs Plans (I-SNPS)
- Medicaid
- Long Term Care Plans provide coverage up to some or all costs



Crisis Planning: Exempt Resources

- Married Couples
 - Community spouse resource allowance: \$74,820 \$130,380
 - Community spouse income allowance: \$3,259.50 plus 75% of excess income
 - Primary Residence: up to \$906,000
- Single Individuals
 - Personal resource allowance: \$15,900
 - Monthly income allowance: \$50



Crisis Planning: Exempt Transfers

- Transfer of Assets
 - Gifts to a Spouse
 - Purchase of pre-paid burial accounts
 - Transfers to a disabled or blind child
- Transfer of Homestead
 - Caretaker Child – two year threshold
 - transfers to a disabled or blind child
- Purchasing a Life Estate
 - If a parent lives with a child, they can purchase a life estate in the child's home
 - One year residency requirement
 - Life estate has no value for Medicaid



Crisis Planning: Gifting Options

- Married with Community Spouse
 - Gift to community spouse - file spousal refusal
- Single Individual
 - Gift and Promissory Note plan: Medicaid applicant will gift a portion of excess resources resulting in a penalty period (1 month for every \$11,054 gifted). Remaining portion of excess resources is loaned to a third party (such as an adult child). The loan repayments are structured to privately pay for nursing home costs through the end of the penalty period, factoring in other income resources.

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Nursing Home Medicaid Eligibility and Pitfalls

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Medicaid – Assisted Living Program

- Medical Eligibility**
- Would otherwise require placement in nursing home due to lack of suitable home environment
 - Must not
 - Require continual nursing care
 - Be chronically bedfast
 - Be so impaired as to endanger other ALP residents
- Limited Availability** – approximately 4,200 residents statewide
- Financial Eligibility**
- Income limits apply, but are higher than typical community Medicaid

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Nursing Home Medicaid

Non-MAGI coverage

- 65+
- if under 65, disabled

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Resources

- Resident allowed to keep \$15,900
- Exceptions
 - Assets that are "not available" - assets in trust
 - Burial fund or pre-paid funeral arrangements
 - Homestead - if there is an intent to return home or if it is transferred to community spouse or other qualified person
 - Community spouse - \$74,820/\$130,380

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Income

- NAMI (Net Available Monthly Income) - all available income (except certain disregards for health insurance premiums, \$50/month personal needs allowance) must be paid to the nursing home
- Exceptions
 - Community Coverage (expectation of returning home) - can keep \$884/month
 - Community Spouse
 - Allowed to keep minimum monthly needs allowance (\$3,259.50/month)
 - Can exceed allowance if spouse shows exceptional circumstances resulting in significant financial distress

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Common Issues

- Lookback period - 60 months
- Poorly executed Medicaid planning/last-minute transfers

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Q&A Session

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