

OPTIONS FOR PAYING FOR NURSING HOMES

By: Douglas A. Fendrick, Esquire

*Law Offices of Douglas A. Fendrick, LLC * 1307 White Horse Road, Building B
Voorhees, NJ 08043 * Phone: 856/489-8388 * Fax: 856/489-8424*

It is estimated that four out of ten Americans will spend some time in a nursing home. The average cost of a nursing home in New Jersey is approximately \$9,500 per month. The average stay in a nursing home is approximately three years.

There are five ways to pay for a nursing home: private pay, long-term care insurance, Medicare, Veterans benefits and Medicaid. Only about five percent of Americans have long-term care insurance. Many are uninsurable or cannot afford such insurance. At most, Medicare pays part of 100 days. Less than one percent of nursing home residents are receiving Veterans benefits. The major alternative to private pay is therefore, Medicaid.

In order to qualify for Medicaid an applicant must be a United States citizen or a resident alien and a resident of the state in which he or she applies. It must be medically necessary that the person be placed in a nursing home. States have different rules for determining an individual's income and assets. A Medicaid recipient is usually allowed to retain a small amount of assets, usually in the neighborhood of \$2,000. If the person is married, the spouse not entering the nursing home is called the "community spouse". The community spouse is allowed to retain a portion of the couple's assets. In New Jersey, the community spouse is allowed to retain one-half of the countable assets with a ceiling of \$109,000 and a floor of \$21,000.

Certain assets are considered non-countable assets. This includes personal effects, wedding and engagement rings, medical equipment and certain types of burial funds. Under some circumstances a home may be a non-countable asset. In a situation where there is a married couple, the assets of both the husband and wife are combined.

If assets are transferred prior to applying for Medicaid there is a five year look back period. If the transfers were made during the look back period, they are penalized. The penalty is a period of time that an individual is automatically ineligible for Medicaid. The penalty is calculated by dividing the uncompensated value of the transferred assets by the state divisor, which is based on the average cost of a semi-private room in a nursing home in that state or region. The penalty can be longer than sixty months or it can be shorter. Transfers by either the institutionalized spouse or the community spouse are penalized. Certain transfers are exempt from Medicaid transfer penalties. These include

transfers of a home, in certain circumstances, and transfers to certain disabled persons.

It is important for families to be aware of their options for financing long-term care. Individuals often seek the advice of a Certified Elder Law Attorney to guide them through the difficult decisions that must be made when a loved one requires long term care.