10 No-Nos if Applying for Medicaid

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These practices should be avoided if you anticipate a loved one could need Medicaid coverage within the next five years, according to Michelle Urban, a Medicaid.consultant who runs m.urban consulting inc. Medicaid looks back. to transactions over the last three years when deciding if someone qualifies for assistance.

Starting in March 2009, that period will increase. By February 2011, the scrutinized period will be five years.

1. Selling or trading an asset, such as a home, car or financial account, for less than fair market value.

If the recipient of the property is a relative, the problem is compounded. Either way, the nursing home recipient would have to pay the monthly bill without Medicaid's assistance until the amount paid equals the amount underpaid for the sold asset

Moral; Know the fair market value. For a spouse, you can get that amount by going to the county tax assessor's office. If you don't believe the house is worth what's listed, protest the value with the board of equalization and sell for the amended price. Save documentation.

2. Co-mingling funds with people other than a spouse

To qualify for Medicaid coverage, a recipient may not have more than $2,000 in assets, other than a home, a car and up to $5,000 set aside for burial. The agency will assume that any funds held in a joint account belong to the person applying for Medicaid. You may try to prove otherwise, but you will have to show the source of the money. The spouse of a person applying for Medicaid may keep the first $25,000 in assets without jeopardizing a Medicaid application, or half of the-couple's assets — up to $101,640 in 2007.

Moral: Children should not list their mother or father on their bank accounts if the money does not belong to the parents. Medicaid will count that money against the person applying for assistance.

3. Giving away your assets to children or others in the prior three to five years.

Medicaid doesn't want people to make gifts of their assets so they can qualify for assistance. If such a transfer happened during the previous three to five years, Medicaid will not pay a person's nursing home bill until the person has spent for his or her care an amount equivalent to what was transferred.

Moral: Would-be Medicaid patients must spend their money only on legitimate purchases or services for themselves or their spouses until their assets are reduced sufficiently to qualify for assistance. Medicaid does not consider paying expenses of a grown child who is not disabled a legitimate expenditure.

4. Withdrawing large amounts from automatic teller machines or writing checks for "cash" rather than to specific businesses or people

A person who wants to spend down money to qualify for Medicaid needs to use assets for his or her expenses and not the expenses of others.

Moral: Keep documentation of expenditures so you can prove purchases were legitimate.

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5. Assuming Internal Revenue Service rules and Medicaid rules are the same.

For example, the IRS allows annually individual gifts up to $12,000 each without tax penalty; while Medicaid policy penalizes gifts. Medicaid typically won't penalize someone for past tithing to churches and contributions to charities, but even that kind of giving must stop when on Medicaid.

Moral: Medicaid is Its own agency with very specific rules..

6. Allowing assets to accumulate after -they have been reduced to Medicaid's $2,000 limit.

Often there's a delay before the nursing home will start billing a patient Therefore, a patient's monthly income could build to over $2,000 and disqualify the patient from Medicaid

Moral: Pay the nursing home every month, even if a bill hasn't been sent. Or buy something with the Medicaid. recipient's excess money like clothes and other necessities before the last day of the month.

7. Taking action without getting in- formed advice.

When in doubt, look up information on the Web site at www.medicaid.alabama.gov or call your local Medicaid office (414-9400 in Birmingham).

Moral: Undoing a mistake will be a lot harder than asking for guidance first.

8. Relying on friends, neighbors, social workers or nursing home admissions clerks for Medicaid eligibility rules.

The Medicaid agency is the best source of information. Elder care lawyers and Medicaid consultants can be helpful in difficult situations.

Moral: Medicaid rules are complicated and copious and not easily understood by lay people.

9. Failing to keep financial records for five years.

.Medicaid now looks back into a person's financial history three years but will want-five years of records by early 2011. The agency will want to see checks and bank and brokerage statements to see how a person has spent money.

Moral: Keep detailed, separate records related-to income, property, bank accounts and health insurance: Proof is required to make sure a person legitimately needs to be on Medicaid.

10. Paying a caretaker, especially a relative, without a written contract in place.

Caretakers who are paid must work and be paid on a documented regular schedule and should not receive lump-sum payments.

Moral: Seek professional help setting up a caretaker agreement so that services are documented appropriately.

Source Michelle Urban, Medicaid. consultant and owner of m.urban consulting inc.