Meet Gordon – Single Nursing Home Patient Medicaid Planning

When Gordon went to the nursing home, they told his only daughter Sue that she had to spend his resources down to $2,000 before Medicaid would help. At $8,000 a month, his $100,000 would only last him about a year along with his $1,110 monthly income and other expenses like health insurance and expenses on his home. Gordon owns a house that is exempt from the spend down and will become Sue's when he dies with no Medicaid recovery.

Sue wants to try to set aside some money to help with the costs at the house and to be able to help pay for a private room after Gordon is on Medicaid. The $2,000 limit isn't enough to even cover taxes on the house, let alone all the other expenses.

What can Gordon do?

Fortunately, Sue has a broad power of attorney to act on Gordon's behalf and make gifts. Sue can gift herself approximately one-half of the assets. The gift creates a penalty period from Medicaid eligibility at the nursing home only after Gordon's resources reach $2,000 and he applies for Medicaid assistance. He must be "otherwise eligible" for Medicaid to start the penalty period.

If the penalty divisor for Gordon's state or region is $7,500/month, the penalty period is determined by adding up the gifts ($50,000) and dividing by the divisor ($7,500). By making a $50,000 gift, Gordon's penalty period would be 6.6 months – basically 7 months of ineligibility.

In this case, Sue would use $49,000 to purchase on Gordon's behalf a HarborMaster SPIA with a 7-month term. The annuity would pay out a little over $7,000 a month, which when added to Gordon's Social Security check, would give him nearly enough to pay for long-term care a full price during the 7-month penalty period. She would apply for Medicaid and request that the penalty period begin immediately.

At the end of 7 months, the HarborMaster SPIA would no longer be paying income since its term would be expired. Simultaneously, the penalty period runs concurrent to the annuity term and also expires by the end of the seventh month. Every month there would be a small shortfall that Susan could pay out of the gifted funds. In 7 months, Medicaid would be paying for Gordon's care in excess of his personal liability amount and Susan would still have funds available to take care of Gordon's house and pay extra to keep him in a private bed.

If Gordon gets better in 10 months and wants to return home, he'd be able to do so and Susan could use the gifted funds to help support him rather than him returning home completely destitute.