

# PLANNING PERSPECTIVE

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*J. Douglas Fitzgerald*  
Fitzgerald Law Office

## How Things Will Be Different

Planning for long-term care must change under the new rules. The most popular techniques are now the most penalized. Mistakes or misunderstandings will carry a steep price. In this new system:

- You cannot assume that you or your family will receive government benefits for nursing home care. Most people will be “private pay” for some time.
- Spending more on long-term care means that less will be available for your family’s inheritance. Your expectations and your children’s expectations must be realistic.
- Planning to receive government

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benefits will be more difficult. The options that remain available are complicated and expensive. Qualifying for government benefits will not be cheap or easy.

## Changes Made To Federal Medicaid Law

### New Rules

The new rules make gifts, transfers of the home, and other popular techniques for long-term care planning very costly. Penalties will be harsh and unpredictable. Nursing homes will have a new role in the system and may not seem as friendly. Here are some of the important changes to the law:

- Requires documentation regarding financial affairs for the past five years (increased from three years).
- A penalty for gifts and divestment assessed from the date donor resides in nursing home and quali-

fies for benefits (not from date of the gift as under prior rules).

- Penalties imposed for all divestment gifts (no “small” gift exemption).
- Nursing homes may make their standard financial statement a binding promise to pay (no divestment or financial planning after admission).
- Annuity contracts must include the State as a beneficiary.

### Planning Options

Gifts and transfers to children are no longer a good planning option in most cases. However, a number of other options remain. Each of these options has its drawbacks, but there is no real opportunity to avoid all costs and complications.

- Long-term care insurance pays in-home care, assisted living, and nursing home bills, even if government benefits will not. Insurance can smooth over surprise penalties and ineligible periods in the new system.
- Life insurance owned by children or others can provide an inheritance at death even if all other assets are used to pay long-term care bills.
- Irrevocable trusts can make gifts

**It is very important to begin with clear, concrete, and specific goals.**

and transfers until it is clear that no penalties or ineligibility periods will apply. These trusts can also manage life insurance policies held for future inheritance.

- Income taxable payments and specialty-designed purchases can help restructure assets where other family members can contribute money and the benefits outweigh the taxes.

Because these options come with complexities and cost, it is very important to begin with clear, concrete, and specific goals. Clear priorities will allow you to evaluate the costs involved relative to the benefit to your family.

# Six Things You Can Do To Prepare For The New Medicaid Law

1. Save all statements and documents concerning bank accounts, investments, home sales, and other financial matters for at least five years.
2. Investigate long-term care insurance options by contacting an experienced, qualified agent who sells these policies.
3. Develop clear and specific goals for you and your family regarding future long-term care expenses.
4. Before canceling existing life insurance policies, consider maintaining them as part of your long-term care plan.
5. Acknowledge the new relationship with nursing homes.

Seek advice before admission and have nursing home contracts reviewed by an attorney before signing.

6. Do not overreact. Yes, the rules have changed, but we need to know a great deal about this new system before we will know how it really works. The details will be important and it appears as though the State will not rush into things. It will be important to avoid acting impulsively.

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**Develop clear and specific goals for you and your family.**

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## Programs and Events

Doug rejoined the Washington County United Way Board of Directors and will serve as Treasurer. He previously served on the Board and was Treasurer and President. Doug is eager to continue working with the United Way to measurably improve the quality of life in Washington County by identifying and responding to human service needs.

Doug recently held a number of seminars at the West Bend Public Library regarding the new Medicaid law. He also made a presentation regarding the new law to Milwaukee area agents of Banker's Life Insurance Company. In addition, Doug's local cable show began a series dedicated to the new Medicaid law.

### Fitzgerald Law Office

2005 Stonebridge Circle  
P.O. Box 956  
West Bend, WI 53095  
262-334-8015 • 262-334-1593 fax  
email: fitzgeraldlaw@hnet.net

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