

## LONG TERM CARE: THIS ARTICLE MAY SHOCK YOU

By Bob Prior



Long term care is like death. It's one of those things we don't want to think about, but failing to plan can lead to unintended and often financially devastating consequences.

The average cost of nursing home care in Georgia is approximately \$6,000 per month. That's over \$70,000 per year. For a married couple, over \$140,000 per year.

So how do you pay for it? There are only three ways: (1) you have a good long term care insurance policy; (2) you pay out of your private resources; or (3) in very limited situations, Medicaid may make the payments for you.

Long term care insurance is the first line of defense in paying nursing home costs. However, you or your parents must be healthy enough to qualify for coverage and must be able to afford the premiums. The more health issues you have and the older you are, the higher the premiums. For those who wait too long, the premiums are often unaffordable.

If you don't have long term care insurance, then you write the checks out of your personal resources, generally until they are all gone. For an individual, a five year nursing home stay would deplete a \$350,000 estate; for a married couple \$700,000 would be gone after five years. These are funds that would likely have been left to children as an inheritance, and to the children's surprise, there often is nothing left to inherit.

Medicaid is a program jointly funded by the federal and state governments to provide health care for the poor. It pays nearly half of all nursing home bills after residents run out of money. Georgia, like most states, requires nursing home residents to spend almost all of their assets (down to \$2,000) before they qualify for the Medicaid benefit. Certain limited assets are exempt and married couples have higher asset allowances as long as one spouse remains at home.

To prevent individuals from simply giving away their assets immediately before entering a nursing home and qualifying for Medicaid, Congress established a "look back" period (currently five years). If an individual gives away assets during this five-year look back period, a penalty is assessed against that individual, establishing a time during which the individual will not be eligible for Medicaid. The period of ineligibility is determined by dividing the amount given away by the average cost of nursing care in the area. For example, if a parent gives \$36,000 away to a child within the five years before they apply for Medicaid, and the average cost of care is \$6,000 per month, then the parent will not qualify for nursing home care for six months. The child who received the gift may have to use the gift to pay the nursing home bills during that six month period until the parent qualifies for Medicaid.

A common planning technique to qualify for Medicaid without

first spending all of one's assets is the establishment of an irrevocable trust, often referred to as a Medicaid Trust. This technique requires the employment of an elder law attorney. The parent establishes an irrevocable trust and transfers certain carefully selected assets to the trust. The parent can be the trustee, or in other words, they can control the assets while they are alive and able. The parent is permitted to receive all income generated by the trust assets for the rest of their life, but they are not permitted to take any distributions of principal.

With this technique, if the parent needs long-term care before the five-year look back period ends, beneficiaries of the trust may take an advance on their inheritance from the trust to pay the nursing home bills. If the parent doesn't need nursing home care until after the five-year look back period, the trust assets are protected and the client is eligible for Medicaid as soon as unprotected assets are depleted. At the parent's death, the remaining trust assets are preserved for the children.

This planning is time sensitive and must be done in advance. Take the time now to review your estate plans, for you and your parents, with your estate planning professional. With proper planning, you may be able to establish a plan that qualifies you or your parents for Medicaid and preserves their estate for their loved ones.



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