

## Case Studies: How Medicaid Planning Makes A Difference

This issue will present the first in a series of case studies in which we explore the ways in which Medicaid eligibility planning can make a real and substantial difference in outcomes for elders who suffer the misfortune of having medical conditions that require long-term care. As you read these, think of elders and families you are working with now, who might benefit from and appreciate this assistance.

**Case #1: Sarah Wants to Come Home.** Sarah is 78 and widowed. She is battling Parkinson's disease. Although her condition has been getting gradually worse, she was doing okay until a few months ago, when she fell and broke her hip. After a hospitalization, she was sent to a nursing home for rehabilitative care. Medicare is paying for that care, but she only has about 20 "Medicare days" left. After that, she would need to pay out-of-pocket for her care.

Sarah's doctors have told her that, for her safety, she needs long-term nursing home care. In discussing that recommendation with her only child, Samantha, Sarah tells her she wants to come home, at least for awhile. "I know I probably need to be in a nursing home," she explains, "but this is too soon. I want to go home, and be there for awhile, one last time. Then I'll be ready. That home is such a big part of my life. I have so many good memories there."

Sarah and her late husband, Pete, built the home in 1947. It's in an older, but nicely-kept, neighborhood. It's worth about \$90,000. It has always been Sarah's intention that, when she dies, Samantha will inherit her family home. It, and about \$30,000 in the bank, represent Sarah's life savings.

Samantha, who is 52, works as a customer service representative for a home products manufacturer.

She has been divorced for 12 years. She has struggled on and off financially. Until Sarah's fall, Samantha would come over to visit every morning before work to help get Sarah ready for the day, then she would come back after work to fix dinner, visit, and get her ready for bed. She visits her mother every day in the nursing home.

Sarah's doctors have said that the only way Sarah could safely come home for awhile would be for Samantha to be there full-time. She would really like to do that for her mother, but she just can't afford to lose her job or to do without a paycheck for very long. She doesn't want to fall behind on her rent or other payments.

*Let's take a look at how informed legal planning, or a lack of planning, can impact Sarah's outcome. Let's look first at the likely outcome without planning.*

**Sarah's Result Without Planning.** Given her financial situation, Samantha feels she cannot allow her mother to come home and be cared for there. She tells Sarah, "I know you'd like to come home, Mom. But you need to stay here. It will be okay." With tears in her eyes, Sarah tells her she understands. She stays in the nursing home until she dies four years later.

Sarah spends her remaining life savings in less than a year, then qualifies for Medicaid. Her home, which Samantha moved into about a year after Sarah went into the nursing home, so she could save rent and keep it for falling into disrepair, has to be sold when Sarah dies, in order to satisfy the Medicaid "estate recovery" claim for repayment of the Medicaid benefits that had been paid to her.

After much anxiety and scrambling, Samantha is able to buy the house, but lacking any life savings, she has to finance the entire purchase price. The

resulting monthly loan payments are a stretch for her. The only inheritance she receives from her mother is the \$235.00 left in Sarah's checking account when she dies. Sarah is cremated, because Samantha can't afford to pay out-of-pocket for a funeral.

*Now let's take a look at how the legal planning with which we can assist people like Sarah and Samantha can impact the outcome.*

**Result With Planning.** After verifying that Samantha is covered by the Family Leave Act, we arrange for her to take a four-month unpaid leave of absence to care for Sarah, with her job security guaranteed upon her return. The arrangement works out as well as Sarah had hoped. She and Samantha are able to spend special time together, and she is able to say goodbye to her home on her own terms.

Sarah pays Samantha for the 24/7 care she provides, under the terms of the written Caregiver Services Contract we prepare. The income Samantha receives is about the same as from Samantha's "regular job." Sarah uses a substantial portion of her savings to pay Samantha. She uses the rest to prepay for her funeral, to pay for an outside caregiver to come in for a few hours a couple days a week to give Samantha some respite and allow her time for shopping, to make other purchases the Medicaid rules permit, and to pay our fees.

Meanwhile, under our guidance, Samantha applies for a loan to purchase the family home. However, instead of paying full price, Samantha will only pay about half. The resulting payments will be very affordable for her. She does so as part of a legal transaction we develop, by which Sarah will give a partial interest in her residence to Samantha, and sell the remaining interest to her. Sarah then enters the nursing home. She uses the money from the property sale to pay privately for her care for almost two years, then qualifies for Medicaid.

When Sarah later dies, there is no "estate recovery" concern, because Samantha already owns the property.

**The "Bottom Line."** Let's take a look at the "bottom line" – the way in which the planning improved the outcome. There is a better result for Sarah and Samantha, in both human and financial terms. Samantha is able to fulfill Sarah's desire to spend some time at home. Sarah then leaves for the nursing home secure in the knowledge that her family home will, in fact, stay in the family. Both

Sarah and Samantha are spared a great deal of anxiety and uncertainty. Sarah uses her savings to pay for care at home and things she needs rather than nursing home care. Samantha saves half the cost of buying her mother's house, an additional savings of \$45,000.

Interestingly enough, the planning even produces a better result for the nursing home, because Sarah is able to pay privately for her care for two years rather than one before applying for Medicaid.

## New ... and Improved!

We are in the process of implementing a couple of changes that we hope, and expect, you will like.

To save time and trees, if we have an e-mail address for you, starting next month you will receive this newsletter by e-mail only, rather than by "snail mail," unless you tell us otherwise. If we have a correct e-mail address for you, you will also receive this month's newsletter by e-mail. If you don't get one that way, please contact us right away to let us know your e-mail address, if you have one.

The e-mail newsletter will give you immediate access to our websites ([www.CoulsonLawGroup.com](http://www.CoulsonLawGroup.com), [www.QualifyForMedicaid.com](http://www.QualifyForMedicaid.com), and [www.BetterEstatePlanning.com](http://www.BetterEstatePlanning.com)), where you will be able to access the archives of previous newsletters and find a lot of additional information on subjects of interest. There will even be a link you can use to ask any follow-up questions you may have about the newsletter articles, or to make any comments or suggestions. We will respond personally and privately.

Starting next month, we will also be starting a series of *free* monthly "lunch and learn" telephone seminars. They will give you an opportunity to learn more, in an interactive setting (but while sitting at your desk), about planning ideas that can make a real and positive difference in the lives of the people you serve, and get a "heads up" on changes in the law you will want to be aware of.

In each month's newsletter, we'll announce the date of the upcoming "teleseminar," and let you know how easy it is to register. We're looking forward to having this new way to stay in touch with you.

Medicaid Planning Today is written by the attorneys of The Coulson Law Group, Wesley J. Coulson and Joseph Ilges, and is published as a service of The Coulson Law Group, 1001 Craig Road, Suite 224, St. Louis, Missouri 63146; 107 Southpointe Drive, Suite 2, Edwardsville, Illinois 62025. This is for general informational purposes only and does not constitute legal advice. For specific questions, you should consult a qualified attorney.

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