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CASE STUDY

PREPARED ESPECIALLY FOR THE STAFF OF NORTHSIDE HOSPITAL

Arnold and Evelyn Brown have been married for 56 years. For the last four years they have been sharing a two room suite at ABC personal care home. Arnold suffers from advanced dementia but with Evelyn's help he has been able to get by. Last Saturday, Evelyn suffered a massive stroke and is now at Northside Hospital for treatment. She will need skilled nursing care upon discharge. It is not clear whether she will ever be able to return to assisted living. Arnold will also need nursing home care if Evelyn can no longer take care of him.

The Brown children have asked your help in placing Evelyn in a nursing home which will also accept Arnold. Palmer, the oldest child has power of attorney for both parents. He has indicated that Evelyn's monthly income is a \$2,350, and Arnold's is \$4,500, and the couple's assets consist of \$350,000 in bank accounts and CDs which came primarily from the sale of their home. They also have told you that Arnold is a veteran of the Korean War. They would like a facility that accepts Medicaid and V.A. benefits. They would also like some advice on how to protect the couple's life savings.

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SOLUTION

1. After Arnold and Evelyn are settled into the nursing home, Evelyn should transfer all assets into just Arnold's name. If she is not competent to do so, hopefully the Power of Attorney allows Palmer to make gifts on her behalf. There is no Medicaid penalty on gifts between spouses.
2. Evelyn executes a Qualified Income Trust since her income is over the Medicaid CAP of \$1,911. If she cannot sign the trust, Palmer can sign for her. Evelyn will deposit her patient liability cost share of \$2,050, into the QIT each month and pay the nursing home from the QIT.
3. Evelyn applies for Medicaid as a single person. Since Arnold is also in a nursing home the spousal impoverishment rules do not apply. Only Evelyn's income and resources matter with regard to eligibility.
4. After Evelyn's Medicaid is approved, Arnold transfers \$300,000 to their children and applies for V.A. pension benefits. The V.A. does not penalize gifts. Arnold can get up to \$1,842 per month to help pay his medical expenses.
5. Evelyn and Arnold both prepared Wills while they were competent which leave their assets to the children. If Evelyn dies first, there is no Estate Recovery because she has no estate and she is survived by a spouse. If Arnold dies first, the remaining assets still in his name pass to the children. There is no Estate Recovery of V.A. benefits. When Evelyn dies, she has no estate so there is no Estate Recovery.