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LONG-TERM CARE PARTNERSHIP PROGRAM AND MEDICAID

Long-term care partnership programs encourage the purchase of private long-term care insurance as the primary source of funding of long-term care for the participant. This is because the program enables insurers to offer specially crafted long-term care insurance policies that increase a family's ability to protect part of the family's life savings if long-term care services are needed. For every dollar that a long-term care partnership insurance policy pays out in benefits, it protects this amount for one who eventually exhausts the policy's proceeds and then requires Medicaid assistance.

The Deficit Reduction Act of 2005 (DRA) lifted a long-standing moratorium on long-term care partnership programs for states in addition to the four states that had programs in place prior to May 14, 1993. Virginia submitted a state plan amendment to the Centers for Medicare and Medicaid Services (CMS) for approval, and CMS approved the state plan amendment. The Virginia Department of Medical Assistance Services worked with the Bureau of Insurance, the Virginia Department for the Aging, the Virginia Department of Social Services, industry representatives, and others to ensure that state and federal requirements were met, and that the program was designed to best meet the needs of Virginians. As a result of this effort, the Virginia Partnership program was launched on September 1, 2007. Individuals are now able to purchase partnership policies, but many may not understand how the asset protection feature works.

Section M1460.160 of the Virginia Medicaid Manual describes Long-Term Care Partnership policies and the documentation required to be submitted with Medicaid Applications. For single individuals, the amount the policy paid out in benefits is disregarded when determining eligibility for Medicaid. For example, if a single individual has \$260,000 in resources, and his or her partnership policy paid out \$250,000 in benefits, then the \$250,000 in benefits are disregarded, and the individual now has \$10,000 in countable resources. Medicaid Manual Section M1480 details how the partnership

policies affect the calculations for eligibility for institutionalized individuals with a community spouse. The partnership policy disregard is not applicable to the resource assessment for such couples. This is good news for couples.

For example, if a couple has \$200,000 in countable resources, then the community spouse's share would equal one-half of this amount, or \$100,000. The institutionalized spouse's share is \$2,000, leaving \$80,000 in excess resources. If the institutionalized spouse had a partnership policy that had paid out \$100,000 in benefits, then that amount would be subtracted from the excess resources, and the institutionalized spouse would be eligible for Medicaid. Please note that only the institutionalized spouse's partnership policy benefits can be disregarded in this calculation. If the community spouse received partnership policy benefits for care at home, for example, then those benefits could only be disregarded if the community spouse applied for Medicaid for himself or herself.

If the partnership policy disregard was applicable to the resource assessment, which fortunately it is not, then the result would be different. Using the same example, the couple has \$200,000 in countable resources, and \$100,000 in partnership policy benefits paid to the institutionalized spouse. If the partnership policy was applicable to the resource assessment, then the \$100,000 would be subtracted from the \$200,000 total countable resources, leaving \$100,000 in countable resources. The community spouse's share would be one-half of this total, or \$50,000, and the institutionalized spouse's share would be \$2,000, leaving \$40,000 in countable resources that would have to be spent down or converted to exempt resources. This is a significant difference that will not apply to couples in Virginia, and it illustrates the valuable impact that partnership policies can have if an individual requires Medicaid assistance after he or she has exhausted the policy's benefits.

Long-term care partnership programs offer states and individuals the opportunity to save Medicaid dollars by sharing long-term care costs with the private sector. These partnership programs promote greater individual self-reliance and choice, stimulate the expansion of the long-term care insurance market, and allow individuals to protect a portion or all of their assets.

Oast & Hook currently advises clients regarding all aspects of their estate, long-term care, financial and investment planning, including long-term care insurance, including the Virginia Partnership program.

Ask Allie

O&H: Allie, we've heard that an Army soldier won a contest sponsored by a cat litter company. Please tell us about it.

Allie: Sure! Tidy Cats sponsored the Tidy Cats Campaign to End Cattiness Contest. Hundreds of photo-essay entries were received in the contest from cat owners who were asked to debunk negative stereotypes of cat owners. An independent judging panel chose ten finalists, then consumers voted for their favorites. Pia Salk, a psychologist and animal welfare advocate, made the final choice. The winner, Army Specialist Nathan Davis, wrote a story about his family's cats, Sgt. Snog and Cmdr. Frank Sinatra. He described a day in the life with the cats in his story, "Cats in Command." He won \$5,000, a year's worth of cat litter, and a role in a Webisode promoting Tidy Cats. He received his

prizes just days before Christmas and four months before Specialist Davis has to leave for his first tour of duty in Iraq. You can read about the contest and the winning entry at www.tidycats.com/endcattiness. Congratulations to Specialist Davis for winning the contest and for his love of his cats. See you next week!

Announcements

The Alzheimer's Association will be offering a Family Caregiver Education Series. These programs will be held from 11:00 a.m. to 1:00 p.m. at the Bayside Library, 936 Independence Boulevard, Virginia Beach, Virginia. Brown bag lunches are welcome, and drinks will be provided. These programs are free to family caregivers. The second program is entitled "Personal Care for the Person With Dementia by Family Caregivers," and it will be held on Wednesday, February 10th. Please register at least two business days before each program by phoning Carol Gurioli at 757-459-2405 or e-mailing her at carol.gurioli@alz.org.

Oast & Hook will hold its quarterly Social Workers and Administrators Breakfast on February 15th at the Virginia Beach Central Library, 4100 Virginia Beach Boulevard, Virginia Beach, Virginia 23452. Registration begins at 9:00 a.m., and the presentation begins at 9:30 a.m. Questions will be answered from 11:00 a.m. to 11:30 a.m. The breakfast is designed to be both a networking opportunity and also an educational opportunity for area professionals who work with seniors, the disabled, and their families. Seats are limited, so please register early. To register for this breakfast, please phone Jennie Dell at 757-967-9704.

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