

Investigating Common Myths About Medicare and Medicaid

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Medicare and Medicaid are two of the most common insurance programs in the United States – however, they’re also among the most misunderstood. March’s Wealth Management Insights takes a closer look at some common myths about the programs and shares facts you need to make informed decisions.

What you should know:

Myth: Anyone is eligible for Medicare and Medicaid benefits.

- Medicare is a federal health insurance program for adults age 65 and older. People younger than 65 with certain disabilities or medical conditions may also be eligible.
- Medicaid is a joint federal and state medical insurance program that provides free or low-cost coverage to low-income individuals, families and children, pregnant women, the elderly and disabled individuals.
- While Medicare eligibility rules are universal across the U.S., Medicaid eligibility requirements vary from state to state. To research your state’s eligibility rules, visit medicaid.gov.

Myth: Medicare and Medicaid will cover all long-term care costs.

- While Medicare covers many medical expenses, long-term care expenses – including nursing home stays – do not qualify for Medicare coverage. Thus, Medicare recipients may need to pay significant out-of-pocket expenses for this type of care.
- Medicare can cover up to 100 days of skilled nursing care, provided strict requirements are met. However, even if a patient meets all of the criteria, Medicare will cover 100% of the cost for only the first 20 days of care. For days 21-100, beneficiaries are responsible for co-payments.
- Medicaid covers more types of long-term care costs, including skilled care in a nursing home. ▶

Many nursing homes accept Medicaid, and federal law prohibits nursing homes from providing different care to residents based solely on Medicaid eligibility.

Myth: To qualify for Medicaid, you need to give all your assets away.

- While you don't need to be completely desolate to qualify for Medicaid, many states require recipients to have no more than several thousand dollars in assets. Medical need, income, assets and transfers/divestments all play a role in determining an individual's eligibility.
- You could be penalized for transferring assets before you apply for Medicaid. Gifts or transfers made during a "look-back period" of 60 months (five years) from your application date could be subject to penalty. If a "divestment" occurred

in this timeframe – that is, the gift or transfer of income, non-exempt assets or property for less than fair market value – you could be subject to an ineligibility period.

- Medicaid does not count all assets when determining your eligibility. "Countable" assets count toward program eligibility, but "exempt" assets do not. Key exempt assets include your primary residence, one car, and personal property and household belongings.

What you should do now:

It can be tough to understand all of Medicare and Medicaid's rules, details and deadlines. Your Baird Financial Advisor can help you understand the programs and how they could impact your long-term financial plans. ■