WHAT IS THE DIFFERENCE BETWEEN MEDICARE AND MEDICAID?

"Medicare and Medicaid have similar sounding names, and they are both health insurance programs that are run by the government."

TIMOTHY P. MURPHY

NORTHERN CALIFORNIA CENTER FOR ESTATE PLANNING AND ELDER LAW

In this paper we will look at the differences between Medicare and Medicaid in general, but we will highlight the elder law implications. In California, the program is called Medi-Cal.

Medicare

Medicare is a government-run health insurance program. When you are working and paying taxes on your income, you are earning retirement credits. You can earn as many as four retirement credits each year.

The amount of income that you must earn to accumulate credits is quite modest. At the time of this writing in 2014, you earn one retirement credit for each $1200 that you earn. If you earn at least $4800, you will accumulate the maximum retirement credits for the year.

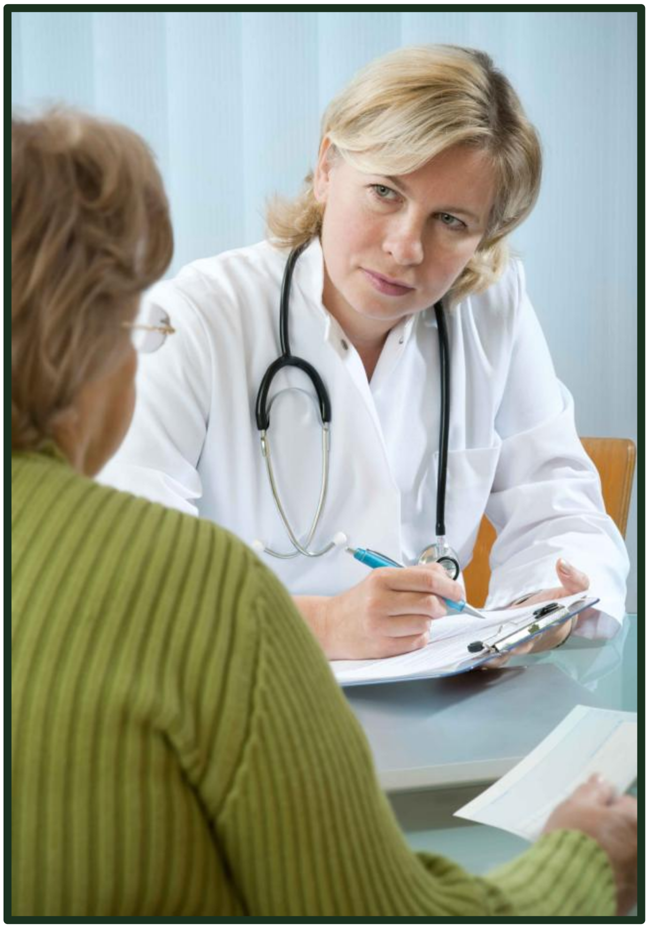
Once you have a total of 40 retirement credits, you will qualify for Medicare. The age of eligibility is 65.

Medicare will assist with medical expenses, and it will cover up to 100 days of convalescent care after surgery for rehabilitative care. However, Medicare will not pay for custodial care at all. This is the type of care that you would typically receive in a nursing home or assisted living community.

It should be noted that some people can receive custodial care in their homes, but Medicare will not assist with in-home care expenses either.

Medicaid/Medi-Cal

Medicaid is also a government health insurance program, and it is administered jointly by the federal government along with each respective state government. Our firm practices in the state of California where the Medicaid the program is known as Medi-Cal.



Medi-Cal coverage is available to people who can demonstrate significant financial need. It is not a matter of the accumulation of retirement credits. You can potentially qualify for Medi-Cal you if you do not have any retirement credits at all.

Medi-Cal will pay for custodial long-term care. This is the huge difference between Medicare and Medi-Cal.

Long-Term Care Expenses

Long-term care is extremely expensive in the United States, and in California long-term care costs are higher than the national averages.

Genworth Financial is conducting an ongoing study that provides a great deal of useful data. According to the study, the median charge for a year in a private room in a nursing home in the state of California is $104,025 at the present time.

The median cost for a semi-private room is $86,815 per year.

Assisted living communities are also quite expensive. The median annual charge for a one-bedroom unit in an assisted living community in California is $45,000.

People often spend multiple years in nursing homes or assisted living communities, so the expenses can be overwhelming if you have to pay out-of-pocket.

Medi-Cal Planning

Across the country, Medicaid pays for the majority of the long-term care that is received by senior citizens. Most of these individuals seek Medicaid eligibility because they need help paying for long-term care.

If you live in California and you would like to qualify for Medi-Cal, you could engage in a spend down so that you can meet the asset and income requirements. When you spend down, you give away or spend assets before you apply for Medi-Cal.

It takes careful planning to qualify at the right time, because there is a look-back period to contend with. In the state of California, the look-back period is 30 months. If you give away assets improperly within 30 months of applying for the program, you are penalized, and your eligibility is delayed or denied.

Summary

Medicare and Medicaid have similar sounding names, and they are both health insurance programs that are run by the government.

Medicaid, which is called Medi-Cal in California, is a need-based program. To qualify you must be able to meet the eligibility requirements with regard to income and assets. In California, the limit for countable assets is just $2000 for an unmarried individual. Married couples can have more assets.

Medicare is not a program that is based on financial need. You become eligible for Medicare when you accumulate 40 retirement credits. You can earn a maximum of four credits per year.

The Medi-Cal program will pay for long-term custodial care, but Medicare will not assist with custodial care expenses. This is a huge difference between the programs.

Because Medi-Cal will pay for long-term care, many people who qualify for Medicare at first ultimately seek Medi-Cal eligibility. This takes careful and informed planning because of the complex Medi-Cal rules regarding income and assets.

If you would like to learn more about these government health insurance programs, schedule a consultation with an experienced and qualified elder law attorney.

References

Medicare
http://www.medicare.gov/

Medicaid
http://www.medicare.gov/

CANHR
http://www.canhr.org/factsheets/medi-cal_fs/html/fs_medcal_overview.htm

About the Author

Timothy P. Murphy

Timothy P. Murphy is an estate planning and elder law attorney whose practice emphasizes helping people to build, preserve and pass on their wealth. He works with his clients to accomplish their goals while avoiding unnecessary court proceedings and minimizing or eliminating exposure to death taxes. Mr. Murphy also assists families facing the myriad of problems associated with dealing with a loved one's declining health and rising needs for care. He has practiced law in the Sacramento area for 29 years, first with a large firm, and then with his own firm since 1987.

Tim has written a regular column on legal issues for Senior Magazine. He also was a regular featured guest on the Money Experts radio program heard locally on KFBK (AM 1530). Tim has been featured in the Sacramento Bee, Sacramento Business Journal, Sacramento Magazine, Comstock's Magazine and other publications on estate planning and related topics. He also assisted local Channel 3 (KCRA) in an investigative report on the trust mill problem in the Sacramento area and was featured on Channel 10 (KXTV) in its series on personal financial planning.

Northern California Center for Estate Planning and Elder Law
www.norcalplanners.com
SACRAMENTO
2277 Fair Oaks Boulevard
Suite 150
Sacramento, CA 95825-5599
Phone: (916) 437-3500

ROSEVILLE
3017 Douglas Blvd.
Ste. 300
Roseville, CA 95661
Phone: (916) 437-3500