

# MEDICARE & MEDICAID

## WHAT ARE THE DIFFERENCES?

*“A look at how these two government programs for seniors differ from each other – the way they are run, the benefits, as well as the qualifying requirements.”*



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As you are planning ahead for retirement you should have a thorough understanding of government programs for seniors.

Two programs that can be relevant to senior citizens are Medicare and Medicaid. These government programs both provide health insurance. However, there are significant differences between them, and we would like to examine these differences here.

## **ASSET LIMITS**

Medicaid is a need-based program, and Medicare is not. As a result, there are upper asset limits that you must stay within if you want to qualify for Medicaid. You can qualify for Medicare regardless of the extent of your wealth.



Medicare is available to people who have paid into the program throughout their lives while earning income. When you are taxed part of what you are paying goes toward retirement benefits. Along the way you earn retirement benefit credits. If you earn at least 40 credits you are eligible for Medicare and Social Security.

Under currently existing laws you can accumulate a maximum of four credits each year. In 2013, you would be awarded the maximum four credits if you earn at least \$4640.

To qualify for Medicaid you must have countable assets that do not exceed \$2000

in total value. However, everything that you have is not going to be counted when program administrators are determining your eligibility status.

Your home would not count if you were to attempt to obtain Medicaid eligibility. A caveat to this would be the fact that there is an upper equity limit that stands at \$802,000 in New York in 2013. If you are married and your spouse is going to remain in the home the equity limit would not apply.

The value of your household items and personal effects would not be counted. Your wedding and engagement rings and heirloom jewelry would not be counted either.

## **AGE REQUIREMENTS**

Medicaid is a program that is potentially available to people of all ages. Medicare is a government health insurance program for senior citizens. If you have enough credits to qualify, you become eligible for Medicare coverage when you celebrate your 65th birthday.

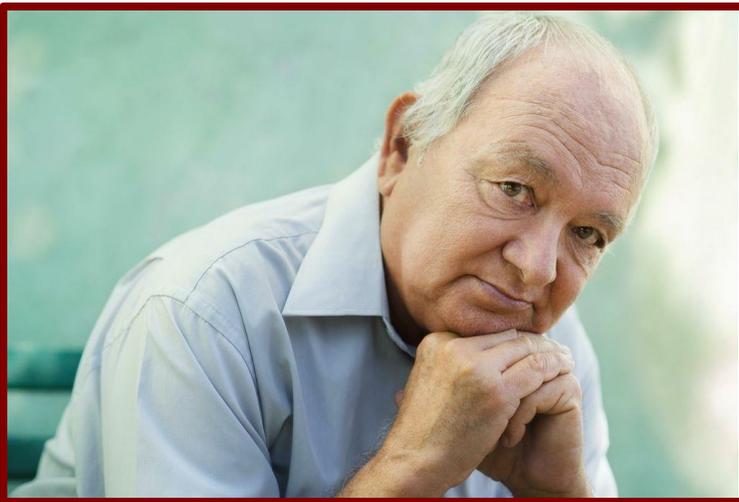


## LIVING ASSISTANCE

Medicare will help with many of your health related expenses when you become eligible for the program. However, it will not pay for an extended stay in a nursing home or assisted living community.

Another big difference between Medicare and Medicaid is the fact that Medicaid will help with long-term care costs assuming you can qualify for the program.

The fact that Medicare doesn't pay for long-term care has serious implications for



a significant percentage of American senior citizens. According to the United States Department of Health and Human Services most people will eventually need assistance with their day-to-day needs.

The majority of living assistance is provided by family members and friends while the individual who needs help remains at home. However, this is simply not possible for some people for one reason or another.

Those who must reside in nursing homes or assisted living communities face extraordinary expenses. The MetLife Mature Market Institute publishes an annual survey that sheds light on the current state of long-term care costs. According to the 2012 survey, the average charge for a year in a private room in a nursing home in the state of New York was over \$134,000.

The same period of time residing in a New York assisted living community

averaged in excess of \$48,000.

Getting out your checkbook and writing checks of this magnitude during the latter stages of your life is simply not possible for many. For others it may be possible, but it would wipe out the inheritances that they always intended to leave to their loved ones.

Because of the fact that Medicare will not pay for long-term care many senior citizens who need living assistance ultimately apply for Medicaid coverage. In fact, the majority of people in nursing homes are enrolled in the Medicaid program.

## **MEDICAID PLANNING**

There is a lot to think about if you are interested in qualifying for Medicaid as a way to pay for long-term care. If you are a married person who needs long-term care you are obviously going to be concerned about the well-being of your spouse.

The Medicaid program does allow the healthy or community spouse to retain ownership of half of community property up to a certain limit. In 2013 this limit is \$115,920. The healthy spouse may also receive a monthly maintenance



needs allowance. This would allow the healthy spouse to retain a portion of the institutionalized spouse's income to maintain his or her basic standard of living.

It is possible to divest yourself of assets in anticipation of applying for Medicaid. However, you must plan ahead in advance because you are penalized if you give away assets within five years of applying for the program.

## **CONCLUSION**

Medicaid is available to people with financial need. Medicare is not a need-based program. You become eligible for Medicare if you have earned enough credits when you reach the age of 65. There is no age requirement for Medicaid eligibility.

Medicaid will assist with long-term care expenses, but Medicare will not. This is why Medicaid is relevant to senior citizens who qualify for Medicare.

Medicaid planning can be complex. The best way to go about it is with the assistance of a licensed New York elder care attorney. If you go forward without qualified legal counsel unintended negative consequences could arise.

## **REFERENCES**

Medicare

<http://www.medicare.gov/>

Medicaid

<http://www.medicaid.gov/>

Social Security Administration

<http://www.ssa.gov/retire2/credits1.htm>

## About the Author



### Mark S. Eghrari

Mark S. Eghrari is an attorney in private practice in Smithtown, New York. He has been in practice since 1988. Mark S. Eghrari provides extensive estate and tax planning services to individuals and businesses. Mr. Eghrari's primary focus is helping clients avoid probate, minimize or eliminate Federal and State Estate taxes and protect their assets from the high cost of nursing care, if they become ill. Mr. Eghrari's expertise is in providing unique and innovative estate planning solutions that create a secure future for his clients and their loved ones. Mr. Eghrari is a member of the American Bar Association and New York State Bar Association as well as the National Academy of Elder Law Attorneys and the American Academy of Estate Planning Attorneys.

Mr. Eghrari completed his undergraduate work at Lafayette College in Easton, Pennsylvania and received his MBA in banking and finance from Hofstra University on Long Island. He earned his Juris Doctorate from the Hofstra University School of Law, where he was a member of the Law Review. While in law school, Mr. Eghrari gained practical experience in the corporate tax department of Citicorp in New York city.

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