**MASSACHUSETTS MEDICAID UPDATE**
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**Planning pointer: How does the long term care deductible work and is there a planning benefit?**

Example: Assume the nursing home costs $10,000 per month ($333.33 per day x 30 days), the applicant's income is social security, pension, annuity and rent from a building totaling $7,072 per month and the nursing home Medicaid rate is $5,500 per month ($183.33 per day x 30 dyas). The building should be considered a non countable assets as its income is essential to self support of the applicant, see regulation 130 CMR 520.008(D).

Solution: This deductible is generally calculated by taking the total income of the applicant less the personal needs allowance (i.e $72.80) multiplied by 6 months. The deductible in this case should be $42,000 (6 months x $7,000). During this 6 month period the nursing home will be collecting the money and allocating back each month a portion of the money it receives to make the short fall that was incurred from prior months. Since the nursing home is $10,000 and the applicant's monthly income is only $7,000 there will be a $3,000 per month short fall. On the second month of this deductible period the nursing home will receive a $7,000 payment and allocate $3,000 to the previous month, thereby having that month paid in full while generating a $6,000 ($10,000 –[$7,000-$3,000]) short fall for the second month. If this approach is applied until the end of the 6 month deductible period the nursing home would be paid in full for 4 months and would have received $2,000 for the fifth month, which would cover 6 days ($2,000\$333.33 per day) of private pay and no money for the sixth month. Therefore, Masshealth would pay the nursing home $5,500, (i.e. the public rate), for the sixth month and would pay the remaining 24 days (30 days – 6days covered) at the public rate of $183.33 per day for a total of $4,400 for the fifth month.

Planning Benefit: At the end of the six month deductible period, there would only be a Medicaid lien against the building for $9,900. If this individual stayed in the nursing home for say 3 years the total lien would only be $59,400 verses private paying for 3 years, assuming no cost increases, would be $360,000.