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Is the Home an Exempt Asset?

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Clients frequently want to know whether their home (or in some cases their parents' home) is an "exempt" asset for Medicaid purposes. The answer is a resounding "Yes, but …".

To be a bit more specific, an individual's primary place of residence is not counted toward his or her eligibility for Medicaid (in Pennsylvania called "Medical Assistance"). The home is generally a "non-counted" or "exempt" asset and so a client's retention of title to his or her home will ordinarily not cause him or her to fail to qualify for Medicaid funding.

However, as with most things in life, there are exceptions and qualifications.

One such exception is that, in order for a home not be counted, the home value cannot exceed a stated threshold, which is $603,000 in 2021. That figure is indexed for inflation and therefore periodically increased.

Another important limitation is that the exemption only applies to a single home. So, if the client owns more than one home, only ONE of the homes will be counted toward his or her eligibility for Medicaid.

Also, the exemption only applies if the home is owned by the Medicaid applicant and/or spouse. If the home is held through an entity, the exemption does not apply. So, for example, if a client transfers his or her home to a revocable trust, the settlor's (i.e., client's) beneficial interest in the trust would be considered in determining the client's eligibility for Medicaid. Such a transfer can therefore cause an otherwise exempt asset to be counted for Medicaid purposes.

Also, if the home is transferred over to a family member or other person (other than a spouse) within five (5) years of applying for Medicaid and without adequate consideration, the transfer of the home can adversely affect the transferor's Medicaid eligibility. That is the case even though the client's continued ownership of the home would not have affected his or her ability to qualify for Medicaid.

Lastly, even though an individual's home is "exempt" from Medicaid consideration during the homeowner's lifetime, the home is normally not exempt when the homeowner dies. If a deceased nursing care patient's home is part of his or her estate, it (the home) is ordinarily subject to a process known as Medicaid Estate Recovery ("Estate Recovery") following his or her death. In short, the government will have a claim against the

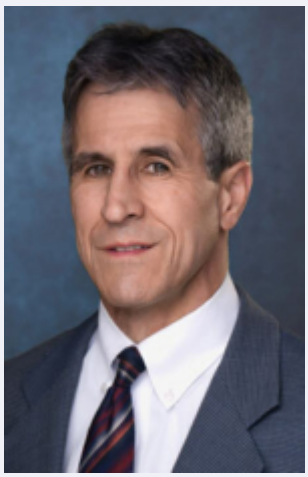
estate equal to the amount of Medicaid benefits paid during the decedent's lifetime. Insofar as Medicaid typically underwrites an applicant's skilled nursing care obligation, the Medicaid claim against the deceased applicant's estate typically equals the nursing care costs accumulated over his or her entire lifetime. Because skilled nursing care is generally very expensive, the costs add up quickly; and so the government's Estate Recovery claim against an estate can often equal or exceed the entire value of a decedent's home.

So while it is literally true that the home is an "exempt" asset for Medicaid purposes, it is important to understand the requirements and limitations of a home's exempt status.

See also: What Assets are Exempt for Medicaid Eligibility?,Is Medicaid Going to Take My Home?,What is Medicaid?,How Do I Qualify for Medicaid?, What Is the 5-Year Look-Back Period for Medicaid, Protecting Home From Medicaid - Add Children to the Deed?, Medicaid Spend Down: Convert Assets into Exempt Resources and What Happens If I Do Not Pay the Nursing Home?

A more detailed discussion on Medicaid can be found here: Demystifying Medicaid Planning

If you have questions about Medicaid eligibility or have other Elder Law or Estate Planning concerns, please contact one of our Elder Law Attorneys or call 814-459-2800.



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