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Key Medicaid Concepts You Should Know

Posted on March 20, 2026

Medicaid planning can feel overwhelming, especially when families are facing urgent long-term care needs and complex financial rules. Understanding how Medicaid works, and especially how eligibility is determined, is essential to protecting assets, avoiding costly mistakes, and securing the care you or your loved one needs. The following sections outline key Medicaid concepts every Pennsylvania family should know.

Medicaid

Medicaid is a federal and state-funded program that pays for long-term care for those who are medically and financially eligible. Medicaid will pay for care in a nursing home or care in the home via the "Waiver" program. (Traditionally, Medicaid only covered care in a nursing home, but eventually the program was extended to cover in-home care by the program "waiving" the requirement that care be in a nursing home.)

Medical Eligibility

To be medically eligible for Medicaid, the applicant must need skilled nursing care at home or in a nursing home, to assist the applicant with the "Activities of Daily Living" or ADL's. These include walking and standing by oneself, feeding oneself, dressing oneself, bathing oneself, toileting, and continence.

Financial Eligibility – Income

In Pennsylvania, an applicant's gross monthly income must be less than the private pay rate at the nursing home in which the individual resides. If the individual's income is greater than this amount, he or she may still be eligible for Medicaid if his or her income is less than this amount after qualifying medical expenses have been deducted. If the individual desires care in the home through the Waiver program, his or her gross income must be less than $2,982 per month. Income includes Social Security, pensions, interest and dividends, and payments made to a person from a long-term care insurance policy.

Financial Eligibility – Assets

Medicaid views assets owned by the applicant as either "countable" or "non-countable." Non-countable assets include the primary residence, one automobile, irrevocable funeral arrangements, income-producing assets, and personal property, such as jewelry, clothing, and furniture. The remaining assets, such as bank accounts, stock, bonds, retirement accounts owned by the applicant, and other real estate or automobiles, are considered countable assets. Medicaid will not begin to pay unless the applicant's countable resources are valued at below $2,400 (or $8,000, if the applicant's income is less than $2,982 per month).

Estate Recovery

Medicaid is required to recover from the estate of a deceased Medicaid recipient all monies expended on behalf of that recipient during the recipient's lifetime. Therefore, every effort should be made to be sure that the Medicaid recipient does not have any assets in his or her name other than a small personal needs account. This is particularly critical with respect to a personal residence, because it is non-countable, so it can be retained by a Medicaid recipient, but often ends up as the only probate asset of a Medicaid recipient.

Gifts and Transfers

For Medicaid purposes, an asset transfer is any action that reduces or eliminates the ownership or control of an asset (a “Transfer”). If a Transfer is made by the Medicaid applicant and adequate compensation is not received, a “gift” occurs and causes a period of ineligibility for Medicaid. Gifts also include charitable contributions and payments to family members for care services if a valid contract that complies with Medicaid regulations is not in force at the time that payments were made.

Lookback Period for Transfers

When an application is made for Medicaid, there is a question that asks if any Gifts have been made within the 60 months prior to the application date (the “lookback period”). Any such Gifts made within the lookback period, whether to individuals or to trusts, must be disclosed on the Medicaid Application. Failure to do so constitutes Medicaid fraud, which is a criminal offense.

Penalty for Gifts

A Gift of assets usually results in a penalty, which is a period of ineligibility for Medicaid. The period of ineligibility is equal to the number of days in a nursing home that the value of the transferred assets would have purchased at the rate of $421.20 per day. (This is the current rate in 2026, but it changes each year.) Generally, this means that for every $12,811.50 that is transferred, the applicant is ineligible for Medicaid for one month. The penalty period begins to run after an individual’s assets are reduced to below the Medicaid limits, a Medicaid application has actually been filed, and the individual is eligible for Medicaid in all other regards.

Exceptions to Transfer Penalties

There are certain Gifts that are exempt for Medicaid purposes. These include Gifts to an individual’s spouse, to a blind or disabled child, or gifts of a personal residence to a child under the age of twenty-one. Further, Gifts that have a total cumulative value of less than or equal to $500 per month are exempt.

Disclosure of Transfers

Before we finalize any planning, we will want to make sure that all gifts that have been made during the past five years are accounted for and included in our planning, if necessary.

Filial Support Law

Pennsylvania's filial support law is a statute requiring adult children with sufficient financial ability to pay for the care of their indigent parents. It allows nursing homes or creditors to sue children for unpaid medical or long-term care bills, even if the child did not sign for the debt.

Get Clarity and Support From a Pennsylvania Medicaid Attorney

Medicaid rules are complex; however, proper planning can make the difference between preserving a lifetime of assets and losing them to long-term care costs. If you or a loved one may need nursing home care, speaking with an experienced Pennsylvania elder law attorney can help you navigate eligibility requirements, avoid penalties, and protect your family’s financial future. Contact our office today to schedule a consultation and learn more.

Jerome C. Wegley

Jerome C. Wegley's practice focuses on asset protection and business succession planning. He helps people protect their assets from taxes, creditors, future ex-spouses and ex-in-laws, and nursing homes, so they may choose who benefits from their assets (themselves, their children, charities, etc.).

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