

MEDICAID & YOUR MONEY:

HOW TO QUALIFY FOR CARE WITHOUT LOSING YOUR HOME OR SAVINGS



A step-by-step guide to navigating
Medicaid eligibility and protecting your
financial legacy.

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INTRODUCTION: PLANNING PROTECTS WHAT MATTERS MOST

The rising cost of long-term care in Pennsylvania has left many families facing impossible choices. Whether the need for care arises suddenly or gradually, expenses can exceed \$10,000 per month, quickly draining savings and placing enormous financial strain on loved ones. Many families discover that even a reasonable standard of care can feel out of reach without a plan.

When it comes to paying for long-term care, there are only three options: private pay, long-term care insurance, or Medicaid (known in Pennsylvania as Medical Assistance). For most families, the first two aren't sustainable. Private pay can deplete retirement savings or home equity within months, and long-term care insurance is often unavailable, expensive, or too limited to make a meaningful difference. That leaves Medicaid as the most realistic and reliable way to secure needed care, whether at home, in assisted living, or in a nursing facility.

INTRODUCTION: PLANNING PROTECTS WHAT MATTERS MOST

The challenge, however, is that Medicaid eligibility comes with strict income and asset rules. Without proper planning, loved ones often spend down nearly everything before realizing there were legal ways to protect what they worked for. Medicaid planning is about using lawful strategies to qualify for coverage while preserving one's home, savings, and dignity.

This five-part guide explains how Medicaid planning works, why it matters, and what steps you can take to protect what your family has built. You'll learn how to navigate eligibility, safeguard assets, and avoid common mistakes along the way.

Inside, you'll find:

Part 1: Why Medicaid Planning Matters

Part 2: How Medicaid Planning Works

Part 3: A Real-Life Medicaid Planning Example

Part 4: Common Mistakes to Avoid

Part 5: Where to Begin



INTRODUCTION: PLANNING PROTECTS WHAT MATTERS MOST

Above all, this guide is designed to provide reassurance: even if you're facing a crisis, it's not too late to plan. Whether you're managing an immediate care need or preparing in advance, the right Medicaid planning strategy can help ensure access to care without losing your home, savings, or peace of mind.

PART 1:

WHY MEDICAID PLANNING MATTERS

PART 1

When long-term care becomes necessary, it brings more than medical and emotional challenges – it creates financial uncertainty. The high cost of care can quickly deplete savings, strain relationships, and leave loved ones worried about how to maintain stability.

Medicaid planning helps families navigate this difficult transition with clarity and control. It protects assets from being lost to care costs while maintaining access to quality care, safeguarding a spouse's financial security, and easing the burden on adult children, all while preserving dignity through every stage of care.

Medicaid planning allows you to:

ACCESS QUALITY CARE

For many families, the greatest concern isn't whether care is available – it's whether that care will meet their standards. Stories of underfunded facilities or limited options leave many worried about what will happen if they can no longer afford private care.

Medicaid planning helps prevent those difficult compromises. With the right strategy, you can maintain access to quality care that provides comfort, safety, and dignity without draining a lifetime of savings. By structuring assets properly, you can ensure funds are available for what truly matters: a trusted care setting and the freedom to make choices that feel right for you and your family.

PART 1

PROTECT ASSETS FOR FUTURE GENERATIONS

Without careful planning, long-term care costs can quickly consume the savings meant to be passed to children and grandchildren. Medicaid planning helps shield assets from being spent down unnecessarily, preserving what you've worked for and allowing your family to benefit from it in the future.

By using established legal strategies that comply with Medicaid's rules, certain assets can be considered exempt and excluded from eligibility limits in Pennsylvania. With the proper guidance, such as restructuring accounts or creating a Medicaid Asset Protection Trust (MAPT), you can maintain financial stability today while protecting your legacy for tomorrow.

SUPPORT A SPOUSE WHO REMAINS AT HOME

For married couples, Medicaid planning is often a careful balancing act to ensure one spouse receives the right level of care while the other remains financially stable and secure. Medicaid rules include specific protections for what's known as the community spouse: the husband or wife who stays at home while their partner receives long-term care. These rules are designed to help maintain independence, housing, and quality of life for both spouses.

PART 1

EASE THE BURDEN ON ADULT CHILDREN

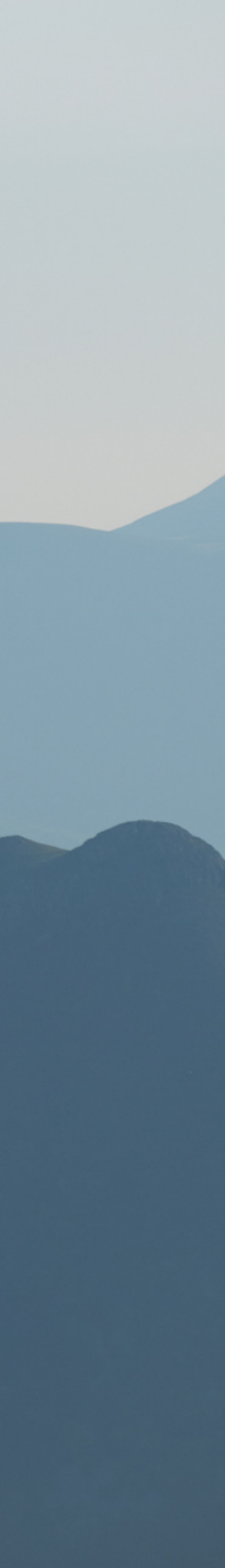
In many families, it's adult children who step in when a parent needs care. They collect financial records, pay bills, and navigate complex eligibility forms, often while juggling their own families and careers. Medicaid planning provides structure, guidance, and peace of mind. With a clear plan in place, adult children don't have to carry the stress or uncertainty alone.

PRESERVE DIGNITY AND CONTROL

One of the most meaningful benefits of Medicaid planning is the sense of dignity and control it provides. Having a sound strategy allows you and your family members to make informed decisions about care now and in the future. Medicaid planning empowers you to decide how assets are used, where care is received, and what legacy is preserved.

Part 1 Summary: Why Medicaid Planning Matters

- Medicaid planning protects families from the financial strain of long-term care while maintaining access to quality care.
- It safeguards assets that might otherwise be spent down, preserving savings, the family home, and future inheritance.
- Planning supports both spouses, allowing the one who remains at home to stay financially stable and secure.
- Adult children gain peace of mind through clear direction, organized finances, and professional guidance during a stressful time.
- Families retain dignity and control by making informed choices about care, finances, and legacy.



PART 2:

HOW MEDICAID PLANNING WORKS

PART 2

Medicaid has strict income and asset requirements that determine who qualifies for long-term care coverage. Understanding how these rules work and how assets are evaluated is the foundation of effective Medicaid planning.

This section explains the essentials of Medicaid eligibility in Pennsylvania and explores key planning strategies that can help you qualify for needed care while protecting savings, supporting a spouse (if applicable), and preserving financial stability for future generations.

MEDICAID ELIGIBILITY IN PENNSYLVANIA

Medicaid helps cover the cost of long-term care for individuals who meet both medical and financial eligibility criteria. To qualify based on medical need, applicants must be assessed and deemed “medically needy” by the Area Agency on Aging (AAA). In addition to medical qualification, applicants must be verified as “financially needy” by the County Assistance Office (CAO). This determination is based on an evaluation of income, assets, and a review of your five-year financial history, known as the lookback period.

PART 2

- **Income:** Refers to monthly income from sources such as Social Security, pensions, or annuities.
- **Assets:** Includes total resources, including cash, bank accounts, retirement funds, and investments. Assets are divided into two categories:
 - **Countable assets:** These affect eligibility and may include checking and savings accounts, CDs, investments, and most retirement funds such as IRAs or 401(k)s.
 - **Exempt assets:** These are not counted toward eligibility and can include a primary residence, one vehicle, certain life insurance policies, and irrevocable burial accounts.
- **Five-Year Lookback Period:** This review allows the CAO to examine all financial transactions made in the five years before your Medicaid application. Any gifts or transfers made for less than fair market value during this time may result in a penalty period, delaying coverage and requiring the applicant to pay privately for care until the amount of those transfers has effectively been spent down.

PART 2

To qualify for Medicaid, you must meet both the medical and financial standards set by the state. Financial eligibility hinges not only on the amount of income and assets but also on how those assets have been managed over time.

Because these rules are highly detailed, Medicaid planning plays a crucial role in organizing your finances, avoiding penalties, and structuring assets to protect both your access to quality care and your family wealth.

Next, we'll explore legal and financial strategies you can use to help meet eligibility requirements while preserving your home, savings, and dignity.

MEDICAID PLANNING STRATEGIES TO PROTECT YOUR ASSETS

- **Spend-downs:** Use available assets for legitimate expenses such as essential home repairs, medical costs, or paying off debt before applying for benefits.
- **Asset repositioning:** Converting countable assets into exemptor protected ones to preserve them under Medicaid rules. Examples include:
 - **Medicaid-compliant annuities:** Converting retirement accounts or savings into a predictable income stream that supports ongoing care while remaining compliant with Medicaid eligibility requirements

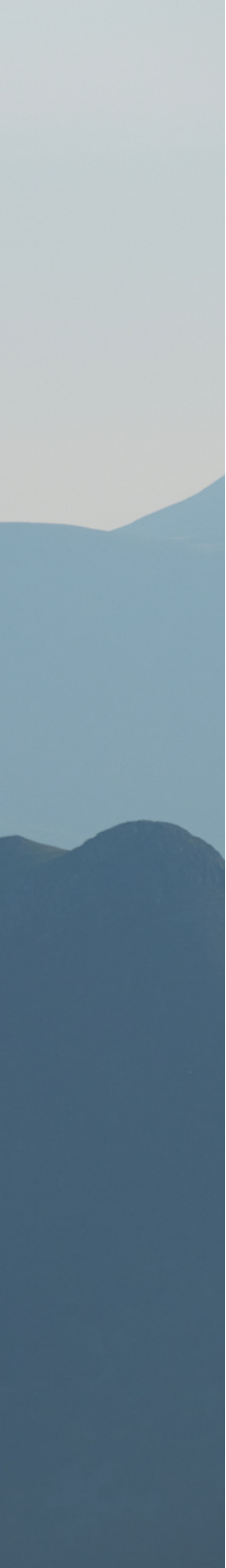
PART 2

- **Income structuring:** Balancing income to meet state thresholds, particularly when one spouse remains at home (the “community spouse”)
- **Crisis planning:** Even if care is already needed or assets have been transferred within the five-year lookback period, it may not be too late to plan. Through specialized tools and gifting strategies, combined with annuities, attorneys can often help preserve a significant portion of assets while still helping clients qualify for benefits as quickly as possible.

Each of these strategies must be tailored to your goals, care needs, and financial profile. A qualified elder law attorney helps families understand how each option applies to their unique situation and ensures all actions meet state and federal guidelines.

Part 2 Summary: How Medicaid Planning Works

- In Pennsylvania, Medicaid eligibility is based on medical and financial need.
- Medical need is verified through the Area Agency on Aging (AAA) after a physician confirms that skilled or long-term care is required.
- Financial need depends on income, assets, and a five-year lookback of all financial transactions.
- Certain assets count toward eligibility, such as a home, one vehicle, and some life insurance or burial accounts.
- Medicaid planning strategies can protect your assets, such as spend-downs, annuitization, trust creation, and income structuring, which can help you qualify without losing your home or savings or leaving your spouse unprotected.
- An elder law attorney can help structure assets properly, avoid penalties, and ensure access to quality care while preserving financial security.



PART 3:

A REAL-LIFE MEDICAID PLANNING EXAMPLE

PART 3

Every family's financial situation is different, which is why no two Medicaid plans are the same. At Mittman Law, we use a customized analysis called the MA Keystone Report to help clients visualize their options.

In this section, we'll share an MA Keystone Report from a real-life client that outlines multiple financial scenarios, showing how assets could be legally restructured to qualify for Medicaid coverage while protecting savings, income, and care quality.

THE FINANCIAL INPUTS

The process begins with a detailed questionnaire that helps us understand the client's financial picture, care needs, and goals.

In this example, our 69-year-old client was single and required long-term care for dementia. His financial profile included:

- A Medicare premium of \$144.60 per month
- A gross monthly income of \$3,560.60 from Social Security and an annuity
- A \$350,000 life insurance policy
- Total assets of \$962,689.02 across cash, bonds, IRA annuities, and checking accounts
- Monthly rent of \$7,000 for assisted living care

These inputs, along with tax returns, financial statements, and proof of expenses, form the foundation of the MA Keystone Report.

PART 3

THE SCENARIOS

The MA Keystone Report presented three possible strategies for how this client could move forward:

Scenario #1: No Action

If no changes were made, the client's adjusted spend-down would total approximately \$731,270, or about 97% of total assets. At an average nursing home cost of \$12,000 per month, these funds would last roughly 5.1 years before Medicaid eligibility could begin, leaving little protection for future needs or family inheritance.

This approach is simple and requires no immediate legal changes, but it offers no protection from asset depletion. Nearly all savings would go toward care costs before Medicaid benefits begin, leaving few options for flexibility or legacy preservation. It's the least strategic path and typically only makes sense when care needs are short-term or assets are minimal.

Scenario #2: Partial IRA Liquidation & Annuitization

By liquidating part of the IRA and placing \$395,000 into a trust, our client could significantly reduce the spend-down to about \$140,770. This amount would cover 5 years of care at \$7,000 per month before Medicaid eligibility could begin.

PART 3

- The remaining IRA funds were annuitized over 5 years, creating \$216,000 in new income during that period.
- If the client passed away before the 5-year period ended, the annuity balance would go to a beneficiary.
- The trust-protected assets remained exempt from Medical Assistance but accessible for enhanced care or emergencies.

This option balances immediate care funding with long-term preservation. It creates income for current care needs while shielding nearly \$400,000 in a Medicaid-compliant trust, protecting assets for future use or inheritance. While it involves some tax exposure from the IRA liquidation, it dramatically reduces the risk of complete fund depletion and provides flexibility that the “no action” approach lacks.

Scenario #3: Full IRA Annuitization (100%)

Under this option, the entire IRA was annuitized over 17 years, maintaining the same adjusted spend-down as Scenario #2 but spreading income over a longer period.

- This strategy reduced the client’s tax burden and created a predictable income stream.
- All assets became income-producing and therefore exempt once skilled nursing was required.
- Upon the client’s passing, any remaining annuity balance would transfer to the named beneficiary.

PART 3

While this approach offered steady income and tax advantages, the longer annuity term meant assets would continue to deplete over time, potentially exhausting funds late in life.

THE BEST PATH FORWARD

The MA Keystone Report gives families a clear, side-by-side view of how different financial strategies affect both Medicaid eligibility and long-term asset preservation. With that information in hand, clients can make informed decisions that reflect their values while balancing quality care, tax efficiency, and family legacy. The outcome is a plan that supports care needs today while preserving dignity and protecting the legacy built over a lifetime.

PART 4:

COMMON MISTAKES TO AVOID

PART 4

When facing the challenges of long-term care, it's easy to make financial or legal decisions that have unintended consequences. Some missteps can delay Medicaid eligibility or reduce the assets available to support a spouse or family member. Understanding these common pitfalls can help you make sound decisions that protect both access to care and your savings.

1. THINKING IT'S TOO LATE TO PLAN

Many families assume that once a loved one needs long-term care or has already entered a nursing facility, it's too late to protect assets or qualify for Medicaid. Fortunately, that's not the case.

Even when care is needed right away, crisis planning can often preserve significant savings, protect the family home, and help secure benefits more quickly. The key is to act swiftly and work with a legal professional who can assess your situation and develop a plan that balances immediate care needs with long-term financial protection.

2. GIFTING OR TRANSFERRING PROPERTY WITHOUT ADVICE

Transferring money or property or adding an adult child's name to an account or deed can unintentionally trigger penalties under Medicaid's five-year lookback rule. If assets were transferred for less than fair market value, Medicaid may impose a penalty period during which long-term care must be paid from private funds, often exceeding \$10,000 per month.

PART 4

With proper legal guidance, however, gifts and transfers can be structured to protect Medicaid eligibility and preserve assets instead of putting them at risk.

3. FAILING TO RESTRUCTURE ASSETS

Leaving countable assets, like savings, investments, or retirement funds, in their current form can make you appear over-resourced and delay eligibility. An elder law attorney can help reposition countable assets into exempt categories through tools such as a Medicaid-compliant annuity or a Medicaid Asset Protection Trust (MAPT), ensuring your funds are used strategically and in line with Medicaid's rules.

4. NOT DESIGNATING A POWER OF ATTORNEY (POA)

Without a properly executed Power of Attorney, families may have limited ability to act on behalf of a loved one who needs care. Essential steps like restructuring assets, creating trusts, or completing the Medicaid application can be delayed until a court-appointed guardianship is established, a process that can take months.

Having an up-to-date POA ensures a trusted person can make financial and healthcare decisions quickly when time matters most. It's one of the simplest yet most powerful tools for protecting both care access and family assets.

PART 4

5. NAVIGATING ALONE WITHOUT LEGAL GUIDANCE

Medicaid's rules are complex and change often. Trying to handle planning or applications without professional support can lead to unnecessary stress, delayed benefits, or the loss of assets that could have been protected. Partnering with an elder law attorney provides clarity and peace of mind, helping you create a plan that aligns with state rules and safeguards your family's future.

Part 4 Summary: Common Mistakes to Avoid

- It's never too late to plan – even if care is needed now, crisis Medicaid planning can still protect significant assets.
- Unplanned gifts or property transfers can trigger penalties under the five-year lookback rule; always get legal advice first.
- Leaving assets unstructured can make you appear ineligible, but repositioning them correctly helps preserve your savings and eligibility.
- Without a Power of Attorney, families may face costly delays when urgent financial or care decisions are needed.
- Working with an elder law attorney provides clarity, reduces stress, and helps you avoid costly errors that could jeopardize eligibility or assets.

PART 5:

WHERE TO BEGIN

PART 5

When a loved one needs long-term care, the path forward can feel uncertain. Medicaid planning turns that uncertainty into action. With the right steps and guidance, you can protect what they've built, qualify for needed care, and move forward with peace of mind, even if care is already underway.

STEP 1: START WITH A TRUSTED LEGAL PARTNER

Begin by scheduling a meeting with an experienced elder law attorney who focuses on Medicaid planning. An attorney can explain how eligibility works, assess your financial picture, and outline realistic options for protecting assets while meeting your or your loved one's care needs. They can help prevent costly mistakes and ensure every decision aligns with state and federal rules.

STEP 2: GATHER FINANCIAL & PERSONAL RECORDS

Collect the required Medicaid application documents to evaluate eligibility, including identification, income verification, bank and investment statements, insurance policies, real-estate deeds, and recent tax returns. Use this helpful checklist to cover all your bases.

MEDICAID APPLICATION DOCUMENT CHECKLIST

Identification

- ☐ Driver's License (current or expired)
- ☐ Social Security, Medicare, and insurance cards
- ☐ Divorce decree or spouse's death certificate (if applicable)

Power of Attorney / Content

- ☐ Copy of Power of Attorney (POA), Guardianship, or Consent Agreement (if applicable)

Income Verification

- ☐ Social Security Award Letter
- ☐ Pension or annuity statements showing gross and net income
- ☐ Copies of 1099 forms (if available)

Financial Statements

- ☐ Bank, investment, and retirement/IRA account statements for the past 5 years
- ☐ Include opening and closing statements for any account opened or closed within 5 years

Counties typically require two statements per year (e.g., January and June) for the first 3 years of the lookback period, plus all monthly statements for the most recent 2 years. Additional statements may be requested.

MEDICAID APPLICATION DOCUMENT CHECKLIST

Check Copies & Supporting Documentation

- ☐ Copies of cancelled checks and explanations for all transactions of \$500 or more (excluding income)
- ☐ Contracts or proof of payments to private parties (if applicable)

Counties typically require two statements per year (e.g., January and June) for the first 3 years of the lookback period, plus all monthly statements for the most recent 2 years. Additional statements may be requested.

Life Insurance

- ☐ Current policy statement showing face value and cash surrender value

Up to \$1,000 of life insurance cash value is exempt, but documentation is still required.

Burial Accounts

- ☐ Contracts or proof of payments to private parties (if applicable)

Must be an “irrevocable burial” account to qualify as an exempt asset.

Real Estate

- ☐ Copy of property deed and estimated property value
- ☐ Names and relationships of anyone living on the property
- ☐ Settlement sheet if the property was sold within the past 5 years

A primary residence is generally an exempt asset, but still requires documentation.

MEDICAID APPLICATION DOCUMENT CHECKLIST

Vehicles / Mobile Homes

- ☐ Copy of vehicle or mobile home title and proof of insurance
- ☐ Estimated current value

Ownership of one vehicle is an exempt asset, but it must be documented.

Household Expenses

- ☐ Copies of monthly bills (mortgage/rent, utilities, property taxes, insurance, etc.) – required if applying for short-term MA grant (less than 6 months) or a spouse is living at home

Applicants who are single and not returning home do not need to provide expense documentation.

Tax Returns

- ☐ Federal tax returns for the past 5 years, including 1099s

If no taxes were filed, a signed “non-filing” statement is required.

Healthcare Premiums

- ☐ Copy of recent premium invoice for any supplemental or managed healthcare plan (beyond regular Medicare)

PART 5

STEP 3: REVIEW YOUR HEALTH & FINANCIAL GOALS

Clarify your family's priorities so you and your attorney can create a plan that balances financial protection with quality care. During this conversation, your attorney will help guide you through important questions, such as:

- What level of care is needed – at home, in assisted living, or in a skilled nursing facility?
- How can available assets be used to maintain comfort, dignity, and stability?
- What protections should be in place for a spouse or dependents who remain at home?
- What portion of your estate would you like to preserve for future generations?

This collaborative discussion ensures your Medicaid plan reflects both your care needs and your long-term financial goals.

STEP 4: CREATE & IMPLEMENT YOUR PERSONALIZED MEDICAID PLANNING STRATEGY

Once your goals are clear, your attorney will help develop a Medicaid plan tailored to your family's situation. This plan may include various scenarios that illustrate how different financial strategies affect both eligibility and long-term asset protection. Depending on your needs, your plan may involve:

- Restructuring assets or creating a trust
- Applying allowable spend-downs
- Preparing and submitting the Medicaid application
- Coordinating with healthcare providers and facilities
- Handling appeals or redeterminations if benefits are delayed or denied

Part 5 Summary: Where to Begin

- Start by meeting with an elder law attorney who understands Medicaid's complex eligibility rules.
- Gather essential documents, including financial records, identification, insurance, and tax information, to build a complete picture of your situation.
- Work with your attorney to define care priorities and long-term goals that protect both quality of life and financial stability.
- Develop and implement a personalized Medicaid plan that includes asset protection strategies, application preparation, and coordination with care providers.
- Even if care is needed immediately, it's not too late – crisis planning can still protect significant savings, preserve your home, and help secure benefits faster.

YOUR PHILADELPHIA AREA ELDER LAW ATTORNEY

We help Pennsylvania families navigate the Medicaid planning process with compassion, expertise, and a personalized approach. From asset repositioning to application support and redeterminations, we're here to help you protect your home, savings, and dignity every step of the way.

Contact Mittman Law at (215) 822-9750 to
schedule a consultation or learn more.

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