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# SPECIAL ALERT

## HISTORIC LONG-TERM CARE REFORM SIGNED INTO LAW

**The Deficit Reduction Omnibus Reconciliation Act of 2005**, which was signed into law on February 7th, will have a chilling impact on Medicaid long-term care eligibility rules. Moving forward, it will become increasingly difficult to shelter assets through divestiture, and “Medicaid” annuities, to qualify for government assistance with long-term care (LTC) costs and services.

**What this means for you and your family members is that it is no longer prudent to even consider such strategies as workable. Furthermore, it reinforces government social and fiscal policies that increasingly encourage citizens to shoulder responsibility for their retirement security. *The legislation elevates the importance of long-term care insurance benefit plans.***

Prior to passage of the act it was relatively easy for people with money to divest assets to family members and trusts to qualify for Medicaid spend down. The more salient features of the new law are as follows:

- The Medicaid transfer of asset rule has been extended from three years to **five** years. Perhaps more importantly, the penalty waiting period now **starts** from the date of nursing home admission – not from the date of transfer.

- The legislation will deny Medicaid assistance to any applicant with home equity valued above **$500,000**.

- The use of Medicaid annuities and the purchase of life estates have been curtailed.

- The legislation also allows and encourages national expansion of Partnership plans. State reciprocity will be encouraged.