

# Letter to our clients

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In our conferences and correspondence I have been careful to let you know about possible changes to the Medicaid laws that will change your planning options. Those changes are confronting us now. Both houses of Congress have passed the Deficit Reduction Act of 2005. There are significant changes to Medicaid contained in the bill. The most recent estimates suggest that changes will be effective no later than January 31, 2006.

Past experience with changes in the law suggest that it may take Florida some time to implement the changes but it would be foolish to count on that possible delay. We have viable planning options to deal with the proposed changes in the law. Because some of our current asset protection strategies may no longer work, it is important for you to meet with me as soon as possible.

I am writing a more comprehensive analysis of the proposed law for our website but want you to have this summary of changes at the earliest possible time. Following are the major changes in the proposed law.

1. The look-back period for assets transferred after the enactment date of the Deficit Reduction Act of 2005 will 5 years instead of the current 3 years.
2. Instead of the penalty period starting on the date of the transfer, the beginning date of ineligibility will be the date of the Medicaid application denial notice for an individual who meets the income, asset, and level of care requirements, but is under a penalty period because of the transfer of assets.
3. The state may no longer "round down" transfers, eliminating the "chipping" strategy.
4. There are major changes in the treatment of annuities, including a requirement that the state of Florida be named as a beneficiary.
5. Balloon or "Plus 10" annuities will no longer offer any Medicaid protection.
6. The home may not be protected for a single person with home equity in excess of \$750,000.
7. The entrance fees for life care communities may be considered available assets.

All strategies will need reviewing. Just as we warned new rules call for new strategies. New strategies should be effective for protecting assets under the new Law; however, the new strategies will require more work and patience and fewer dollars may be protected after the enactment of the new Law.