

## **Medicare and Medicaid Differences**

“Medicare” and “Medicaid” are terms that often confuse people. Medicare is a federal program financed by insurance premiums paid by workers prior to retirement. Medicaid is a state and federal public benefits program for lower income persons. Though both Medicare and Medicaid are both government programs, it is helpful to understand that Medicare covers accidents and illnesses much as a private insurance plan would, even though Medicare is administered through “CMS,” a branch of the federal government.

### **Medicare**

Medicare is a health insurance program providing benefits to people 65 and older, and to disabled persons who have been receiving Social Security Disability Income benefits for at least two years. Medicare pays for hospital and doctor’s charges, plus some other medical expenses. Medicare does not pay for “custodial” care in a nursing home. Medicare can pay for some nursing home expenses for up to 100 days, but only while a doctor prescribes medical services like rehabilitation or skilled nursing care after hospitalization. Before even these Medicare benefits are approved in a nursing home, the patient must have had a three day hospital stay. If required, Medicare will pay 100% of nursing home costs for up to 20 days. Limited coverage, with a \$144.50 per day co-payment required, can be approved for up to another 80 days. Many Medicare supplement policies will cover all or part of this co-payment. Medicare is strict in its approval of Medicare coverage even if the doctor prescribes it. Sometimes full coverage will not continue for the full 20 days, and it is rare that a condition will be approved for the full 100 days. After Medicare coverage ends, the Medicare supplement insurance coverage ends, too.

### **Medicaid**

Medicaid pays many medical expenses not paid by Medicare, but Medicaid is available only for eligible people who have limited resources and income. The chief difference for nursing home services is that only Medicaid and long term care insurance will pay for “custodial care,” which is the routine nursing services provided in a nursing home.

For those who are both medically and financially eligible, Medicaid pays all the recipient’s nursing home and medical expenses that are not paid by Medicare.

Medicaid coverage in the nursing home (TennCare in Tennessee) is administered under a TennCare waiver for “medically eligible” recipients under the “CHOICES” program. Nursing

home Medicaid is now run under the “Choices 2” regulations, while long term care coverage for “medically eligible” persons in the home under the old “home and community-based services” (HCBS) guidelines, is now called “Choices 2.” Due to state budget cuts, both of these programs are cutting back the medical expenses they will pay.

Financial eligibility for Medicaid is dependent on the recipient having limited income and assets. An individual applicant for Medicaid may generally have no more than **\$2,000** in “available assets” (\$4,000 in Mississippi), though some important assets, such as the family home and one automobile are not counted. All assets owned by both spouses may be counted, but in the case of married couples, the well spouse has the benefit of important federal and state laws designed to prevent “spousal impoverishment.” In Tennessee, those rules can enable the well spouse to protect their home and half of their available assets up to **\$115,920** or more, in some cases, with significant protections for the income of the well spouse, as well.

Tennessee does prevent Medicaid applicants with more than **\$2,130** per month in gross income (the “income cap”) from qualifying for Medicaid unless they establish a “qualified income trust” (QIT or “Miller” trust). Our elder law attorneys can help you establish this qualified income trust and to maximize protections for the well spouse’s income and assets.

These materials are intended strictly as educational information about elder law subjects and should not be construed as legal advice. Each person's situation is unique and requires specific evaluation before advice can be given. Consult a reputable and competent elder law attorney regarding your own needs.

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