Medicaid Eligibility For Nursing Home & Other Long-Term Care

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Applying for Medicaid

This document provides general information about the rules for qualifying for Medicaid to pay for nursing home care. The rules, with a few variations, also apply to Iowa's Elderly Waiver Program. The Elderly Waiver Program pays for a limited amount of in-home services that can help a person stay in their home, or in an assisted living facility, instead of moving to a nursing home.

The rules about Medicaid eligibility for long-term care are complicated. This document contains general information about the Medicaid eligibility rules, but it does not include all of the rules that apply in all circumstances. Do not assume that this information necessarily applies to your specific situation.

Iowa residents can apply for Medicaid online at the Iowa Department of Health and Human Services (HHS) Portal, hhsservices.iowa.gov, or in person at a local HHS office. Information about applying for Medicaid is available on the HHS website: hhs.iowa.gov.

Before applying for Medicaid, you should determine whether you are able to meet all of the eligibility requirements for Medicaid. If you do not know whether you qualify for Medicaid, you should consult with an attorney who knows the Medicaid rules. The attorney can help you become eligible for Medicaid through strategies that will maximize the amount of assets that can be protected for your spouse and family. Basic Medicaid planning, which is all that most people need, should cost no more a few hundred dollars. More complicated situations may require the preparation of various legal documents and a substantial restructuring of your financial assets.

Medicaid's General Eligibility Rules:

1. Applicant must meet level of care requirements, which means you need the level of care provided by a nursing home.

2. Applicant must need care for 30 or more consecutive days.

3. Applicant's income, not including the income of the applicant's spouse, must be $2,982 per month or less in 2026. If your income is more than $2,982 per month, you may still become eligible for Medicaid by setting up a Medical Assistance Income Trust (Miller Trust). A Miller Trust allows you to be eligible if your income is no more than $11,713.75 through June 30, 2026. An even higher income is allowed with a Miller Trust if the applicant receives specialized care, such as in an Alzheimer's unit.

4. Applicant's non-exempt resources must be $2,000 or less.

Client Participation

Client participation is the amount of the nursing home resident's income that must be paid to the nursing home each month. It is determined by deducting from the resident's income:

- A personal needs allowance;
- An income maintenance allowance for the resident's spouse, who is called the community spouse;
- Income maintenance allowances for the resident's other dependents;
- The costs of other medical expenses, such as for Medicare supplement insurance and Medicare Part D insurance; and
- An allowance for unmet medical expenses such as delinquent nursing home and medical bills.

The resident's remaining income is used to pay for the resident's nursing home care.

IMPORTANT: The community spouse's income does not have to be used to pay for the nursing home expenses.

Personal Needs Allowance

Nursing home residents who receive Medicaid keep $55/month of their own income as a personal needs allowance to pay for haircuts, telephones and other expenses that are not covered by Medicaid.

Some veterans who receive specific, VA pensions receive an additional $90 out of their income.

Community Spouse Income Allowance

The spouse of a nursing home resident is called the community spouse. The community spouse can keep part of the nursing home resident's income as an income maintenance allowance if the community spouse's income is less than $4,066.50 per month in 2026.

Other dependents of the nursing home resident can also receive an income maintenance allowance.

Community Spouse Resource Allowance

The community spouse of a nursing home resident should receive a resource allowance to help the spouse pay the spouse's living expenses. The Iowa Department of Health and Human Services uses an attribution

process to determine the amount of the resources that are protected for the community spouse.

1. Certain assets are exempt; e.g., one car, furniture and other household goods, pre-paid funeral plans, and a home and contiguous land. The equity value in a home is limited to $752,000 (in 2026) if the applicant's spouse or certain children do not live in the home. The exempt assets may all be retained by the community spouse and should be transferred to her.

2. All non-exempt assets of **both** spouses are available to pay the resident's long-term care expenses, unless they are protected for the community spouse by the attribution process.

3. In the initial attribution, or division, of resources, the community spouse keeps one-half of all non-exempt resources owned by one or both spouses, with two exceptions. The community spouse will receive a minimum or $32,532 and a maximum of $162,660 in 2026.

4. All other non-exempt resources are attributed to the resident. The Medicaid application will be denied until all of the resources that are attributed to the resident are spent down to $2,000 or less. Assets should not be spent down until after the applicant enters a medical facility or has been found to meet the level of care requirements for Elderly Waiver services.

5. In some cases, appealing the initial attribution of resources will increase the amount of resources that the community spouse may keep.

Appealing the Initial Attribution of Resources:

1. Either spouse has 30 days to appeal the initial attribution of resources. If an appeal is not filed, but the Medicaid application has been denied, a new application can be filed and the new attribution can be appealed. Only one appeal of the attribution is allowed.

2. If the attribution is appealed, the community spouse can keep the resources needed to increase the income available to her to the minimum monthly maintenance needs allowance in effect when the appeal is filed, which is $4,066.50 per month in 2026. Income from assets is not included in this determination.

3. HHS uses the cost of a single-premium, lifetime annuity that would provide the community spouse with total income of $4,066.50 per month in 2026 to determine the amount of resources that the community spouse can keep.

4. The attribution rules drastically changed on February 8, 2006. For a person who entered a nursing home prior to February 8, 2006, only the community spouse's income is used in determining the amount of resources needed to provide income of $4,066.50 per month. The community spouse of a person who enters a nursing home on or after February 8, 2006 must include as part of the community spouse's income the income allowance that is received from the Medicaid applicant.

Attribution of Resources Example

Husband in nursing home applies for Medicaid.

Husband - Age 85
Income: $1,500/mo.

Wife - Age 85
Income: $1,300/mo.

Home - $240,000
Car - $25,000

Savings - $40,000

Savings - $50,000

Initial Decision:

Wife keeps exempt home and car. Husband attributed one-half of all non-exempt resources, or $45,000 and is denied Medicaid until $43,000 is spent.

Appeal Decision:

If husband entered nursing home before February 8, 2006, wife keeps the exempt property and the $90,000 in savings since an annuity to increase her income to $4,066.50/mo. exceeds their non-exempt assets of $90,000. Husband is eligible for Medicaid.

If husband entered nursing home on or after February 8, 2006, wife keeps the exempt property and only $45,000, since the cost of an annuity to increase her income, including her husband's income that she can keep, to $4,066.50 is less than what was initially attributed to wife. Husband is not eligible until $43,000 is spent.

Spending Down Resources to Become Eligible for Medicaid

After the attribution of resources, the Medicaid applicant will not be eligible until all of the resources attributed to the applicant are spent down to $2,000 or less. Medicaid eligibility begins the first day of the month after the excess resources have been spent down.

The applicant's excess resources over $2,000 do not have to be spent on nursing home care. They can be spent on anything that benefits the applicant or the spouse.

Among other things, the excess resources can be used to:

- Buy chairs, TV's, clothes, or other items that the applicant can use in the nursing home;
- Pay debts of either spouse;
- Buy irrevocable, prepaid funeral plans for both spouses;
- Buy exempt assets, such as a house, car, household furnishings, etc.;
- Repair or remodel the homestead, or pay down the mortgage;
- Pay travel expenses of the community spouse who wants to take a vacation;
- Buy specific types of Medicaid-compliant annuities to provide additional income for the community spouse; and
- Make gifts to specific people in very limited situations that are exceptions to the transfer of asset rules.

It is generally important to spend down resources only after the applicant has been admitted to the nursing home or has been found to meet the level of care requirements for Elderly Waiver services. Doing so will maximize the joint resources that are used to calculate the attribution of resources between the spouses, thereby increasing the amount of resources protected for the community spouse. The resources attributed to the applicant can then be used to make the expenditures listed above.

This planning is especially important after February 8, 2006, since the income-first test required by the Deficit Reduction Act of 2005 greatly increases the number of couples who will have one-half, or fewer, of their assets protected for the community spouse.

Medicaid applicants and their families should obtain the advice of an attorney who knows the Medicaid rules if they want to maximize the resources that can be retained by the community spouse.

Transfer of Asset Rules

1. Eligibility Rule:

If a Medicaid applicant or their spouse transfers assets for less than fair market value within five years before the Medicaid application is filed, or at any time after the application is filed, the person is ineligible for Medicaid for a period of time beginning at the time they would otherwise be eligible for Medicaid.

A. The period of ineligibility is the number of months computed by dividing the value of the transferred assets by the average cost of nursing home care, which was $9702.77 through June 2026.

B. Transfers that affect eligibility include:
   - Gifts to people other than your spouse;
   - Transfers to churches and charities;
   - Removing a name from an asset;
   - Selling an asset for less than its fair market value;
   - Placing assets in certain types of trusts;
   - Disclaiming an inheritance;
   - Failing to make a spousal election against a will; and
   - Purchasing certain annuities, promissory notes, loans, mortgages and life estates.

C. Spending money for the benefit of the applicant or the community spouse is not a transfer that affects eligibility.

D. Certain transfers do not cause Medicaid ineligibility:

   - Transfer of your home to a child who lived with you and provided care that kept you out of a nursing home for two years;
   - Transfer of any asset to a disabled child;
   - Transfer of assets that would have been attributed to the community spouse;
   - Transfer of your home to a sibling with an equity interest who has lived in the home for at least one year;
   - Transfer to a spouse;
   - Transfer in exchange for support, maintenance or services; and
   - Transfer was exclusively for a purpose other than qualifying for Medicaid.

E. If denying eligibility because of a transfer would cause the applicant an undue hardship, then Medicaid benefits must be approved. A hardship exists if:

- Imposing a penalty would deprive the resident of food, shelter or other necessities of life;
- All means to recover the transferred resource have been exhausted;
- Remaining assets other than a home, household goods, a vehicle and $4,000 of burial funds are less than the average monthly cost of nursing home services.

Hardship will not be found if resources were transferred to the person handling the financial affairs of the resident, or to that person's spouse or children, unless the resident demonstrates that payments cannot be obtained from the person handling the resident's financial affairs.

2. Claims against people who receive assets:

If a person or their spouse transfers assets for less than fair market value within five years before the Medicaid application is filed, or while the person is receiving Medicaid, with the intent on the part of the person who receives the assets to gain Medicaid eligibility for the transferor, HHS may file a claim against the person who received the assets for the amount of the Medicaid benefits, up to the uncompensated value of the transferred assets. Claims that do not result in ineligibility generally do not result in a claim against people who receive the assets.

Estate Recovery Law

Iowa's Estate Recovery Law requires people to repay the State for certain Medicaid benefits they have received **only if the Medicaid recipient owns assets when they die.**

1. Repayment is due at death from the person's estate, including real and personal property, funds in a burial trust, jointly held property, life estates, IRAs, annuities, and other assets in which the person had any legal interest the second before they die.

2. If the Medicaid recipient does not own anything at death, then nothing is ever paid back to the state by the recipient's spouse or anyone else.

3. Assets in a Miller Trust are paid to HHS as the remainder beneficiary of the trust by payment to the estate recovery office. Miller Trust assets cannot be used for funeral or other expenses and the estate recovery waiver provisions do not apply to them.

4. Life insurance proceeds are not recoverable by the state unless the person's estate is the beneficiary.

5. Except for funds in a Miller Trust, assets can be used to pay funeral and burial expenses, expenses of last illness, certain taxes and estate costs.

6. Repayment may be waived if:

    - Collection would cause an undue hardship

    - The estate goes to surviving spouse, or to offspring who are disabled, blind or under age 21. Repayment is waived until their

death, or the offspring becomes 21, to the extent of any inheritance from the Medicaid recipient.

7. The personal representative of the Medicaid recipient, defined as the person who manages the recipient's financial affairs, and the institution in which the recipient resided, must report the death of the recipient to HHS within 10 days. The personal representative is personally liable for the amount due HHS if the recipient's estate is distributed without repayment.

Additional Actions to Take to Protect Assets

1. After the final attribution of resources, all of the non-exempt resources allocated to the community spouse must be placed in the name of the community spouse in order for the Medicaid applicant to become and maintain eligibility.

2. Because of Iowa's Estate Recovery law, the following actions should also be taken to maximize the resources for the community spouse:

- Transfer exempt assets such as the home and car to the community spouse; and

- Change the community spouse's will to exclude the Medicaid applicant, and/or convert assets to assets not subject to the applicant's spousal election rights if the community spouse dies first.

Medical Assistance Income Trust (Miller Trust)

1. A Medicaid applicant whose income is over the maximum income allowed for eligibility, which is $2,982 in 2026, must set up a Miller Trust, to become eligible. The income placed into the Trust reduces the applicant's countable income so that they qualify for Medicaid.

2. The trust can generally only be used by people whose income is no more than $11,713.75, through June 30, 2026, but an applicant with a higher income can use a Miller Trust if the applicant receives specialized care such as in an Alzheimer's unit.

3. The income of the applicant's spouse is not counted in determining whether a Miller Trust is required.

4. Part or all of the applicant's income goes into the Trust. A Miller Trust is an income trust, so no assets may be placed into the Trust.

5. The Trust may pay the Medicaid applicant the amount of his personal needs allowance.

6. The Trust may also pay the community spouse and other qualified dependents their appropriate income allowances for maintenance needs.

7. The remaining balance in the trust, less a monthly $10 fee to trustee, goes pays for nursing home or other medical expenses. The Trust balance at the applicant's death goes to the state since the state must be the remainder beneficiary of the Trust.

Miller Trust Example

1. Medicaid applicant's social security and pension checks that total $3,000 are assigned to the trust. In many cases, only part of the applicant's income is assigned to the trust.

2. Trust pays: $55 to client;
   $10 to trustee; and
   $2,935 to nursing home, if not diverted to spouse or dependents or used to pay medical bills.

3. Medicaid pays remaining bill to nursing home.

Information on the Internet

- www.iowalegalaid.org/ - Iowa Legal Aid's website which has numerous articles written for older Iowans that explain various aspects of Medicaid rules for long-term care.

- hhs.iowa.gov/about/policy-manuals/income-maintenance. The Iowa Department of Human Services Rules and Policy Manual.