What Is the Medicaid Caregiver Child Exemption?

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More info

The Medicaid caregiver child exemption can help seniors spend down their assets by transferring a home to their adult child in order to qualify for Medicaid. Navigating the process of financial qualification can be tricky, and seniors can incur penalties if it's done incorrectly. Because people can't qualify for benefits if they own too many assets, they may choose to gift a house to an adult child. However, if parents gift or sell their house to their children for less than fair market value, they might be ineligible for Medicaid. For adult children who are living with their parents and providing daily care, the Medicaid caregiver child exemption, sometimes called the "caretaker child exception," may help.

Key Takeaways

1. **Medicaid has strict rules regarding eligibility and transferring financial assets.** Seniors who transfer assets within five years of applying for Medicaid have the transfer of a home to a caregiving child for less than market value.
2. **To claim this exemption, the adult child must live with their parent.** They have to maintain the home as their primary residence.
3. **The adult child needs to be the primary caregiver to their parent.** In some states, this may mean providing full-time care.
4. **Each state may have slightly different guidance.** You may need to work with an expert to find out if you're eligible for this exemption.

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Defining the Medicaid child caregiver exemption

A home is a large asset that can prevent older adults from qualifying for Medicaid. The Medicaid child caregiver exemption allows seniors to transfer this otherwise-prohibitive asset to an adult child without incurring penalties, under some circumstances.

Medicaid is government-funded health assistance, and to be eligible, a senior must meet certain financial requirements. Usually, these are based on the senior's monthly income, current assets, and any gifts made within the look-back period. The look-back period is the 60-month period prior to the senior applying for Medicaid where any gifts or transfers made for less than fair value are reviewed and potentially penalized.

Many people plan for Medicaid eligibility by spending down their assets in a legal way. One thing that may interfere with Medicaid eligibility, however, is transferring assets such as a house for less than fair market value. Doing so can result in a period of Medicaid ineligibility.[1][2]

There are exceptions, though. One way to protect a home asset while maintaining Medicaid eligibility is through the caregiver child exemption. This allows a senior parent to transfer ownership of their home to an adult child over the age of 21 when that parent needs to move into a nursing home.

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Requirements for the child caregiver exemption

The requirements for claiming the child caretaker exception may differ by state. It's best to consult with an elder law attorney in your area, if possible. The basic requirements include the following:[3][4]

- The adult child must live with their parent for the two years immediately preceding the parent's move to a nursing home.
- The adult child must provide care to their parent that allowed the parent to continue living in their own home instead of a nursing home.

The adult child must be the primary caregiver and provide care at a level that allows their parent to avoid moving into an institutionalized setting, such as a nursing home or another Medicaid-approved facility. This care usually involves helping with a minimum of activities of daily living such as[5][6]:

- Dressing
- Eating
- Bathing
- Transferring into and out of bed
- Using the toilet

It's also important to keep in mind that different states do have different regulations on the amount of care that must be performed. In most states, the child living with their parent must provide most of these services for the parent on a regular basis, which may even mean doing so full-time.[7][8]

Essentially, children are allowed this exemption because the care they've provided allowed their parent to avoid living in a nursing home, referred to by Medicaid as "institutionalized care."

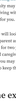
What care will look like for your parent after a home transfer

For you to claim the child caregiver exemption, your parent must move into a nursing home or other skilled care facility. Additionally, the nursing home where your parent receives care needs to be certified and licensed as a Medicaid Nursing Facility.[9][10]

Keep in mind that moving to another type of senior living community, such as an assisted living community, may mean that you pay more. Medicaid Nursing Facilities assume total care of the residents, and in doing so, the room and board in these facilities is included in the cost of care. Room and board at an assisted living community is usually not covered by Medicaid.[11] For this reason, a move to a nursing home is the most common choice for families claiming the child caregiver exemption.

When to use the Medicaid child caregiver exemption

It's best to use this exemption when it benefits both the child and parent involved. If you want to acquire your parent's home in the future and you can commit to caring for them for two years, then the Medicaid child caregiver exemption might be a good option.



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But it may require some planning. Many caregivers casually stay with a parent for days or weeks at a time to provide necessary care. However, the Medicaid child caregiver exemption requires that the adult child maintain their parent's home as their primary residence for the two years immediately before their parent moves into a nursing home.[12] Moving away before your parent moves into their new community may mean you're ineligible to claim the exemption. If you can't commit to living with your parent for this length of time, this exemption may not work for you.

Consider what your life will look like for the next two years, including your relationship with your parent and any other commitments you may have. If caring for your parents for two years feels like a logical next step in their care, then the Medicaid child caregiver exemption is likely a good solution for both of you. If it seems like you may not be able to provide care for the required two years, you'll want to keep that in mind when thinking about this exemption.

Claiming the exemption: What you'll need

When your parent requires a nursing home level of care and is ready to transfer their home, you may need to submit several documents before receiving a determination on whether you meet the requirements for the exemption. Remember that state and local practices may differ, and it's best to consult with an elder law attorney.

You may be asked to provide the following:[13]

- Information about the transfer, including who the home was transferred to, when, and for what amount, if any. This may include a deed to the home or mortgage documents.
- Proof of the parent-child relationship.
- Documentation showing that the child receiving the home provided care for their parent for the previous two years. A letter signed by a parent's doctor may suffice, but in some cases, further documentation may be required.
- Proof that the parent entered a nursing home or other Medicaid-approved institution for care, along with the dates.

Because Medicaid is a state-run program, you may need additional information or documentation when trying to claim this exemption. You can find information on who to contact in your state through the database of state Medicaid links maintained on the federal website. Other resources, such as an elder law attorney, can also help your family navigate Medicaid requirements.

If you're still exploring care options for a parent or loved one, a Senior Living Advisor at A Place for Mom can give you advice tailored to your location and budget. At no cost to you, they'll help find a care option that's right for your family.

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