

Medicare vs. Medicaid

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Medicare and Medicaid are very similar sounding words, in fact, only the last two letters of the words are different. However, their application and impact in the health care arena are very different. The financing of medical care in our senior years is becoming an increasingly important component of retirement and estate planning. Given the nature of the topic and the uncertainty surrounding it, too many people are simply in denial relative to their need for planning and management in this arena. The following data is provided to emphasize the importance of health care delivery and the cost issues for this country as a whole and for you individually.

- In 2001, national health expenditures were \$1.42 trillion, 14.1 percent of the gross domestic product.
- In 2002, total Center for Medicare and Medicaid Service program outlays were \$377.2 billion, 18.6 percent of the Federal budget.
- National health expenditures per person were \$205 in 1965 and grew steadily to reach \$5,035 by 2001.
- In 2001, the Medicaid program paid for over 41 percent of the total cost of care for persons using nursing facilities or home health services.

Now that I have your attention, let's get a better understanding of what Medicare and Medicaid are and the differences in these programs.

The majority of seniors are eligible for Medicare simply by the fact they are 65 or older and qualify for Social Security benefits. Medicare does a reasonably good job of helping with costs associated with illness and accidents where recovery is expected. However, it does not provide coverage for long-term custodial care in a nursing home or residential care facility.

Medicare is paid for entirely by the federal government, while Medicaid is a joint program with costs shared by both the federal and state governments. Medicare covers disabled and/or senior citizens who are eligible for Social Security, regardless of their income, while Medicaid mainly serves low income and low resource citizens.

Medicaid, a completely separate program from Medicare, is a needs based program designed to insure that people with limited income and resources have access to health care. The services covered under Medicaid are quite extensive and includes long-term custodial care. The problem for many people is meeting the limited income and asset tests to qualify for Medicaid. Enter the politicians and legal professionals. Many exemptions and loop-holes exist that are being exploited by individuals willing and able to hire Medicaid planning professionals.

What I am suggesting is that for many families, especially farmers or other small business owners who desire to pass-on their business assets, unless you have included long-term health care planning in your overall financial and estate planning programs – you have not completed the planning process.