Is a Reverse Mortgage Considered Income for Medicaid?

What senior homeowners receiving Medicaid need to know about Reverse Mortgages


Paul Scheper, CRMP, CSA, MBA

IRVINE, CA, UNITED STATES, November 25, 2020 /EINPresswire.com/ -- Half of the people who get a reverse mortgage don't really need the money, but they get the loan "just in case" they might need funds later in retirement. Some folks are not as lucky and they need a reverse mortgage now in order to improve their cash flow and live a more financially independent life.   If you're a retiree contemplating a reverse mortgage loan and converting your home equity into cash, there are several important considerations you should make. First, in order to qualify for a home equity conversion mortgage (HECM), you must meet certain conditions such as owning your home, permanently living in your home, and being at least 60 years of age.

In addition to reverse mortgage qualifications, you should also consider how a reverse mortgage may affect your heirs, a non-borrowing spouse, and the government benefits you receive. If you're one of 7.2 million seniors who receive Medicaid, a reverse mortgage might affect your coverage.
What is Medicaid?
Medicaid is a state and federal joint program under the Social Security Act. It helps cover the costs of long term care and physician visits for individuals and families who meet certain qualifications. Medicaid covers most of our nation's long term care needs and if you're currently eligible for Medicaid benefits, you should consider how a reverse mortgage might affect your eligibility. This is especially true if you're a senior planning your future health needs or those of

your spouse. You may be perfectly healthy now, but you can't predict what your medical needs and costs might be in the future.

Loangevity Mortgage

The Medicaid Program covers four basic types of medical expenses:
Part A: Covers hospital stays;
Part B: Covers physician visits, labs, x-rays, medical devices, and outpatient services;
Part C: Medicare Advantage Plan (like an HMO or PPO) available from private health insurance companies that are approved by Medicare;
Part D: Helps with prescription drug costs.

If you qualify for Medicaid, your income and assets must be put toward the costs of care, but you may retain some of that money for personal expenses.
The Medicaid program pays the difference for the cost of care directly to the facility, hospital, or provider. Medicaid's coverage is vast, and it pays health care providers at a discounted rate to help seniors and low-income individuals receive necessary medical services they might not otherwise afford.
Note: The Affordable Care Act of 2010 gave states the ability to expand Medicaid coverage, which means that eligibility requirements vary state by state. It's important to research how your location might affect your eligibility. For example, states may have different income limits, asset limits, and level of care required. These categories also differ based on whether the Medicaid applicant is single or married.

> "It's smart to use only the amount of money you need from a reverse mortgage credit line, and always keep your bank balance below the maximum Medicaid threshold."
>
> *Lana Schott*

In order to be eligible for Medicaid, you must qualify based on your earnings, family size, and disability status – these are all factors that may vary by state. Eligibility is also affected by whether you're single or married. For example, single, unmarried seniors with Medicaid coverage that covers long-term care can't possess countable assets that go over a certain limit. Those same individuals are also restricted on a monthly basis for income.
By the same token, married seniors cannot possess countable income that goes over a certain number month to month. With that said, you are allowed to keep a specified amount of income per month which varies if you're single or married.
A reverse mortgage may affect your Medicaid eligibility depending on what reverse mortgage payout method you choose. In most states, one of the Medicaid eligibility requirements states

that the recipient must not have more than $2,000 in countable assets (or $3,000 between married couples). Make sure to contact a Medicaid specialist to confirm this information because things change every month.


Money House

Medicaid rules have rules about countable assets. Assets typically use for Medicaid eligibility include bank accounts, stocks and bonds, Real estate (other than your main residence), additional vehicles besides one. There are also assets that Medicaid does not count for eligibility and may include your primary home, personal belongings, one car, life under $1,500 face value, and a limit of $1,500 in savings set aside for funeral arrangement. A reverse mortgage is not considered income for Medicaid. Payments from a reverse mortgage are categorized as loan proceeds. This is also why reverse mortgages do not impact your taxes.

A reverse mortgage doesn't affect the Medicaid income eligibility requirement because the payout does not count as income; rather, they are loan proceeds. However, if you choose a lump sum disbursement for your payout, but do not spend all of the proceeds, any leftover funds are considered countable assets after 30 days. If you exceed your asset limit, you may be ineligible for Medicaid coverage. This is important -- you should use the reverse mortgage proceeds that you will need and keep the rest in the reverse equity line for later. For example, let's say, for example, that you're single and you have a Medicaid eligibility requirement of $2,000 in countable assets. Then, let's say you receive a lump sum of $5,000 from reverse mortgage proceeds but you only spend $3,000 of the funds during the month in which you received the payout. You put the remaining $2,000 in the bank. After 30 days, you would become ineligible for Medicaid because that money is then considered an asset. Be smart. Be strategic. Know your math.

Just remember -- a reverse mortgage payout doesn't immediately disqualify your Medicaid benefits, but it's important to be mindful of how you spend your loan proceeds within a given amount of time. Getting a reverse equity line is prudent because you can draw out what you need, when you need it. Only use what you deem necessary from from the reverse mortgage credit line, and leave the rest in the credit line.

Paul E. Scheper, President

Loangevity Mortgage
9496367242 ext.
email us here
