

Medicaid Cost Recovery Finally Hits Michigan

Special points of interest:

- Michigan is the last state to implement Medicaid cost recovery
- Estates of deceased persons are now required to reimburse the state for the cost of Medicaid assistance

Sometimes coming in last place is a good thing. Michigan was the only state in the country that had not implemented a Medicaid cost recovery program as required by federal law. But that distinction ended when Governor Granholm signed a bill on September 30, 2007, requiring the Department of Community Health to initiate a program to recover payments made to Medicaid recipients.

The final rules and regulations have not yet been written, but it is a sure thing that Michigan residents will be subject to Medicaid cost recovery in the very near future. The estates of deceased persons who receive Medicaid assistance during their lifetime can expect to receive a claim from the state for the cost of the decedent's care. However, this does not mean that surviving family members will be expected to pick up the tab. Rather, the Medicaid cost recovery program is targeted at the estate of the deceased individual¹.

An "estate" is defined by reference to the probate rules, and does not include property held in a revocable living trust². Based on this definition, it may be appropriate to shift certain assets to a living trust after a person begins collecting benefits for nursing care. That de-

cision will have to be made on case-by-case basis.

Medicaid cost recovery is now a reality in Michigan, but whether it actually saves the government any money is unclear. Many states have found that the cost of recovering assets from deceased individuals exceeds the amount actually collected.

The changes to Medicaid are specifically designed to force more people to insure themselves against the cost of long term care. In fact, earlier this year Michigan established a "long term care partnership program". Under a long-term care partnership, residents will be able to retain some assets and still qualify for Medicaid assistance if they purchase qualifying long term care insurance. The purpose of the partnership program is to encourage people to purchase long term care insurance. These programs are a departure from the old model that required Medicaid participants to spend virtually all of their own assets to qualify for benefits.

There is going to be a progressive erosion in social welfare programs that provide long-term care assistance. The state and federal governments will continue to de-

velop new ideas and programs that effectively force many residences off the Medicaid rolls and into private insurance to pay for nursing care.

1. MCL 700.3805(f)
2. MCL 400.112h



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