

 Davis Miles  
McGuire Gardner

## ALTCS IN A NUTSHELL

Demystifying Arizona's Long  
Term Care Medicaid Program.

2020 VERSION



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# 1. Introduction

When considering long term care for a loved one, there are many points to consider—the most prevalent is, “How do we afford it?” The average cost of nursing care is over \$86,000 per year.

This book describes government programs which may assist with payment of long term care expenses—specifically, **Arizona Long Term Care System (ALTCS)** [a Medicaid/AHCCCS program] and Veterans Aid & Attendance pension.



The laws and policies that govern ALTCS are very complex. **In fact, most applications are denied.** Common reasons for denial of benefits include:

- Income too high
- Resources (assets) too high
- Gifting property within the past 5-years
- The applicants are too high-functioning
- Trusts
- Untimely or incomplete response to ALTCS requests
- The applicants or their representatives give up

With proper planning, many of those reasons for application denial may be avoided. We can help!

Call today to schedule a  
FREE benefits screening!



**(480) 344-4033.**

## 2. Long Term Care Arrangements

There are many issues to consider in order to determine the appropriate living arrangement for someone in need of long term care, such as timing, level of care, cost, and proximity to family. Below are a few examples:



### Levels of Care

- **Independent Living.** An apartment with a few added benefits, such as light housekeeping services, congregate meals, and support available in the event of an emergency.

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- **Assisted Living.** An apartment setting which offers meals, some level of supervision, medication management, and assistance with activities of daily living as requested.

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- **Memory Care.** Assisted living in a secured, supervised environment for those with memory or cognitive issues.

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- **Skilled Nursing.** Assisted living with added nursing or other specialized medical services.





# Types of Living Arrangements

- **Home.** In order to remain safe at home for as long as possible, consider home modifications, in-home caregivers, adult day care, and respite care.

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- **Move to a Different Home.** Consider moving into a smaller, safer, or more manageable home. You may move closer to family or friends, or even move in with them. There are also retirement communities, where more services and socialization are available.

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- **Care Facilities.** Some care facilities specialize in only one level of care, while others offer all levels of care.

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- **Group Homes.** Group homes offer a smaller, more intimate environment, typically licensed to house 5-10 residents. Most provide assisted living care.

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- **Continuing Care Retirement Communities (CCRC).** Retirement communities where the residents rent an apartment or purchase a condominium. In exchange for a large entrance fee, the community will offer various amenities, such as light housekeeping, meals, entertainment and support services. As their residents develop long term care needs, the communities offer various levels of care services.

## Resources for Making Care Arrangements

- Phoenix Area Agency on Aging ([www.aaaphx.org](http://www.aaaphx.org))
- Geriatric Care Managers ([www.aginglifecare.org](http://www.aginglifecare.org))
- Placement Agents (<https://pasrs.org>)
- Hospice social workers ([ahcpo.org](http://ahcpo.org))

# Paying for Long Term Care

- ✓ **Private Pay.** Out of pocket payment.
- ✓ **Long Term Care Insurance.** Coverage may vary with the type of care, daily amount covered, the maximum lifetime payout, and term of years.
- ✓ **Veterans' Aid & Attendance Pension.** This is a limited cash benefit intended to reimburse Veterans of war or their surviving spouses for their long term care and out of pocket medical expenses. It is available to those who meet a net worth limit and have sufficient out of pocket care/medical expenses.
- ✓ **Arizona Long Term Care System (ALTCS).** ALTCS is a Medicaid insurance program, rather than a cash benefit to the customer, for long term care and medical expenses. It is intended for the aging or disabled who cannot afford their long term care and to help their community spouses avoid complete impoverishment. It is generally the default method of paying for long term care.
- ✓ **Medicare or Supplemental Health Insurance.** Medicare generally does not cover ongoing long term care needs, such as caregivers or care facilities.



# 3. ALTCS Basics

## ALTCS Covered Services:

- Custodial care in group homes, assisted living or memory care facilities (\*Note: typically a semi-private room setting)
- Skilled nursing care
- In-home caregivers
- Day programs
- Behavioral health
- Habilitation
- Home modification
- Non-emergency transportation to medical appointments
- Respite care
- Support Coordination
- Therapies (occupational/physical/speech)
- Medical/Acute care, including Medicare Part B premiums
- Briefs/supplies

**Program Contractor:** After ALTCS approves eligibility, ALTCS outsources administration of the benefits through private insurance companies (Program Contractors). The applicant selects the Program Contractor, usually depending on the ALTCS contracts of their existing care providers. Case managers from the Program Contractors are assigned to each ALTCS customer.

## What will ALTCS cost me?

The monthly cost (or “copay”) of ALTCS covered services is based on the ALTCS recipient’s gross income. There may be deductions for:

- Personal needs
- Community spouse
- Dependents
- Out of pocket medical expenses (if any)

The rest of the recipient's income is paid to the care facility or to the Program Contractor.

## **ALTCS Eligibility**

- ✓ Residency (US and Arizona)
- ✓ Apply Other Benefits (disability, VA, etc.)
- ✓ Make Care Arrangements (In-Network)
- ✓ Medical (see p.9)
- ✓ Financial (see p.10)



## 4. ALTCS Medical Eligibility

To qualify for ALTCS, applicants must demonstrate that they cannot live independently. This is determined by a **Pre-Admission Screening (PAS)**, which scores the applicants' functional abilities with consideration of their medical needs.



### PAS: In a Nutshell

- **Why:** To determine whether the applicant's care needs are significant enough to qualify for ALTCS coverage.
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- **Who:** An employee of ALTCS interviews the applicant and any willing caregivers in person
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- **What:** Review of

1. Recent medical records

2. Functional assessment (most important)

3. Orientation

4. Behaviors

- **Where:** Where the applicant resides or at the ALTCS office
- 

- **When:** Part of the application process. If you are unsure, find out before you apply by requesting a Private PAS
- 

- **Qualifying Score:** At least 60 points (elderly and physically disabled), 40 points for the developmentally disabled



## 5. ALTCS Financial Eligibility

In order to determine financial eligibility, ALTCS will closely review income and resource (asset) information of the applicant and his/her spouse to determine whether they meet the eligibility limits listed below.

### INCOME

Gross Monthly Income Limits (in 2020)	
Single	Married
\$2,349	\$2,349 (applicant only) <b>OR</b> \$4,698 (both spouses combined)

### RESOURCES (Assets)

Resource Limits (in 2020)	
Single	Married
< \$2,000 countable resources	<b>Applicant</b> < \$2,000  <b>Spouse</b> ½ of the countable resources (at least <b>\$25,728</b> , up to <b>\$128,640</b> )

### INCOME ONLY TRUST

*aka "MILLER TRUST"*

**Income too high?** This trust can help applicants become eligible by reducing the portion of their total income that ALTCS counts. It is not a way of preserving savings. Monthly income which is deposited in the trust account should be paid out toward care and other approved expenses.

#### Relief for Married Couples

Rather than face complete impoverishment, ALTCS policies allow the spouse who resides in the community to keep half of their countable resources of at least \$25,728 up to \$128,640. With proper planning the community spouse may be able to keep even more.



## Excluded Resources:

*ALTCS does not count certain resources toward the resource limits, such as:*

- Primary residence (up to \$595,000 in equity) in Arizona or if spouse resides in residence; not exempt if held in a revocable trust.
- One vehicle
- A burial fund bank account up to \$1,500.00 for each spouse
- Pre-need burial arrangements/plots (cremation/burial/services)
- Household goods and personal effects
- Life insurance (up to \$1,500 face value)
- Special Needs Trust or ABLE account



## FIVE YEAR LOOK-BACK PERIOD

*ALTCS penalizes applicants who made gifts within 5 years prior to application or while on benefits by delaying coverage based on the value of the gift. This includes any uncompensated transfer of resources or income. (A few exceptions may apply.)*

The penalty period is calculated by dividing the total amount gifted by the average monthly private pay rate for skilled nursing care in the county in which the applicant resides. The result is the number of months ALTCS will not pay for care, beginning the month the application was submitted.

### EXAMPLE

**\$100K** house gifted to child  
÷ **\$7,429.58** (avg rate nursing care Maricopa Co. in 2019)  
= **13.5 months penalty**

# Asset Spend Down Calculator

	APPLICANT	SPOUSE
Bank accounts	\$	\$
Retirement accounts (IRA/401k/403b)	\$	\$
Life Insurance	\$	\$
Investment accounts	\$	\$
Additional real property	\$	\$
Additional vehicles	\$	\$
Burial arrangements	N/A	N/A
Home (equity)	N/A	N/A
Vehicle	N/A	N/A
Household items	N/A	N/A
Other	\$	\$
<b>Subtotal</b> (sum of lines above)	\$	\$
<b>Less Asset Allowance</b>	\$2,000	<b>½ of the subtotal</b> (up to \$128,640, but at least \$25,728)
<b>SPEND DOWN AMOUNT*</b>	\$	\$

**\*Note:** With proper planning, a spouse may keep much more of their combined assets. There may also be asset protection options for a single applicant.



## 6. Estate Recovery

### Will ALTCS take my house or my savings?

One of the most common myths about ALTCS is that they will take the applicant's house or savings. This is simply not true. Home property is an exempt resource. However, the applicant must still meet the other financial eligibility criteria. And, for some, it is not feasible to maintain their home while living in a care facility. However, there are a few ways that ALTCS will attempt to collect against the property of the recipient, up to the amount it has paid out toward the recipient's care.

#### ✓ Estate Recovery

Estate Recovery is the program by which ALTCS seeks reimbursement for expenses it paid against the estate of a deceased ALTCS recipient. It only applies to ALTCS recipients who were at least age 55 when they died. Further, ALTCS may only recover against the "probate" estate. And, in no instance is ALTCS entitled to estate recovery if a spouse or disabled child survives the ALTCS recipient.

#### ✓ Liens

During the ALTCS recipient's lifetime, Arizona may impose liens against the recipient's interest in real property. The ALTCS recipient must be at least age 55 and reside in a skilled nursing facility for at least 90 days. ALTCS recovers upon the sale or transfer of the real property subject to the lien. There are however, certain exceptions to the State's lien rights, such as when the recipient is married or has a disabled or minor child.

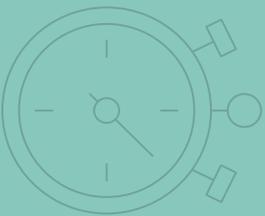
#### ✓ Asset Protection

You may wish to preserve what you can while you still can. Unfortunately, many people take steps that result in more harm than good for their ALTCS eligibility. Attorney Charlotte Johnson can help you explore options to carefully protect your home and savings, and avoid as many unintended consequences to your ALTCS eligibility as possible. See "ALTCS Planning" herein for more information.

# ALTCs Application Timeline

## PRE-APPLICATION

Preparing for Eligibility



### Medical Eligibility

- Need significant assistance



### Financial Eligibility

- Spend down / Asset protection
- Income Only Trust (if applicable)
- Apply for other benefits (VA, disability)
- *Locate ALTCs care providers*



### Community Spouse Resource Assessment (CSRA)

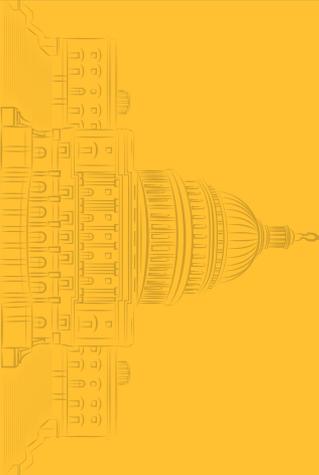
- For married couples with more than the minimum amount of resources, they should complete a CSRA before the application, which is a financial snapshot of resources used to determine the required amount of spend down.

**(Let's discuss asset protection!)**

## APPLY

## APPLICATION

Work with ALTCs



### Financial Interview



### Request for Information



### Pre-Admission Screening (PAS)

- Provide extensive records to ALTCs
- To determine medical eligibility

## APPROVAL

## POST-APPROVAL

Work with ALTCs Program Contractor  
(private insurance co.)



### ALTCs Annual Eligibility Renewal



### Notify ALTCs of Changes

- Financial
- Moves
- Death



## 8. ALTCS Documentation List

For most applicants, gathering documentation can be the most time-consuming step. This is not an exhaustive list—every applicant has unique circumstances and ALTCS requirements may vary. ALTCS will require information from both spouses, as well as any trusts either spouse may have or benefit from.

### ✓ **Medical Records**

(for the ALTCS PAS assessor)

- Medications and dosage
- Physicians and their contact information
- History of falls, paramedics, hospitalizations, rehabilitation, care facilities, Emergency Room visits, etc. in the past 90 days
- Records from medical providers for the past 6 months (at least)

### ✓ **Vital Records**

- Birth Certificate / Passport / Naturalization Certificate / Green Card
- Marriage Certificate
- Divorce Decree
- Death Certificate (spouse, if applicable)
- Social Security cards
- Health insurance cards (both sides)
- Proof of health insurance premiums
- Military Discharge papers

### ✓ **Income**

- Paystubs or letters indicating monthly gross income and any withholding (Social Security, pensions, wages, etc.)

## ✓ Resources

Trust documents

### Real property

- Deeds
- Annual property tax assessment
- Homeowner's insurance bill
- HOA dues bill
- Utilities bills
- Lease

Titles to all vehicles (cars, golf carts, boats, trailers, RVs, etc.)

Pre-paid burial arrangements/cremation/insurance

Life insurance (policy and current cash surrender value)

Long term care insurance policy

Loan documents (you loaned to others), such as promissory notes or agreements

### Statements (ALL PAGES, even if blank or irrelevant) for all accounts, including:

- Bank (checking, savings, CDs, money market, etc.)
- Investment accounts
- IRA/401(k)/403(b)/etc.
- Credit cards
- Mortgage / loans

Stock certificates

Bond certificates

## ✓ Transfers

### ■ Any items sold in prior 5 years (home, vehicles, etc.)

Paper trail (follow where the ownership and/or money went):  
Sale contract, copies of checks, bank statements, deposit slips, settlement statement, deeds, titles, etc.

### ■ Any item/funds gifted or not paid full value

Paper trail (follow where the ownership and/or money went):  
Copies of checks, bank statements, deeds, titles, credit card statements, etc.

## 9. ALTCS MYTHS

Lack of awareness or misinformation deprives many who struggle with the high cost of long term care from pursuing ALTCS coverage. The following are a few examples of the more common misconceptions.

### Myth #1

*ALTCS only pays for care in nursing homes.*

**Fact:** ALTCS is intended to pay for long term care of those customers in care facilities or at risk of institutionalization. Covered services include care in home, respite, adult day care, group homes, memory care units, and assisted living facilities.

### Myth #2

*If my spouse needs long term care, we will have to sell all we have and spend down all of our money before he/she will qualify for ALTCS.*

**Fact:** There are ALTCS-related laws and policies intended to help you as the community spouse avoid complete impoverishment. In fact, proper planning may help couples preserve most of their assets, which does not necessarily involve divorce. Unfortunately, most people are not aware of that fact, and ALTCS generally does not provide advice.

### Myth #3

*I can qualify for ALTCS by giving my assets away.*

**Fact:** As a general rule, any uncompensated transfers (gifts) made within 5 years prior to the ALTCS application will disqualify the applicant from ALTCS long term care coverage for a period of time, depending on the value transferred. However, a few exceptions may apply. Also, a revocable living trust or adding a joint owner also does not shelter your assets from consideration for ALTCS eligibility.

## Myth #4

### *The nursing home or “the State” will take my home.*

**Fact:** For ALTCS eligibility purposes, the primary residence is typically exempt. However, there are circumstances where Medicaid may file a lien against the house to secure recovery from the proceeds of a future sale of the house. With expert advice, there may be ways to protect it. And there are many aspects to consider with home ownership while on ALTCS.

## Myth #5

### *Medicare will cover my long term care.*

**Fact:** Medicare and Medicaid are commonly confused. Medicare is health insurance for people over the age of 65 or disabled. It may pay for rehabilitative care in a nursing home for up to 100 days. Medicare will typically not cover ongoing custodial care (in a care facility or in-home care). Don't confuse Medicare with Medicaid (ALTCS), which may cover custodial care.





## 10. ALTCS Planning

*How can you plan in advance for long term care situations?*

### ✓ Powers of Attorney/Trust

**Arizona has three primary types of powers of attorney:**

1. Health Care Power of Attorney

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2. Mental Health Care Power of Attorney

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3. Durable Financial Power of Attorney

People in need of long term care may not have the physical or mental capacity

to coordinate their care or handle their affairs. These documents enable the people they have appointed to help them. This may be particularly important to enable a person to gather the information needed for the ALTCS application and to facilitate any sort of asset protection planning.

Trusts are also effective ways of planning how your affairs are to be handled upon your incapacity or death, as well as avoiding probate. Ideally, people have the documents in place before they become incapacitated. Without them, court intervention may be required (such as guardianship and/or conservatorship).

## ✓ Asset Protection

Many people wish to preserve their assets, particularly with the prospect of the high cost of long term care. ALTCS may also attempt to recover the expenses it paid for from the estate of a deceased ALTCS customer or lien against the customer's property. In some cases, proper planning may help ALTCS customers to avoid exhausting all of their assets and ALTCS recovery. Improper planning may cause disastrous and irreversible delays in ALTCS coverage.

### Examples:

1. Married ALTCS applicant suffered a serious stroke, which has significantly weakened him. Unfortunately, his spouse is unable to give him the 24-hour care he needs. They look for an ALTCS-approved care facility that will meet his needs, which will cost them \$6,500 per month. When he applies, ALTCS advises that with \$250,000 in countable resources, he will be eligible after approximately half of those funds are spent. ALTCS may not advise the applicant that with
2. Prospective single ALTCS applicant resides at home, with caregivers paid by ALTCS. (Being below the ALTCS income limit, she may receive care at home at no cost.) She wishes to pass on her home to her daughter after her death. There may be ways to ensure she achieves that goal and still qualifies for ALTCS.
3. Man receives a personal injury lawsuit settlement in the amount of \$300,000 related to an accident which left him significantly disabled and unable to live independently anymore. Rather than spend the entire settlement funds, he may be able to transfer assets to a Special Needs Trust in order to become financially eligible for ALTCS immediately and stretch out the settlement funds longer to enhance his quality of life.





## 11. Veterans Aid & Attendance Pension

This is a limited cash benefit intended to reimburse Veterans of war or their surviving spouses for their long term care and out of pocket medical expenses due to a disabling condition not connected to their military service. It is available to those who meet a net worth limit and have sufficient out of pocket care/medical expenses.



### Military Service

- *Honorable discharge*
- *90 days active duty, 1 day during period of war*

Periods of War	
WWII	12/7/41-12/31/46
Korean	6/27/50-1/31/55
Vietnam	8/5/64-5/7/75 (or 2/28/61-5/7/75 if served in Vietnam)
Gulf War	8/2/90-TBD



### Net worth limit: \$129,094

Assets + annual income (less unreimbursed medical/care expenses)  
(Excluding home, one vehicle, household items and irrevocable burial arrangements)

### New 3-year look-back period

- Transfers within three years of the application may delay eligibility up to five years.
- Includes only transfer of assets or funds in excess of the net worth limit.
- (\*Caution: This may impact potential ALTCS eligibility.)

## ✓ Monthly Benefit Maximum

Married Veteran	\$2,266
Single Veteran	\$1,911
Surviving Spouse	\$1,228

Your monthly benefit is calculated by subtracting countable income from the maximum monthly benefit. Countable income can be reduced by out of pocket care and medical expenses in excess of 5% of the maximum monthly benefit.

### Example

Married veteran living in assisted living facility. The combined monthly gross income of veteran and his spouse is \$2,500. His out of pocket expenses are \$4,500 (including the care facility, incontinence supplies, prescriptions, and health insurance premiums). 5% of \$2,266 is \$113.30, which means his income is reduced by \$4,386.70, or in other words, he has no countable income. This veteran would receive the maximum benefit.

## ✓ Consider

Is VA benefit, income, and savings enough to cover ALL of your loved one's expenses? For how long?





## 12. About Us

Charlotte C. Johnson, Esq. has more than ten years of experience in elder law. She is active in her community and professional organizations. Ms. Johnson has made it a career and a life's mission to help her clients solve the legal issues that commonly face the aging population and those who care for them. She joined the law firm of Davis Miles McGuire Gardner, PLLC in 2018, with locations in Tempe and Mesa, Arizona. However, she meets with clients throughout the Phoenix valley area.

**Practice Areas: Elder Law | Estate Planning | Guardianship | Special Needs**

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