



Four Reasons Why Dropping Medicaid is Not a Good Idea, After a Large Award or Settlement

Say you or a loved one with special needs just won a multi-million dollar lawsuit award or settlement. While the case was pending Medicaid was paying the medical bills. By setting up a special needs trust, you can preserve the beneficiary's eligibility for Medicaid and other government benefits. But many newly "wealthy" clients ask what the value is of staying on Medicaid. After all, shouldn't millions of dollars be sufficient to pay for health care? Why do we need a special needs trust?

There are a number of reasons why this is usually not a good idea and staying on Medicaid is the far better choice.

First, without health insurance, the person with special needs may not be able to get any treatment at all. Medical providers – such as doctors, hospitals, laboratories – typically want to bill some type of insurer. This is an area where cash is definitely not king. Medicaid solves this health care access problem (as long as the provider accepts Medicaid, of course).

Second, even the best private health insurance does not provide the full range of home and community based services that Medicaid often provides. Moreover Medicaid can provide residential services that you'll never find covered in standard private insurance policies.

Third, with Medicaid you will not be paying the provider's regular "fee-for-service" rate but rather the state's far lower pre-negotiated rates for services. And according to federal law, the provider can't bill the patient for the difference between what Medicaid pays and what the provider charges, called "balance billing." Here's an example from an actual case for the total cost of all services rendered to a Medicaid beneficiary over a two-and-a-half year period:

Providers billed: \$1,034,079.35

Medicaid paid: \$ 129,524.04

You can see that with these kinds of costs, even a large award could be quickly consumed by non-Medicaid medical bills.

Finally, Medicaid's bill doesn't come due until the beneficiary dies, which could be 40 or 50 years down the road. And there is no interest on this Medicaid debt. To the contrary, the inevitable

march of inflation should reduce the size of the debt in real dollar terms. And Medicaid is of course repaid only if there are funds remaining at time of death.

This is why special needs planners recommend setting up a special needs trust to preserve Medicaid in most cases, even after a seemingly large award or settlement. If you are wondering about the value of a special needs trust for yourself or a loved one, speak to Attorney D'Onofrio today.

For more information about special needs planning in general and special needs trusts in particular, contact Attorney John D'Onofrio today.

As a member of the Academy of Special Needs Planning, John is constantly reviewing new laws and amendments in this area of law as well as attending seminars and continuing education classes relevant to special needs planning and trusts.

Call today to schedule a free initial consultation. Call today, get peace of mind today.

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