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Medicare looks to be in worse shape than Social Security

Recently, the U.S. Department of Human Health and Services issued a press release regarding the 2008 report related to the financial status of the Medicare program. We have been hearing quite a bit about Social Security going bankrupt, but the Medicare program is apparently in worse shape than Social Security. The Trustees report that Medicare's Hospital Insurance (HI) Trust fund will become insolvent earlier in 2019 than was reported last year. HI expenditures growth is estimated to average 7.4 percent each year for the next 10 years, which is a higher rate than either the Gross Domestic Product or the Consumer Price Index growth. This means that a person who is 54 years old today cannot be sure that Medicare Hospital Insurance benefits will be available to him or her when he or she turns 65 and becomes eligible for Medicare.

The message to take from this is that Congress must heed this warning and begin to act in order to protect the Medicare Program. The Heritage Foundation, a research and educational "think tank" (www.heritage.org), has proposed changes that would move Medicare towards a defined contribution program, with short term changes which would be compatible with future reform. In both Social Security and Medicare arenas, the public should monitor the situation with reforms as they are proposed, and encourage lawmakers to take action to correct the situation wherever possible and necessary.

Elder Law Answers (www.elderlawanswers.com) reported on April 3, 2008 that widows and widowers can get a tax break under a new law. If a surviving spouse does not wish to sell his or her house right away, but plans to do so in the near future, the new law gives him or her two years to sell the house and still qualify for the full $500,000 capital gains exclusion that would have been possible for the couple when they sold the property. Couples who are married and file taxes jointly can qualify for $500,000 capital gains exclusion, while a single person can only exclude $250,000. If the surviving spouse sells the home within two years of the spouse's passing, and other ownership and use requirements have been met, no capital gains tax will be owed in many cases.

For all those who have a loved one in a nursing home where he or she is receiving Medical Assistance benefits, the economic stimulus rebate may have been a source of consternation. Seniors and those with a limited income were encouraged to file a Federal Income tax return this year, even if no taxes were owed. But does that rebate count as income or resources for the Medical Assistance recipient? The answer is no to both questions. The economic stimulus rebate will be **excluded** as a resource and as income in the month received, as well as for two months following the month of receipt. Furthermore, during that three month period, this money is not subject to a transfer penalty. In other words, the nursing home patient can give this money away without affecting his or her eligibility for Medicaid.