

# **Medicaid Qualifying Income Trusts**

## *Things You Need To Know!*

**Why Do I Need A Qualifying Income Trust?** If you are applying for Medicaid in a nursing home and have excess income, you have the option to establish a **Qualifying Income Trust (QIT)**. The establishment of this trust, establishing the trust bank account, and the deposit of an income source into the trust bank account allows Medicaid to disregard the income when comparing your income to the Medicaid income limit.

**If Medicaid Does Not Count The Income, Does This Mean I Will Get To Keep It?** No, the purpose of the QIT is to allow only the part of your income which does not go into the QIT account to be compared to the Medicaid income limit. If your "other" income is then below the Medicaid income limit, Medicaid will proceed with determining your eligibility for the Nursing Home Medicaid Program. In doing so Medicaid will count ALL of your income, including income which goes into the QIT account, to determine what amount you will pay to the nursing home each month.

### **How Do I Set Up My QIT and The Bank Account?**

1. **Execute the Qualifying Income Trust.** Your Medicaid worker can supply you with a copy of the Qualifying Income Trust Packet which includes a QIT form and instructions. You can also download the entire QIT packet from the Alabama Medicaid Website at [www.medicaid.alabama.gov](http://www.medicaid.alabama.gov). You may use that information to prepare the QIT yourself or you can have your own attorney do this for you. If you do not have an attorney and wish to have the assistance of an attorney in preparing the QIT you can contact the Department of Senior Services (1-800-243-5463) for a referral. *Please note that the Medicaid workers are not allowed to complete the QIT for you or answer questions regarding the establishment of a Qualifying Income Trust.*
2. **Set up the QIT account at the bank.** A QIT account is simply a checking account opened by the trustee of the QIT "for" the NH resident/settlor of the QIT. The wording on the account should read that it is a QIT. Example: Sue Smith, trustee for Sam Smith, QIT.
3. **Deposit the check(s) or an amount of income equal to the amount of the check(s) into the QIT account.** Only the nursing home resident's own income can go into the QIT. If the resident does not have enough money in his/her account to equal the amount of at least one of his/her sources of income, then he/she will have to wait until the next month to make the appropriate deposit into the QIT account. Medicaid eligibility cannot begin until the QIT account is established and the appropriate amount/source of income is placed in the QIT account (AND the resident is otherwise eligible for Medicaid).
4. **Take action to have the income source direct deposited into the QIT account.** You will need to provide Medicaid with documentation to prove that you have asked that the income source be re-routed to go direct deposit to the new QIT account. Until the direct deposit starts you will need to move the source of income which is dedicated to the QIT account from the resident's current bank account to the QIT account each month, in its entirety.

**I receive two different sources of income. Do I have to place both checks into the QIT?** No. You only have to place one check into the account provided the "other" check amount is below the Medicaid income limit. The remaining check can continue to go into your current checking account or it can be changed to come to the nursing home if you wish. When you maintain both a checking account and a QIT account it will be necessary for you to write two checks each month, one from your

checking account and one from the QIT account, to pay your portion of the nursing home bill (this is known as your “liability amount”).

**My QIT account is now opened and my income is going into the account.....what next?** You will now need to submit your Medicaid application and all required documentations to the Medicaid office, including a copy of the QIT and information on the QIT account. The staff at your nursing home can assist you with this process if you desire. It will take several months to process your Medicaid application. In the interim you will need to pay your “estimated” liability amount to the nursing home each month. The nursing home can assist you with determining your estimated liability amount.

**How can the funds in my QIT account be used?** The money in the QIT account can be used only for your (the nursing home resident’s proper health, support and maintenance. It should be used first of all to pay your portion of the nursing home bill each month (your liability amount). If money builds up in the QIT (this sometimes happens when a nursing home resident’s bill is being paid by Medicare) then the build-up of funds in the account can be used to pay payments on your home, attorney fees, administrative fees of the trust, income tax on the trust or normal living expenses. Expenses paid for anything other than the nursing home must be verified by receipt. You cannot use the QIT to pay life insurance premiums or funeral expenses. You cannot make gifts to others from the trust. **If the funds in the trust are not utilized for your own allowable expenses the QIT will be rendered inoperative from the date the account was misused and you will become ineligible for Medicaid due to excess income. A new QIT will have to be executed and a new QIT account will have to be established in order to regain Medicaid eligibility.**

**How does Medicaid monitor expenditures from the QIT?** Medicaid will ask that you send the prior months’ bank statements and cancelled checks on the QIT account at annual review and earlier if they have reason to feel the need to monitor the account for possible non-allowed expenditures. A disallowed expense paid early in the process which is not caught until annual review can be financially devastating to you as it rules your QIT inoperative from the date of the disallowed expenditure; therefore, it is extremely important that you or your Medicaid sponsor contact your Medicaid worker BEFORE you make a questionable expenditure from the QIT in order to get approval/disapproval of such expenditure. Be sure to keep ALL bank statements and cancelled checks from the QIT account.....Medicaid will want to review every statement when they are looking to determine if the QIT is being used appropriately.

**Can you give me some examples of expenditures which may violate the terms of the QIT?** Remember, the funds in the QIT can only be used for your (the nursing home resident’s) own needs. We will list some examples of non-allowed expenditures, but remember, this an not an all-inclusive list. You should always check with the Medicaid worker handling your case when you have questions concerning if an expense is, or is not, allowable. Examples of things you cannot pay from the QIT are: Life and burial insurance premiums, funeral expenses, gifts to others, loans to others, bills for others, etc. The person who serves as the trustee of your QIT needs to be well aware of these non-allowable expenses and must use this account ONLY FOR YOUR NEEDS. It is not an account which can be used to pay any of the trustee’s bills or the bills for any of your other loved ones. In other words, be certain you can “trust” the trustee!

*Please be aware that this brochure was created for informational purposes in an effort to help individuals understand the Medicaid Qualifying Income Trust process. The Alabama Medicaid Agency will determine your Medicaid eligibility and only the Medicaid Agency can determine if your QIT is acceptable and if expenditures from the QIT are allowable. Questions regarding the expenditures from the QIT should be directed to your local Medicaid worker.*