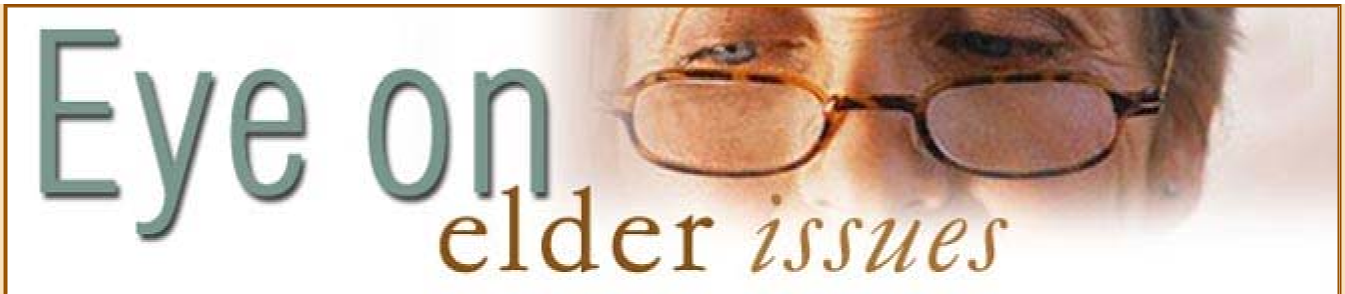


**EYE on ELDER ISSUES**
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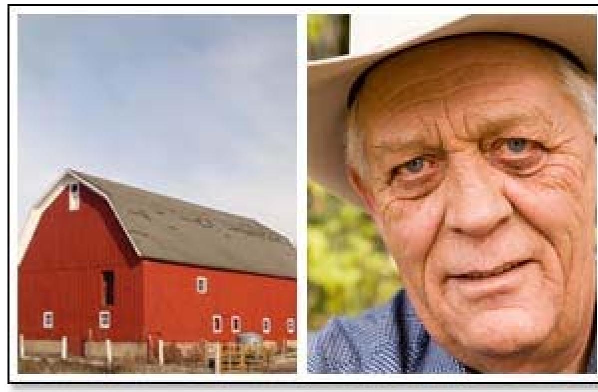
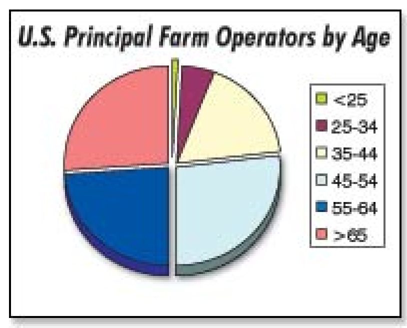
## Family Farms Threatened by Medicaid Reforms

***This is the second of a series of articles that will analyze the impact of the recent Medicaid reforms as set forth in the Deficit Reduction Act of 2005 (DRA) signed by President Bush on February 8, 2006.***



While many politicians proclaim that family farms are the backbone of our country and culture, thousands of family farms will be put at risk by the new legislation passed in February. While corporate mega farms and wealthy “gentleman” farmers have sufficient assets and income to pay for their long-term nursing home care, family farms will struggle to survive. The new Medicaid reform legislation not only increases the look-back period from three years to five years for those who transfer assets, but the period of ineligibility now starts from the date of application for Medicaid, instead of the date of asset transfer. This legislation will have a significant impact upon small farms.

- **The average age of today’s farmer is nearing retirement.** The 2002 Census of Agriculture from the USDA National Agricultural Statistics Service determined that in the U.S., the average principal farm operator is 55.3 years old. Further, only 6 percent of all farmers are under the age of 35, more than half of today's farmers are between the ages of 45 and 64 and a quarter of the farmers in this age group plan to retire by 2005.




**Source:** USDA National Agricultural Statistics Service -- 2002 Census of Agriculture

- **Family farms have little to no income from farm operations.** Latest predictions from the U.S. Department of Agriculture predict that 98 percent of total farm operator income will come from *off-farm* sources. At last count, only seven percent of all farm families reported 100 percent "on-farm" income.

- **Family farms are already shuttering at an alarming rate.** According to February 2002 data from the National Agricultural Statistics Service, 330 farmers leave their land every week. As a result, there are now nearly five million fewer farms in the U.S. than there were in the 1930s.

The dwindling numbers of family farm operations, combined with the financial struggles and the aging workplace of its family operators, will lead to tougher times as it is. In an environment that is already tough for the small farm, **healthcare costs resulting from this legislation could cause many family-run operations to pull up stakes and close down.**

**Family Farm** = Defined by Farm Aid as where the farmer makes his own management decisions, the family unit provides most of the farm labor and the farmer seeks to provide the bulk of his income through the farm operation. Farms with annual gross receipts of between $25,000 and $250,000 are included. Many farms with lower gross receipts are likely running as family operations, but often these farmers do not expect to rely only on farm income for their economic survival.

**For Example:**
Consider a small dairy farmer in Wisconsin, we'll call him Mr. Able, who has 150 acres and 75 cows. At age 68 Mr. Able elects to "retire" from the family farm and allow his son to carry on the operations. However, he waits 6 years to actually transfer ownership of the farm. In March of 2006 Mr. Able believes his son has proven he can successfully operate the farm so he signs a Deed transferring most of the land (excluding his residence) to his son, and his son takes possession and title to all livestock and equipment. Three years later, at age 77, Mr. Able suffers a stroke and is no longer able to care for himself. Since his wife had died a year earlier Mr. Able moves to a nursing home. His home, worth $70,000, is sold, but it and all of his other assets only pay for the first two years of his nursing home care.

Under the new Medicaid "reforms," Mr. Able will be not be able to apply for Medicaid assistance for another three years. If he applies before the expiration of the look-back period he will be disqualified for a much longer period of time. At an annual cost of $72,000, his son's choices will be to ignore his father's plight or sell the farm in order to pay for his father's care. The son's only other alternative would be to attempt to pay these bills out of the earnings of the farm, or mortgage the farm and the livestock. However, based upon recent milk prices, he will most likely be unable to obtain the necessary credit or afford the payments and still maintain the operation.

Mr. Able's farm, including his land and livestock, is likely worth no more than $250,000. This small farmer was never threatened by the federal estate tax, but should his health deteriorate, as suggested in this example, he and his family will pay a 100 percent healthcare tax as a result of the recent Medicaid "reforms."

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For more information about elder law attorneys and the National Academy of Elder Law Attorneys, visit www.naela.org. Established in 1987, NAELA provides a resource of information, education, networking and assistance to those who deal with the many specialized issues involved with legal services to the elderly and people with special needs.

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***Note to Our Readers:*** *This e-newsletter,* ***Eye on Elder Issues****, is presented as a public service by the National Academy of Elder Law Attorneys (NAELA). We are pleased to send you this issue and welcome your comments. You can expect to receive this newsletter monthly as NAELA explores, reports and provides insight on timely topics affecting our nation's seniors and their families. In addition, the growing population of Baby Boomers is addressing issues for themselves and their families that are new and unique. This publication is intended to explore those issues from all sides and to educate consumers, aging network professionals, law makers, and members of the media.*

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