

# Agronomy Notes

Capital Region Extension Agronomy Team

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## Extra Edition

**September 2006**

### Financial Farming Medicaid - Still a Farmer's Friend?

The remarkable increase in our life expectancy over the past half century has created new financial planning issues for baby boom farmers their forebears did not face. For example, when Social Security was established in the 1930s, the American life expectancy was just 67 years, yet the full retirement benefit age was 65! The American life expectancy today is almost 80 years and, should a married couple reach the age of 65, there is a 50% chance one of them will live to see age 90.

So how do you stretch out your financial resources to span a thirty-year retirement? How do you afford to pay for several years of professional care-giving? And will Medicaid nursing home benefits still provide a financial safety net from serious health issues in retirement?

These are important financial planning questions that baby boomer farmers should be asking themselves now. The federal government further complicated matters by materially changing the Medicaid nursing home benefit eligibility rules earlier this year. This article looks specifically at the key changes made to the Medicaid program in 2006 and the impact it could have on your farm transition strategy.

Medicaid is the federal/state social insurance program created to provide nursing home care for the poor. Medicaid will pay the full cost of nursing home care if an applicant has spent down all of his/her financial assets in support of their care. The applicant's spouse could exclude a house, car and a modest amount of financial assets and still qualify for Medicaid nursing home benefit. Prior to 2006, a gift made by the applicant – including a farm – was considered a “countable asset” if the transfer was made within three years of the Medicaid application, which

may have created an ineligibility (“penalty”) period during which time Medicaid would not pay nursing home benefits.

For better or worse, farmers have traditionally relied on Medicaid as their long-term care plan. Often, the farm would be transferred by gift to their children and the farmer/spouse would still qualify for Medicaid nursing home benefits so as long as they survived the look-back period described above. Based on the new law, the Medicaid look-back period has been extended from thirty-six to sixty months. The more serious change, however, is how the penalty period is now applied when a gift or bargain asset transfer occurs during the look-back period. The calculation of the penalty period, which is the period of time expressed in number of months the applicant is ineligible for Medicaid nursing home benefits, did not change.

However, under the new law, *the penalty period does not start until the individual applies for Medicaid*. The new penalty period rules could have a devastating impact on a farmer who needs skilled nursing home care during the look-back period but would not qualify for Medicaid benefits.

The major changes to the Medicaid nursing home program highlight the critical importance of thinking about long-term care planning as part of your overall farm transition strategy. Consult with your financial planner or attorney to discuss your personal situation.

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## Fall and Winter Manure Application Considerations- Nitrogen Management

*(Paraphrased from Dr. Douglas Beegle, Extension Soil Scientist)*

Spreading manure in the fall and winter months should be given some forethought, both to get the most benefit from your manure nutrients and to reduce the high potential for nutrient losses to the environment. Here are some things to consider when selecting fields and applying manure in the fall and winter. We know from experience that the best nutrient utilization will come from applying the manure as close to the time of crop uptake as possible. For example, if manure is applied early in the fall to a crop like grass hay or a winter grain, the N recovered from that manure will be much higher than if the manure is applied at the same time and in the same way but intended for next years corn crop. Therefore, we want to **first, select the fields which will benefit the most from manure nutrients.** In most cases this will be any field which will be newly seeded or has an established perennial crop.

Second, **how you apply the manure will also make a big difference in nutrient availability.** It is well known that incorporating manure as soon as possible after application will conserve the most N in crop available form. Where it is possible, try to get the manure incorporated. This is especially important for manure applied early in the fall and late in the winter when it is still relatively warm. Later in the fall and winter when temperatures in the soil surface fall below 50° F, the potential N volatilization losses are less and thus incorporation is less critical.

However, while potential losses to the atmosphere are less, there is a significant increase in the potential for losses via runoff and erosion under these conditions. Avoidance of applying manure to frozen snow covered soils would be the best approach, but this is not always practical. Try to stay away from sloping areas, especially near water. We can do this by planning ahead, so that you will have appropriate fields available when winter conditions limit your spreading options. Don't spread all

of your level fields in the fall so that you only have the sloping fields remaining in the winter.

Another option, if you must winter spread manure, is to choose fields with the most residue or other cover which will help limit runoff. Try to avoid spreading when rain or melting conditions are expected.

**Even if fall and winter manure is applied appropriately, incorporated where possible and in good locations, you are still not out of the woods. Significant nitrogen losses can occur when soils begin to warm up in the spring.** This is especially true in a corn system. The manure nutrients will often remain stable over the winter but become active as the soil warms in early spring, making N susceptible to loss long before the corn crop needs significant N. While this may be true of corn, a grass hay, covercrop, or small grains field will begin to grow about the same time the N becomes active and will better use the nitrogen.

**In a corn system, a cover crop can double the recovery of manure N applied in the fall and winter.** The cover crop begins growing in the spring about the same time the N becomes active, preventing its loss. When the cover crop is killed or tilled, the N will be released closer to the time it will be needed by corn. See Table 1.2-14 in the Penn State Agronomy Guide for more details on manure N availability throughout the year.

To summarize, consider applying fall and winter manure to crops that will use the nutrients in the fall and early spring. Use cover crops where manure is spread in the fall or winter for corn. Incorporate if practical, especially for early fall or late winter applications. As much as possible, avoid spreading where the potential for runoff is highest, such as frozen, snow covered, and/or sloping fields. Planning ahead will have economic as well as environmental benefits.

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