# COMMUNITY SPOUSE

*Case Study*

**MEET THOMAS AND CAROL**

Thomas (83) and Carol (80) are residents of Ohio. After being diagnosed with Dementia, Carol decides to enter into a nursing home which costs $7,100 / month. Thomas worries that paying the nursing home bill might deplete their life savings.

**CASE FACTS**

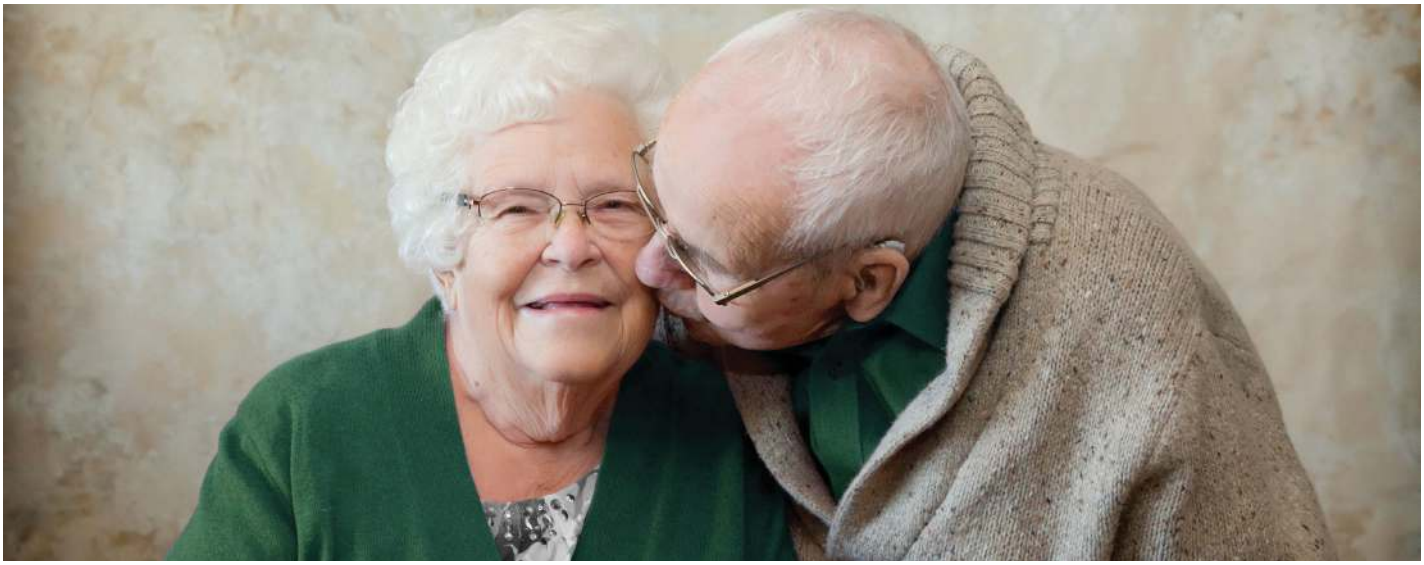
| | |
|---|---|
| THOMAS' INCOME<br>**$1,500** | ASSETS<br>**$275,000** |
| CAROL'S INCOME<br>**$1,000** | COST OF CARE<br>**$7,100** |

**GOALS:**

*Obtain immediate Medicaid eligibility for Carol, provide sufficient income for Thomas and preserve the couple's assets.*

**SOLUTION:**

*Use a Medicaid Compliant Annuity to spend-down the couple's excess countable assets in order to avoid a possible penalty period while still achieving the financial qualification for Medicaid. Carol will achieve immediate Medicaid eligibility after the spend-down and Thomas will be left with sufficient monthly income to maintain his lifestyle in the community.*



## 1. STEP ONE:
### DETERMINE THE SPEND-DOWN AMOUNT

Thomas is allowed to retain up to one-half of their countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $126,420. In this case, he is allowed to keep $126,420. Carol will be allowed to keep $2,000 for her Individual Resource allowance. Thus, the spend down amount is $146,580.

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|---|---|
| Countable Assets: | $275,000 |
| Thomas' CSRA: | $126,420 |
| Carol's Allowance: | – $2,000 |
| Spend-Down Amount: | $146,580 |

## 2. STEP TWO:
### IMPLEMENT THE ANNUITY PLAN

The spend down amount of $145,939 is funded into a Medicaid Compliant Annuity, converting the couple's excess assets into an income stream for Thomas. Due to his high living expenses, Thomas and his attorney agree to utilize a 60 – month annuity term to ensure he is left with sufficient income. Because this term is shorter than his Medicaid life expectancy , the term is actuarially sound.

| Single Premium | Period Certain | Monthly Payout | Total Payout |
|---|---|---|---|
| **$146,580** | **60 Months** | **$2,470** | **$148,200** |

## 3. STEP THREE:
### APPLY FOR MEDICAID

By purchasing the MCA, the spend-down amount is eliminated, and Carol is immediately eligible for Medicaid. With the MCA payment, Thomas' total income increases to $3,970. Because this amount exceeds his Monthly Maintenance Needs Allowance (MMNA) of $3,160.50, he does not receive any of Carol's income. As such, Carol's monthly Medicaid co-pay equals all her monthly income of $1,000 less her Personal Needs Allowance of $50, or $950.

| | |
|---|---|
| Thomas' Income: | $1,500 |
| MCA Income: | + $2,470 |
| Thomas' New Income: | $3,970 |
| Carol's Income: | $1,000 |
| Personal Needs Allowance: | – $50 |
| Carol's Medicaid Co-Pay: | $950 |

## ECONOMIC RESULTS

Thomas' Income increases from $1,500/month to $3,970/month. This is more than he would receive under the MMNA rules alone.

By opting to utilize a shorter annuity term, Thomas increases the likelihood he will survive the annuity term, preventing the state Medicaid agency from collecting against the MCA as primary beneficiary.

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in approximately 20 months[3].

## ADDITIONAL CONSIDERATIONS

- *If Thomas wants to ensure he receives an income shift from Carol under the MMNA rules, he could choose to use a longer annuity term, so long as it does not exceed his Medicaid life expectancy. This in turn would reduce Carol's monthly Medicaid co-pay.*
- *By choosing to use a longer annuity term, Thomas increases the likelihood he will predecease the annuity term and risks exposing the remaining MCA balance to the state Medicaid agency.*

1. With Thomas being 83 years old, his Social Security Medicaid life expectancy is 6.75 years / 81 months.
2. This scenario assumes Thomas is entitled to the maximum MMNA in Ohio of $3,160.50.
3. This was determined by dividing the spend-down amount of $146,580 by the cost of care of $7,100.