MEDICAID COMPLIANT ANNUITY CASE STUDY

Community Spouse Plan

Planning for a Married Couple

Community Spouse MCA Plan

MEET JACK (81) AND MAURA (78)

Jack was recently diagnosed with dementia and must move into a nursing home. His wife Maura worries the nursing home bill will deplete their life savings, so she meets with a local financial professional to find out how Jack can qualify for Medicaid benefits.

CASE FACTS

JACK'S INCOME $2,300	ASSETS $350,000
MAURA'S INCOME $1,800	COST OF CARE $9,000

GOAL

Obtain immediate Medicaid eligibility for Jack while preserving the couple's assets and ensuring Maura has enough income to live comfortably at home.

SOLUTION:

Maura purchases a Medicaid Compliant Annuity to spend down the couple's excess countable assets and accelerate Jack's eligibility for Medicaid benefits. The MCA payments provide Maura a monthly stream of income to maintain her lifestyle in the community.

1 DETERMINE THE SPEND-DOWN AMOUNT

Maura is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $137,400. To avoid the edge of eligibility, she will keep $135,000, and Jack will keep $2,000 as his Individual Resource Allowance. The couple will also purchase Funeral Expense Trusts of $8,000 for each spouse, so they must spend down $197,000.

Countable Assets:	$350,000
Maura's CSRA:	– $135,000
Jack's Allowance:	– $2,000
Funeral Expense Trusts:	– $16,000
Spend-Down Amount:	**$197,000**

2 IMPLEMENT THE ANNUITY PLAN

Maura funds the spend-down amount of $197,000 into a Medicaid Compliant Annuity, which converts their excess assets into an income stream. To ensure she has enough income to cover her high living expenses, Maura utilizes a 36–month annuity term.

Single Premium	**Period Certain**
$197,000	36 Months
Monthly Payout	**Total Payout**
$5,500	$198,000

3 APPLY FOR MEDICAID

After Maura purchases the MCA and eliminates their excess countable assets, Jack is immediately eligible for Medicaid. Maura's total monthly income increases to $7,300. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,435, so she does not receive an income shift from Jack. Jack's monthly Medicaid copay to the nursing home is $2,250, which equals his income of $2,300 minus his Personal Needs Allowance of $50.

Maura's Income:	$1,800
MCA Income:	+ $5,500
Maura's New Income:	**$7,300**
Jack's Income:	$2,300
Personal Needs Allowance:	– $50
Jack's Medicaid Co-Pay:	**$2,250**

ECONOMIC RESULTS

Since Jack's Medicaid co-pay is only $2,250, the couple saves $6,750 per month compared to his original cost of care.

Maura's monthly income increases from $1,800 to $7,300.

Using a short annuity term increases the likelihood Maura will survive the term and reduces the chances the state Medicaid agency can collect 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 about 21 months.

[Agent's Commission]

The agent assisting Jack and Maura receives a commission of $3,445 on the MCA sale and $2,580 on the Funeral Expense Trust sales.

(For illustrative purposes only. Actual commissions may vary.)

ADDITIONAL CONSIDERATIONS

If Maura predeceases the annuity term, the remaining balance will be subject to recovery by the state Medicaid agency for the amount of benefits paid on behalf of Jack.

If Maura enters a nursing home prior to the end of the MCA contract, the payments will become part of her Medicaid co-pay or may even prevent her from qualifying for benefits if her total income exceeds her cost of care.

PLANNING TIP

When deciding how long the annuity term should be, be sure to factor in the community spouse's health, anticipated longevity, and lifestyle expenses. If they require high monthly income or are in declining health, using a shorter annuity term may make sense.

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