

The background is a teal color with a pattern of overlapping geometric shapes, primarily hexagons and pentagons, in various shades of teal and grey. In the top-left corner, there is a spiral-bound notebook with a dark cover. In the top-right corner, there is a silver paperclip. In the bottom-right corner, there is another spiral-bound notebook. The overall aesthetic is professional and modern.

# MEDICAID COMPLIANT ANNUITY CASE STUDY

Community Spouse  
MCA 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

\$2,000



COST OF CARE

\$9,500

### 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 \$148,620. To avoid the edge of eligibility, she will keep \$145,000, and Jack will keep \$2,000 as his Individual Resource Allowance. The couple will also purchase Funeral Expense Trusts of \$9,000 for each spouse, so they must spend down \$185,000.

\$	
Countable Assets:	\$350,000
Maura's CSRA:	– \$145,000
Jack's Allowance:	– \$2,000
Funeral Expense Trusts:	– \$18,000
<b>Spend-Down Amount:</b>	<b>\$185,000</b>

## 2 IMPLEMENT THE ANNUITY PLAN

Maura funds the spend-down amount of \$185,000 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.

\$	
<b>Single Premium</b>	<b>Period Certain</b>
\$185,000	36 Months
<b>Monthly Payout</b>	<b>Total Payout</b>
\$5,145	\$185,220

## 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 \$7,145. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of \$3,715.50, 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:	\$2,000
MCA Income:	+ \$5,145
<b>Maura's New Income:</b>	<b>\$7,145</b>
Jack's Income:	\$2,300
Personal Needs Allowance:	– \$50
<b>Jack's Medicaid Co-Pay:</b>	<b>\$2,250</b>



## ECONOMIC RESULTS



Since Jack's Medicaid co-pay is only \$2,250, the couple saves \$7,250 per month compared to his original cost of care.



Maura's monthly income increases from \$2,000 to \$7,145.



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 19 months.

\$

## [Agent's Commission]

The agent assisting Jack and Maura receives a commission of \$1,850 on the MCA sale and \$1,125 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 be more beneficial.



1234 Enterprise Drive | De Pere, WI 54115 | p. (800) 255-1932 | f. (805) 683-6313 | [thekrauseagency.com](http://thekrauseagency.com)    

This Content is provided solely for non-commercial, educational purposes and shall not be duplicated, distributed, or transferred in whole or in part, nor any derivative works made, without prior written permission from Krause Brokerage Services. ©Krause Brokerage Services 2023