





Planning for a Married Couple Institutionalized Spouse MCA Plan

MEET BRUCE (80) AND SARA (80)

Bruce has just entered a nursing home, and his wife Sara is worried the cost of the nursing home will quickly drain their life savings. She meets with a financial advisor in the hopes that Bruce can become eligible for Medicaid benefits.



CASE FACTS

 BRUCE'S INCOME \$1,800	 ASSETS \$270,000
 SARA'S INCOME \$1,400	 COST OF CARE \$8,000

GOAL

Obtain immediate Medicaid eligibility for Bruce while preserving the couple's assets and ensuring Sara has enough income to live comfortably at home via an income shift from Bruce.

SOLUTION:

Bruce purchases a Medicaid Compliant Annuity to spend down the couple's excess countable assets and accelerate his eligibility for Medicaid benefits. Sara will receive an income shift from Bruce under the MMNA rules to maintain her lifestyle in the community.

1

DETERMINE THE SPEND-DOWN AMOUNT

Sara is allowed to keep up to half the couple’s countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of \$154,140, so she can retain \$135,000. Bruce will retain \$2,000 as his Individual Resource Allowance. The couple also purchases funeral expense trusts of \$10,000 for each spouse, so they must spend down \$113,000.

Countable Assets:	\$270,000
Sara’s CSRA:	– \$135,000
Bruce’s Allowance:	– \$2,000
Funeral Expense Trusts:	– \$20,000
Spend-Down Amount:	\$113,000

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IMPLEMENT THE ANNUITY PLAN

Bruce funds the spend-down amount of \$113,000 into a Medicaid Compliant Annuity, which converts their excess assets into an income stream. To limit the monthly income produced by the MCA payments, the term is stretched over Bruce’s full life expectancy. Since Bruce is 80 years old, his Medicaid life expectancy is 7.74 years or 92.88 months.

Single Premium	Period Certain
\$113,000	92 Months
Monthly Payout	Total Payout
\$1,240	\$114,080

3

APPLY FOR MEDICAID

After purchasing the MCA and eliminating the couple’s excess countable assets, Bruce becomes eligible for Medicaid benefits. Since Sara’s income is below her Monthly Maintenance Needs Allowance (MMNA) of \$3,853.50*, she is owed an income shift of \$2,453.50 from Bruce. With the MCA payments, Bruce’s total monthly income equals \$3,040. After subtracting the income shift to Sara and his Personal Needs Allowance of \$50, Bruce’s monthly Medicaid co-pay is \$536.50.

* This assumes Sara is entitled to the maximum MMNA in her state.

Sara’s MMNA:	\$3,853.50
Sara’s Income:	– \$1,400
Income Shift from Hank:	\$2,453.50
Bruce’s Income:	\$1,800
MCA Income:	+ \$1,240
Bruce’s New Income:	\$3,040
Income Shift to Anne:	– \$2,453.50
Personal Needs Allowance:	– \$50
Bruce’s Medicaid Co-Pay:	\$536.50

ECONOMIC RESULTS



Since Bruce's Medicaid co-pay is only \$536.50, the couple saves \$7,463.50 per month compared to his original cost of care.



Sara's monthly income increases from \$1,400 to \$3,853.50 via the MMNA rules.



Since Bruce, the institutionalized spouse, owns the MCA, Sara can be listed as primary beneficiary ahead of the state Medicaid agency and can collect the funds upon his passing.*



If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in about 14 months.



ADDITIONAL CONSIDERATIONS

If Sara predeceases the annuity term, the full MCA payment reverts to Bruce, thus increasing his Medicaid co-pay.

If Sara predeceases Bruce and Bruce predeceases the annuity term, the state Medicaid agency can recover the remaining benefits from the MCA as contingent beneficiary.

PLANNING TIP



The economic benefits of the plan rely on the couple's income. Determine the community spouse's Monthly Maintenance Needs Allowance and the institutionalized spouse's potential MCA payments before proceeding with the strategy to ensure the income shifts as intended.

**Beneficiary options vary by carrier and may include a discounted refund of the remaining balance or a continuation of payments for the remainder of the annuity term.*



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