Planning for a Married Couple

Community Spouse MCA Plan

MEET ROWEN (81) AND JESSA (78)

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

CASE FACTS

Rowen's Income $2,700	Assets $375,000
Jessa's Income $2,400	Cost of Care $9,500

GOAL

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

SOLUTION:

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

1 Determine the Spend-Down Amount

Jessa is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $154,140. To avoid the edge of eligibility, she will keep $150,000, and Rowen will keep $2,000 as his Individual Resource Allowance, so they must spend down $223,000.

Countable Assets:	$375,000
Jessa's CSRA:	– $150,000
Rowen's Allowance:	– $2,000
Spend-Down Amount:	**$223,000**

2 Implement the Annuity Plan

Jessa funds the spend-down amount of $223,000 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, Jessa and her attorney agree to utilize a 36-month annuity term.

Single Premium	Period Certain
$223,000	36 Months
Monthly Payout	**Total Payout**
$6,220	$223,920

3 Apply For Medicaid

After Jessa purchases the MCA and eliminates their excess countable assets, Rowen is immediately eligible for Medicaid. Jessa's total monthly income increases to $8,620. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,853.50, so she does not receive an income shift from Rowen. Rowen's monthly Medicaid copay to the nursing home is $2,650, which equals his income of $2,700 minus his Personal Needs Allowance of $50.

Jessa's Income:	$2,400
MCA Income:	+ $6,220
Jessa's New Income:	**$8,620**

Rowen's Income:	$2,700
Personal Needs Allowance:	– $50
Rowen's Medicaid Co-Pay:	**$2,650**

ECONOMIC RESULTS

Since Rowen's Medicaid co-pay is only $2,650, the couple saves $6,850 per month compared to his original cost of care.

Jessa's monthly income increases from $2,400 to $8,620.

Using a short annuity term increases the likelihood Jessa 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 23 months.

Additional Considerations

If Jessa predeceases the annuity term, the remaining balance will be subject to recovery by the state Medicaid agency to the extent of benefits paid on behalf of Rowen.

If Jessa 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 a high monthly income or are in declining health, using a shorter annuity term may be more beneficial.

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