MARRIED COUPLE CASE STUDY: COMMUNITY SPOUSE

MEET JOHN AND HELEN

John (81) and Helen (78) are residents of Wisconsin. After being diagnosed with Dementia, John must enter a nursing home, which costs $8,200/month. Helen worries that paying the nursing home bill might deplete their life savings, so she talks to a local elder law attorney to help qualify John for Medicaid benefits.

CASE FACTS

JOHN'S INCOME $1,700	ASSETS $260,000
HELEN'S INCOME $1,200	COST OF CARE $8,200

GOALS:

Obtain immediate Medicaid eligibility for John, provide sufficient income for Helen, and preserve the couple's assets.

SOLUTION:

Use a Medicaid Compliant Annuity to spend-down the couple's excess countable assets in order to accelerate John's eligibility for Medicaid benefits and provide Helen a monthly stream of income to maintain her lifestyle within the community.

1.

STEP ONE:
DETERMINE THE SPEND-DOWN AMOUNT

Helen 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, she is allowed to keep $126,420. John will be allowed to keep $2,000 for his Individual Resource Allowance. Thus, the spend-down amount is $131,580.

Countable Assets:	$260,000
Helen's CSRA:	$126,420
John's Allowance:	– $2,000
Spend-Down Amount:	$131,580

2.

STEP TWO:
IMPLEMENT THE ANNUITY PLAN

The spend-down amount of $131,580 is funded into a Medicaid Compliant Annuity, converting the couple's excess assets into an income stream for Helen. Due to her high living expenses, Helen and her attorney agree to utilize a 36–month annuity term to ensure she is left with sufficient income. Because this term is shorter than her Medicaid life expectancy[1], the term is actuarially sound.

Single Premium	Period Certain	Monthly Payout	Total Payout
$131,580	**36 Months**	**$3,670**	**$132,120**

3.

STEP THREE:
APPLY FOR MEDICAID

By purchasing the MCA, the spend-down amount is eliminated, and John is immediately eligible for Medicaid. With the MCA payment, Helen's total income increases to $4,870. Because this amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,160.50[2], she does not receive any of John's income. As such John's monthly Medicaid co-pay equals all his monthly income of $1,700 less his Personal Needs Allowance of $45, or $1,655.

Helen's Income:	$1,200
MCA Income:	+ $3,670
Helen's New Income:	$4,870
John's Income:	$1,700
Personal Needs Allowance:	– $45
John's Medicaid Co-Pay:	$1,655

ECONOMIC RESULTS

Helen's Income increases from $1,200/month to $4,870/month. This is more than she would receive under the MMNA rules alone.

By opting to utilize a shorter annuity term, Helen increases the likelihood she 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 16 months[3].

ADDITIONAL CONSIDERATIONS

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

1. With Helen being 78 years old, her Wisconsin Medicaid life expectancy is 10.86 years / 130.32 months.
2. This scenario assumes Helen is entitled to the maximum MMNA in Wisconsin of $3,160.50.
3. This was determined by dividing the spend-down amount of $131,580 by the cost of care of $8,200.