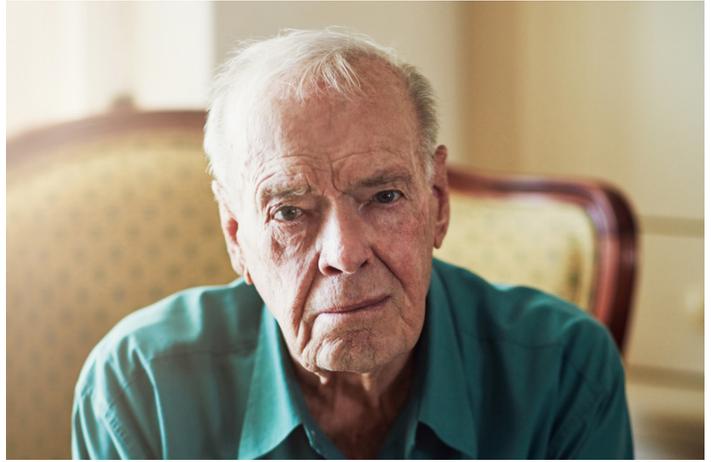


# INDIVIDUAL CASE STUDY: STANDALONE PLAN



## MEET HARRY

Harry (83) is a resident of Utah. Harry is in failing health so he must enter a nursing home which costs \$6,100/month. Harry's doctor does not expect him to survive the next 6 – 12 months, but Harry doesn't want to lose his life savings while paying the nursing home. He turns to a local elder law attorney for help.

## CASE FACTS

 HARRY'S INCOME \$1,100	 ASSETS \$165,000
 MEDICAID REIMBURSEMENT RATE \$4,000	 COST OF CARE \$6,100

## GOALS:

*Obtain immediate Medicaid eligibility for Harry with the intention of making a wealth transfer to his loved ones after he passes.*

## SOLUTION:

*Use a Medicaid Compliant Annuity to spend down Harry's excess countable assets and gain immediate Medicaid eligibility. Once eligible, Harry will save on the cost of his care by paying the Medicaid Reimbursement Rate, leaving additional assets for his beneficiaries.*



**1. STEP ONE:  
DETERMINE THE SPEND-DOWN AMOUNT**  
Harry is allowed to keep \$2,000 of countable assets. With the countable assets of \$165,000 being reduced by the protected amount of \$2,000, the difference equals the spend-down amount, or \$163,000.

Countable Assets:	\$165,000
Harry's Allowance:	- \$2,000
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Spend-Down Amount:	\$163,000

**2. STEP TWO:  
IMPLEMENT THE ANNUITY PLAN**  
The spend-down amount of \$163,000 is funded into a Medicaid Compliant Annuity, converting the excess assets into an income stream. To minimize the monthly payout, the annuity term is structured using his full life expectancy. With Harry being 83 years of age, his Utah Medicaid life expectancy is 5.99 years / 71.88 months.

Single Premium	Period Certain	Monthly Payout	Total Payout
\$163,000	71 Months	\$2,340	\$166,140

**3. STEP THREE:  
APPLY FOR MEDICAID**  
Harry is immediately eligible for Medicaid benefits and his total income increases to \$3,440. Less his Personal Needs Allowance of \$45, his monthly co-pay equals \$3,395. In that the Medicaid Reimbursement Rate at the facility is \$4,000, Medicaid is expending the difference of \$605 on Harry each month.

Harry's Income:	\$1,100
MCA Income:	+ \$2,340
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Harry's New Income:	\$3,440
Personal Needs Allowance:	- \$45
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Harry's Medicaid Co-Pay:	\$3,395
Medicaid Reimbursement Rate:	\$4,000
Medicaid Co-Pay:	- \$3,395
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Monthly Difference Paid by Medicaid:	\$605
MCA Investment:	\$163,000
Medicaid's Claim:	- \$6,655
MCA Payments Made:	- \$25,740
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Residual Balance for Children:	\$130,605

Harry passes away after 11 months. The state Medicaid agency, as primary beneficiary, paid \$6,655<sup>1</sup> in benefits on behalf of Harry. Additionally, the payments made from his MCA total \$25,740<sup>2</sup>. With the MCA investment amount of \$163,000 being reduced by the payment made and Medicaid's claim, the balance of \$130,605 is available for Harry's contingent beneficiaries – his children.

## ECONOMIC RESULTS

Harry obtains immediate Medicaid eligibility and begins receiving the care he needs.	While in care, he realizes a monthly savings of \$2,100. This reflects the difference between the private pay rate of \$6,100 and the Medicaid reimbursement rate of \$4,000.	Harry makes a wealth transfer to his children of \$130,605 – this is more than 50% of his spend-down amount.
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**ADDITIONAL CONSIDERATIONS**

- The amount of the wealth transfer is dependent upon the timing of Harry's passing. If Harry lives past month 35, the state Medicaid agency's claim will exceed any residual balance in the annuity.
- If Harry's longevity was questionable, his attorney may have opted to proceed with the Gift/MCA plan instead, as that plan creates a guaranteed and immediate wealth transfer.

1. This was determined by multiplying the monthly Medicaid expenditure of \$605 by the 11-month time frame in which Harry received benefits.  
 2. This was determined by multiplying the monthly MCA payment of \$2,340 by the 11-month time frame in which Harry received payments.