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Medicaid Planning Reimagined: Advanced Medicaid Annuity Case Studies

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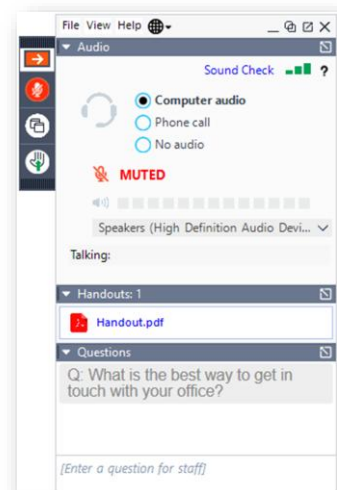
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Questions & Handouts

- Download **today's handouts** from the GoToWebinar toolbar.
- Don't forget to **complete the survey** at the end of the presentation!



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About Us

Krause Agency is a national wholesaler of insurance products tailored to the senior market. With a focus on asset preservation solutions, we provide products, training, and support to agents and advisors helping clients plan for retirement and long-term care.



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30+
Years of
Experience



400+
Clients Helped
Monthly



1,300+
Active Agents



Today's Goals

- 1.** Discuss MCA strategies for both single clients and married couples.
- 2.** Address how to protect retirement accounts owned by either spouse.
- 3.** Explore planning considerations when both spouses are institutionalized.

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Community Spouse Plan

- The most common MCA planning strategy for a married couple consists of **converting the spend-down amount into an MCA for the spouse at home.**
- Primary goals:
 - *Gain immediate eligibility for the institutionalized spouse.*
 - *Provide reliable monthly income to the spouse at home, avoiding spousal impoverishment.*



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Community Spouse Plan: The Problem

- Patrick (82) has entered a nursing home and his wife, Sally (82), is at risk of losing their assets paying the nursing home bill.
- They have countable assets above the resource allowance that are preventing them from qualifying for Medicaid benefits.



Cost of Care
\$9,500



Assets at Risk
\$253,000



Patrick's Income
\$2,600



Sally's Income
\$2,200

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Community Spouse Plan: The Solution

- Sally works with an advisor to **spend down the excess assets** using a Medicaid Compliant Annuity.
 - *Note: If Sally owns an IRA, she can transfer the account to a tax-qualified MCA and fund her remaining spend-down amount into a separate MCA.*

Annuity Premium: **\$253,000** Term: **48 months** Monthly Payment to Sally: **\$5,300**

- Because the MCA has no cash value, their **excess assets are eliminated** for Medicaid purposes.
- With the MCA, Sally's monthly **income increases to \$7,500**.

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Community Spouse Plan: The Results

- Patrick and Sally were able to **preserve 100% of their spend-down amount** by using a Medicaid Compliant Annuity.
- Once their assets are eliminated, Patrick qualifies for Medicaid benefits **immediately**.
- Sally is able to supplement her income and ensure she can **maintain her lifestyle**.
- As Sally receives the annuity payments, she may **keep those funds beyond the original resource allowance** and put those dollars back to work through various reinvestment strategies.

- ✓ **100% savings of assets at risk**
- ✓ **Immediate Medicaid eligibility**
- ✓ **Spouse avoids impoverishment**

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Gift/MCA Plan

- The most common strategy for a single person is the **Gift/MCA plan**.
 - They give away approximately half of their countable assets, intentionally creating a divestment penalty period.
 - They use the other half to fund an MCA, allowing them to pay for care during the resulting penalty period.
- Primary goals:
 - *Achieve Medicaid eligibility sooner than if they did nothing.*
 - *Create a wealth transfer by way of the divestment.*



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Gift/MCA Plan: The Problem

- Susan (85) has entered a nursing home, and her family is left with a hefty monthly bill of \$10,200.
- Since a single person is only allowed to keep \$2,000 in assets, Susan's entire life savings could be depleted in only 16 months.



Cost of Care
\$10,200



Assets at Risk
\$170,000



Susan's Income
\$2,550

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Gift/MCA Plan: The Solution

- Susan utilizes a **Gift and Medicaid Compliant Annuity plan** to accelerate eligibility and create a wealth transfer.
- She **gifts \$95,000** of her spend-down amount to her children. This will cause a penalty period of ineligibility for 10 months.
- Susan uses her remaining spend-down amount to **purchase an MCA** that will help her supplement her income to pay for care during the penalty period.

Annuity Premium: **\$75,000** Term: **10 months** Monthly Payment to Susan: **\$7,510**

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Gift/MCA Plan: The Results

- After the penalty period expires, the annuity terminates, and Susan qualifies for Medicaid benefits while **saving 55% of her assets** at risk.
- Susan is able to **qualify for benefits faster** than if she had done nothing.
- This plan creates an **immediate and guaranteed wealth transfer** to her family.

- ✓ **Over 50% savings in most cases**
- ✓ **Qualify faster than doing nothing**
- ✓ **Ensures wealth transfer to heirs**

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“Name on the Check Rule” Strategy

- If the institutionalized spouse owns a countable IRA, they may benefit from the **“Name on the Check Rule” MCA strategy**.
 - *The institutionalized spouse transfers their IRA to a tax-qualified MCA with the community spouse designated as payee.*
- Primary goals:
 - *Gain immediate Medicaid eligibility for the institutionalized spouse.*
 - *Protect the IRA-MCA income from being part of the Medicaid co-pay.*



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Name on the Check Rule: The Problem

- Kristine (83) was recently diagnosed with Parkinson's and must enter a nursing home.
- Her husband Leif (83) is worried about the monthly bill as well as the tax consequences if Kristin liquidates her \$130,000 IRA.



Cost of Care
\$10,500



Assets at Risk
\$238,000
Including Kristine's
\$130,000 IRA



Leif's Income
\$2,500



Kristine's Income
\$2,400

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Name on the Check Rule: The Solution

- Kristine works with an advisor to **spend down the couple's excess assets** by purchasing two Medicaid Compliant Annuities: one IRA-MCA owned by Kristine but made payable to Leif, and one MCA owned by and made payable to Leif.

Tax-Qualified Premium: **\$130,000** Term: **93 months** Monthly Payment to Leif: **\$1,410**

Non-Qualified Premium: **\$108,000** Term: **36 months** Monthly Payment to Leif: **\$3,010**

- Because the MCAs have no cash value, their **excess assets are eliminated** for Medicaid purposes, and Leif's monthly **income increases to \$6,920**.

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Name on the Check Rule: The Results

- Leif and Kristine were able to **preserve 100% of their spend-down amount** by using Medicaid Compliant Annuities.
- Once their assets are eliminated, Kristine qualifies for Medicaid benefits **immediately**.
- The couple avoids the tax consequences of liquidating Kristine's IRA and prevents the MCA payments from being part of her monthly Medicaid co-pay.
- As Leif receives the annuity payments, he may **keep those funds beyond the original resource allowance** and put those dollars back to work through various reinvestment strategies.

- ✓ **100% savings of assets at risk**
- ✓ **Immediate Medicaid eligibility**
- ✓ **Prevent IRA liquidation**

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Double Gifting Plan

- In the event both spouses in a married couple require care, they may use the **Double Gifting plan** to protect some of what they have left.
 - Similar to the Gift/MCA plan for a single person, the couple gives away approximately half of their countable assets, intentionally creating a divestment penalty period.
 - They use the other half to fund two MCAs, allowing them to pay for care during the resulting penalty period.
- Primary goals:
 - *Achieve Medicaid eligibility sooner than if they did nothing.*
 - *Create a wealth transfer by way of the divestment.*



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Double Gifting Plan: The Problem

- Rick (85) has been in a nursing home for a few months, and now their children made the tough decision to move Mary Lou (85) into the same facility.
- Their children are afraid of depleting the couple's life savings, so they turn to a local advisor for help.



Cost of Care

\$8,500

Assets at Risk

\$281,000

Rick's Income

\$2,400

Mary Lou's Income

\$2,200

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Double Gifting Plan: The Solution

- Rick and Mary Lou utilize a **Double Gifting plan** to accelerate their eligibility while making a wealth transfer to their children.
- The couple **gifts \$160,000** to their children, resulting in a penalty period of ineligibility for each spouse for 10 months.
- They use their remaining spend-down amount to **purchase two separate MCAs** that will help them supplement their income to pay for care during the penalty period.

Annuity Premium: **\$59,500** Term: **10 months** Monthly Payment to Rick: **\$5,960**

Annuity Premium: **\$61,500** Term: **10 months** Monthly Payment to Mary Lou: **\$6,160**

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Double Gifting Plan: The Results

- After the penalty period expires, the annuity terminates, and both spouses qualify for Medicaid benefits while **saving about 57% of their assets** at risk.
- Rick and Mary Lou are able to **qualify for benefits faster** than if they had done nothing.
- This plan creates an **immediate and guaranteed wealth transfer** to their family.

✓ **Over 50% savings in most cases**

✓ **Qualify faster than doing nothing**

✓ **Ensures wealth transfer to heirs**

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Standalone Plan

- If the Gift/MCA plan isn't a viable option, single clients may benefit from the **Standalone Plan**.
 - The applicant funds their entire spend-down amount into an MCA and gains immediate Medicaid eligibility.
 - Upon the individual's passing, the state Medicaid agency collects against the amount paid on their behalf, and the remaining MCA funds go to the individual's contingent beneficiaries.
- Primary goals:
 - *Achieve immediate Medicaid eligibility.*
 - *Create a wealth transfer to heirs upon their passing.*



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Standalone Plan: The Problem

- Jimmy (81) is in poor health and expects to pass away within the next year.
- He funds his entire spend-down amount into an MCA in order achieve immediate eligibility, and he will have the opportunity to create a wealth transfer to his children upon his passing.



Cost of Care
\$9,000



Assets at Risk
\$143,000



Jimmy's Income
\$2,000



Reimbursement
Rate
\$6,500

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Standalone Plan: The Solution

- Jimmy works with an advisor to **fund his full spend-down amount** into a Medicaid Compliant Annuity.
- In order to minimize the income produced by the MCA, Jimmy will use his **full 91-month Medicaid life expectancy** as the term for his annuity.

Annuity Premium: **\$143,000** Term: **91 months** Monthly Payment to Jimmy: **\$1,580**

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Standalone Plan: The Results

- Jimmy gains **immediate Medicaid eligibility**.
- While in care, he realizes a **monthly savings of \$2,500**. This represents the difference between the Medicaid reimbursement rate and his private pay rate.
- Jimmy passes away after 10 months. During that time, Medicaid expended a total of \$29,700, and \$15,800 worth of MCA payments were made. The residual annuity balance goes to his children.
- After his passing, Jimmy is able to make a **wealth transfer of \$97,500** to his children.

- ✓ **Save a portion of assets dependent on longevity**
- ✓ **Immediate Medicaid eligibility**
- ✓ **Pay MRR vs. private pay rate**

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How We Help

- In addition to providing essential senior market products, we also provide unmatched **support and guidance** to all our agents.
- If you're looking to add Medicaid Compliant Annuities to your business, we offer:
 - **Case design solutions** to help you establish the most beneficial plan for your client
 - **Comprehensive educational resources** to learn all about the Medicaid program and how to use the Medicaid Compliant Annuity
 - **Reliable back-office support** for each and every case

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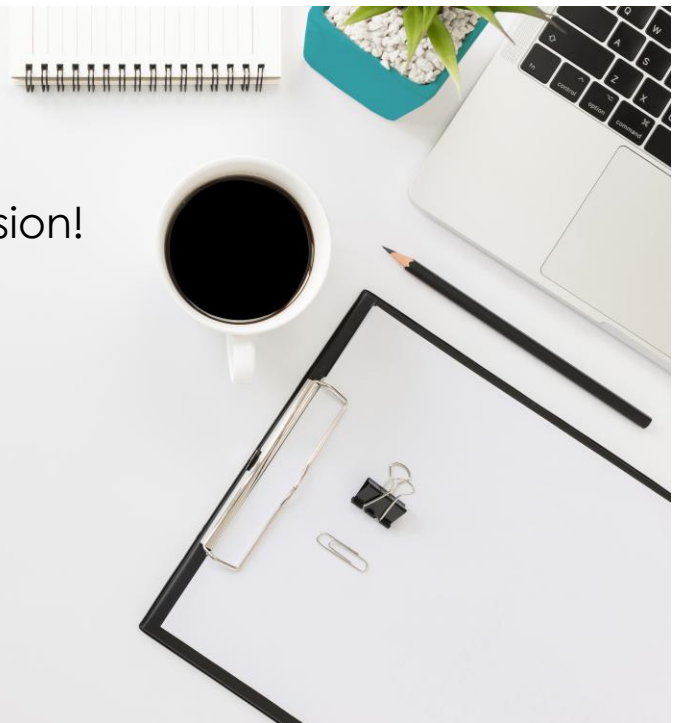


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Thank you
for attending today's session!

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