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## Medicaid Compliant Annuity for the Community Spouse

Medicaid compliant annuities are a useful planning tool for spouses where one spouse is in a nursing home and the other spouse resides in the community. Such annuities are less likely to be used for a single individual (although they may be used for penalty period planning purposes), since the amount of the monthly income stream must be paid towards the individual's long term care.

When a community spouse's assets are greater than the Community Spouse Resource Allowance (CSRA), the assets over the CSRA may be used to purchase a Medicaid compliant annuity. The purchase of this annuity converts the otherwise excess countable assets of the community spouse into a non-countable income stream without resulting in a Medicaid penalty period. This conversion eliminates the excess resources, increases the monthly cash flow available to the community spouse and the institutionalized spouse can qualify for Medicaid.

A Medicaid compliant annuity is an immediate annuity (as opposed to a deferred annuity, which has no use in Medicaid planning) and is a contract with an insurance company where the consumer pays a certain sum of money to the insurance company in exchange for a monthly income stream for a period of time.

The basic requirements of a Medicaid compliant annuity are as follows:

- **Irrevocable:** The owner has no right to remove the funds other than via monthly income payments.
- **Non-Assignable and Non-Transferable:** The annuity must be non-assignable and non-transferable in order to meet Medicaid requirements. Many insurance companies do not issue annuities that meet these requirements, so caution must be exercised in purchasing a Medicaid compliant annuity.
- **Actuarially Sound:** The annuity must return at least the amount contributed over the annuitant's life expectancy (as determined by Medicaid).
- **Term Certain:** The length of the term (guaranteed number of payments regardless of the annuitant's life expectancy) cannot exceed the annuitant's life expectancy.
- **Naming the State as a Remainder Beneficiary:** The state must be named as a remainder beneficiary up to the amount of Medicaid benefits paid on behalf of the institutionalized spouse.

### Example: Mrs. Smith Converts Countable Assets to Income

Mrs. Smith is a community spouse whose husband is presently hospitalized and will be entering a nursing home in the near future. She is interested in qualifying her husband for Medicaid nursing home benefits, but she has resources of \$266,420.00. If the CSRA (the maximum amount of resources she can possess) is \$126,420.00, and if it weren't for Mrs. Smith's excess resources, her husband would qualify for Medicaid. She can purchase a Medicaid compliant annuity for \$140,000.00, reducing her resources to the CSRA, thereby rendering her husband in the nursing home immediately eligible for Medicaid. In this example, if a 12 month annuity is chosen and the interest rate is 2.13%, Mrs. Smith would receive 12 monthly annuity payments of \$11,801.71 for a total of \$141,620.52 over the 12 month period.