

MEDICAID COMPLIANT ANNUITY

Under the government's rules for annuities, you could purchase an irrevocable annuity from an insurance company using all or a portion of your countable assets. The policy would be purchased with a lump sum cash amount, and in return the insurance company would issue a monthly check to you consisting of principal and interest. You can think of this as providing a loan to the insurance company. The insurance company repays the loan over the set term.

Medicaid rules, however, require that the State of Florida be designated as the beneficiary up to the amount the State paid on behalf of a single/unmarried Medicaid applicant. As a result, with very limited exceptions, we do not recommend the annuity for single individuals.

But when working with a married couple, when only one spouse is in need of Medicaid long-term care services, the Medicaid-Compliant Annuity can be of service. This is because the spouse can be the priority beneficiary of the annuity (while the State of Florida would be the beneficiary after both spouses pass away).

It's important to keep in mind that the monthly annuity payments from the insurance company is considered income to the applicant. In a nursing-home context, this new income source would become part of the "patient responsibility" and would be paid to the nursing home toward the cost of care.

As a result, we do not recommend this strategy for our nursing-home clients. But the Medicaid annuity may be recommended for a single Medicaid applicant who requires limited home health care (and thus would be expected to remain at home or go to an ALF for the foreseeable future).

If an irrevocable interest only annuity was purchased, the last payment of the annuity would be a lump sum of the remaining principal. The term of the annuity can be no longer than the applicant's life expectancy according to the government's life-expectancy charts. Should the applicant be alive when the final annuity payment is issued, another policy could be issued to further protect the assets or the funds could be re-sheltered using an alternative option within the same month the payment is received.

In sum, an irrevocable immediate Medicaid Compliant Annuity is the only type of annuity that works for Medicaid planning and careful planning must be implemented to ensure that an annuity conforming to the government's rules is purchased. Not all annuities work for Medicaid planning – they must be "DRA compliant" or "Medicaid compliant." The annuity can be a good method for sheltering the applicant's assets provided it is structured properly. Most clients with annuities do not have one's that are "Medicaid compliant."

Again, if it is a deferred annuity or if the applicant has any access to the principal other than through the monthly payments, it will be counted as an asset and will not help towards



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Medicaid eligibility. Remember that once the money is given to the insurance company, it cannot be given back other than through the monthly payments.



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