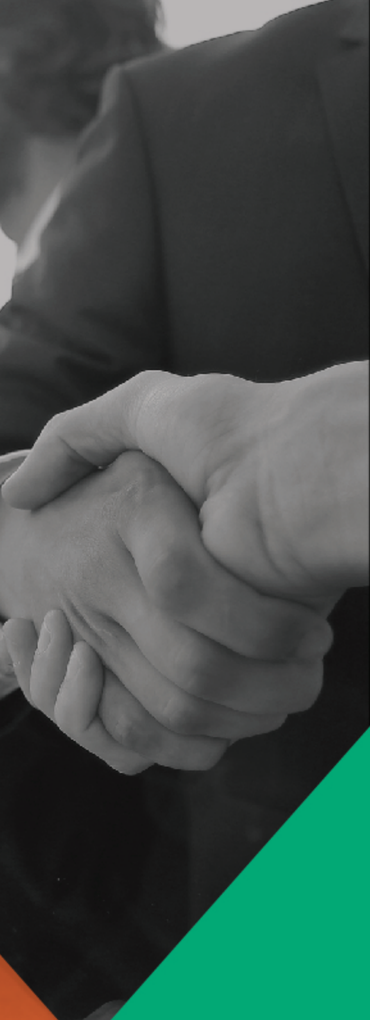


2022 AGENT GUIDE

MEDICAID COMPLIANT ANNUITIES

LONG-TERM CARE INSURANCE

EDUCATIONAL RESOURCES

MARKET INSIGHT

CASE STUDIES

WELCOME TO THE 2022 AGENT GUIDE

Let's be honest—the last few years have brought countless challenges and opportunities in the senior market. Retirees across the country have been faced with new and unique concerns, and many Americans are placing a renewed focus on planning for the unexpected or, at the very least, taking action when confronted with a crisis.

Whether planning ahead for long-term care or meeting these challenges head on, the main question seniors are asking is, "Who do I turn to for help?"

The answer is you.

As a financial professional, you are in the ultimate position to provide meaningful solutions to clients facing a major financial crisis—long-term care. And now is the perfect time to reassess your business and ensure you're offering the best products, services, and strategies for these opportunities.

What's in it for you? Aside from providing a necessary service in your community, incorporating long-term care planning into your business will help you:

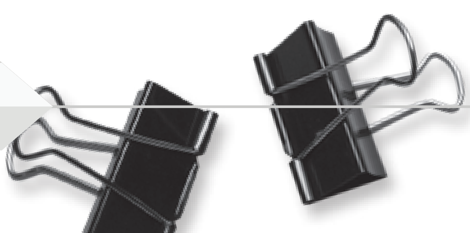
- Enhance your business and boost your revenue
- Better reach new clients and retain existing clients
- Grow your referral network by positioning yourself as an expert to other industry professionals

The 2022 Agent Guide was crafted with you, your business, and your clients in mind. Throughout the report, you'll find a plethora of information designed to help you during the long-term care planning process, from the Medicaid program and Long-Term Care Insurance to overcoming roadblocks preventing your clients from qualifying for benefits.

Allow us to do the heavy lifting for you. All you have to do is take the leap.

LET'S GET STARTED.

TABLE OF CONTENTS



CHAPTER 1

ABOUT THE KRAUSE AGENCY

Who We Are

We are a national wholesaler of Medicaid Compliant Annuities and other insurance products designed for the senior market. We help agents like you offer meaningful solutions for elderly clients facing a long-term care stay while boosting your revenue in the process. In addition to our products, we provide specialized support and resources to enhance your business. Essentially, we act as your back office, helping you stay up to date on everything from changing Medicaid regulations to marketing and prospecting trends.

WHEN YOU WORK WITH US,
YOU'RE NEVER WORKING ALONE.

Our History

Back in the 1980s, our President and CEO, Dale M. Krause, J.D., LL.M., began his career as an estate planning attorney. He became ingrained in a dilemma many professionals face: how do I help my clients avoid losing everything in the event of a long-term care need? His answer was insurance. No matter what stage of the long-term care process a client is in, there's an insurance product that can help protect their hard-earned savings.

While Long-Term Care Insurance was already a widely available product, Dale's true innovation came in the form of the Medicaid Compliant Annuity. He went beyond the practice of law to design and develop the very first short-term annuity product meant for crisis planning cases, or cases in which a client is entering a nursing home without having done any pre-planning. This product quickly became an industry phenomenon.

Dale's company soon grew into the bustling financial services firm it is today. In addition to acting as the industry's largest wholesaler of Medicaid Compliant Annuities, he instilled the importance of supporting elder care professionals who are helping seniors avoid this financial crisis—something his entire team strives to do every day.

At The Krause Agency, our history sets us apart.

30+ YEARS OF EXPERIENCE

800+ ACTIVE AGENTS

20+ PROFESSIONALS ON STAFF

$400M PREMIUM WRITTEN ANNUALLY

Executive Leadership

Dale M. Krause, J.D., LL.M.
President and CEO

Dale founded The Krause Agency over 30 years ago and currently acts as our President and CEO. Originally an estate planning attorney, he developed the first short-term Medicaid Compliant Annuity and used his vast experience to train and advise attorneys, agents, and other professionals on incorporating long-term care planning into their business. Today, Dale focuses his time on developing educational tools and identifying new opportunities for our agents. Dale earned his Juris Doctor from WMU-Cooley Law School and his Master of Laws in Taxation from DePaul College of Law.

Thomas Krause, J.D.
Vice President of Sales and Marketing

As Vice President, Tom plays a primary role in the growth and development of our company. As a co-creator of the short-term Medicaid Compliant Annuity, his industry knowledge runs deep. Tom has a strong foundation in the elder care industry, which he uses to continually enhance the experience of our agents. This includes developing educational resources like Agent Access, improving our websites, and adopting new technologies to create a streamlined sales process. Tom has a bachelor's degree in Economics, and he earned his Juris Doctor from California Western School of Law.

Scott Engstrom, J.D.
Corporate Counsel and COO

As Chief Operating Officer, Scott works closely with the executive team, department leaders, and other team members to maintain smooth company operations. As Corporate Counsel, he conducts legal research, drafts agreements, and resolves issues relating to litigation, risk management, and compliance. In both roles, Scott aims to facilitate effective and clear communication in order to help the company thrive. Scott has a bachelor's degree in Political Science, and he earned his Juris Doctor from Penn State Law.

Sales

Connie Ashley
Director of Agent Relations

Connie works with agents and advisors, providing quotes for their planning cases. She onboards, educates, and advises new agents and serves as a liaison between our office and our insurance carriers. Connie has her insurance license in 49 states.

Travis Bitters
Benefits Planner

Travis compiles planning letters, processes annuity applications for crisis Medicaid planning cases, and helps agents get appointed with the different insurance carriers we work with. He is also a licensed insurance agent.

Denise Fessler
Licensing Specialist

Denise ensures all commission and licensing information remains up to date. She also contracts agents, updates their information as needed, and teaches SureLC licensing procedures to agents who are new to the industry.

Lori Gubash, CLTC
National LTCI Director

Lori acts as a liaison between Krause and LTC Solutions to ensure we're offering the best Long-Term Care Insurance solutions for agents and their clients. She is a member of NAIFA and NAILBA and has her Certification in Long-Term Care (CLTC).

La Rae Mills

Senior Relationship Manager

La Rae builds and maintains relationships with new prospects and existing clients to ensure we offer the products and support they need. She also explores Medicare business and related areas to identify and strategize new industry opportunities.

Madolyn Reynolds

Relationship Manager

Madolyn works closely with our agents and advisors, educating them on the products, services, and solutions we offer, and stays up to date on any changes in the insurance marketplace. She is licensed in life insurance and health insurance.

Richard Rusoff

Relationship Manager

Richard is responsible for training agents, conducting marketing and recruiting calls, and leading presentations. He helps colleagues and agents better understand the products they're working with and where they fit in the industry.

Mary Sizemore

Executive Administrative Assistant

Mary assists agents with their clients and stays up to date on current insurance products and industry trends. She prepares product quotes, provides policy updates, and develops creative content designed for agents.

Ryan Squires

Relationship Manager

Ryan's main duties involve training and recruiting agents for the senior product market. He works with agents to help them find Long-Term Care Insurance solutions and other products to meet their clients' needs.

Carolyn Vader Gillis

New Business Specialist

Carolyn is responsible for processing, reviewing, and submitting new insurance applications for agents. She also corresponds with insurance carriers and acts as a liaison for agents while their business is in underwriting.

Collin Terry, MBA, CLTC

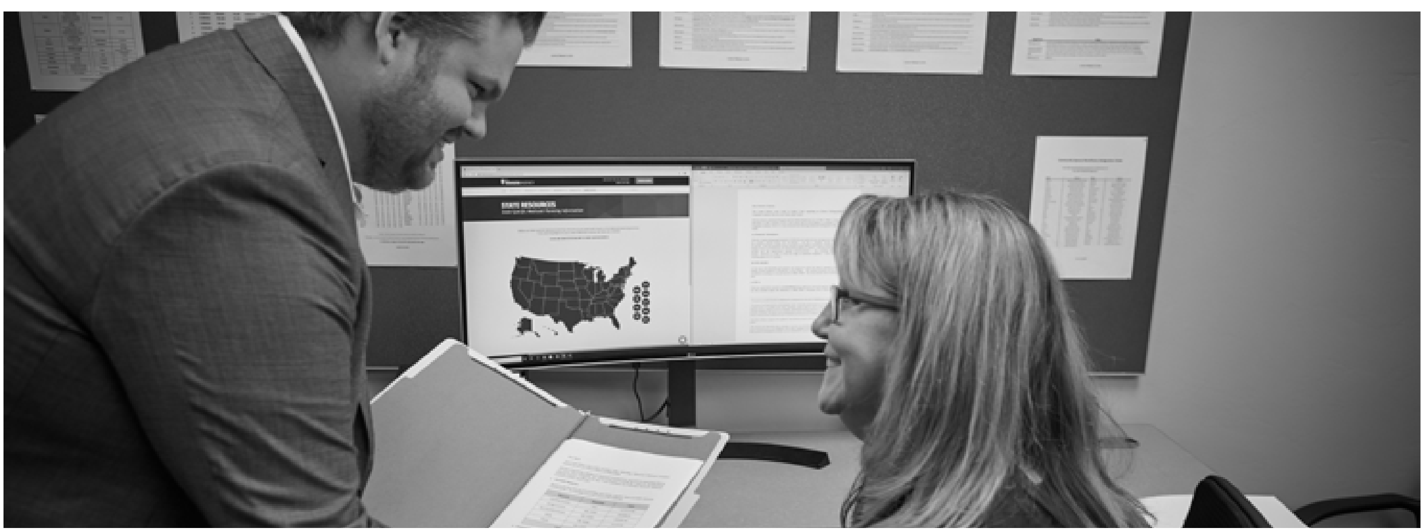
Sales Director

Collin leads the efforts of our Sales team by developing sales strategies, enhancing client retention, and guiding staff as they educate and provide solutions to agents and advisors. He has his Certification in Long-Term Care.

Nate Ziolkowski

Sales Manager

Nate works with insurance agents and financial advisors to develop long-term care planning strategies for their senior clients. He also collaborates with and advises the team on challenging cases. Nate is a licensed insurance agent.



Administration and Accounting

Rachael Capek
Administrative Specialist

Rachael answers phones, distributes mail, uploads applications, and performs data entry. She is often the first point of contact for clients calling our office, and she is responsible for transferring them and ensuring they get the help they need.

Andrea Geyer, MBA
Administration Manager

Andrea oversees the day-to-day operations of the Administration department, ensures each annuity application meets the necessary Medicaid and insurance carrier standards, and assists with a variety of administrative tasks.

Denise Krause
Accounts Administrator

Denise handles payroll and accounting for The Krause Agency and serves as a go-between for employee benefits. She also works with agents to take care of death claims paperwork on behalf of their senior clients.

Sarah Lippens
Administrative Specialist

Sarah answers phones and provides information regarding payments and policies to clients. She handles annuity applications, sends out policies, performs data entry, and assists with other administrative tasks as needed.

Cadence Raymond

Administrative Specialist

Cadence handles insurance applications and policies, assists with data entry, and completes other administrative tasks as needed. She also answers phones and acts as the first point of contact for many of our clients.

Ellie Seeger

Legal Assistant

Ellie assists our Corporate Counsel with filing, cases, and research, and she manages the day-to-day workload of our annuity valuation services. She also stays up to date on state-specific figures and helps with administrative tasks.

Erin Vertin

Accounting Manager

Erin oversees, maintains, and updates the company's bookkeeping and expense reporting. She stays up to date on financial trends, assists with budgeting, and evaluates programs best suited for financing opportunities.

Marketing

Amy Beacham, MBA

Marketing and Communications Director

Amy oversees the Marketing team, develops presentations, and builds marketing strategies. She also coordinates with partners on collaborative projects and creates educational content to help our clients succeed in the industry.

Katie Camann

Content Marketing Specialist

Katie drafts blogs and industry news articles and writes content for a variety of marketing channels, including emails, white papers, and video scripts. She creates and edits much of the content that is used to inform and educate our clients.

Brandon Erieau

Web Developer

Brandon writes the code and builds out enhancements to improve our website operations and enrich the online experience for our clients. He also develops automation tasks to improve efficiency across the entire team.

Abby Frank

Creative Specialist

Abby designs a variety of creative works, including web pages, videos, digital marketing materials, emails, guides, mailers, and brochures. She brings the company's creative visions to life in order to attract and educate our clients.

Bri Hemby

Digital Marketing Specialist, CRM Support

Bri is responsible for maintaining, organizing, and assigning leads as well as assisting with any leads-related issues. She regularly creates reports and reviews processes to ensure our CRM and lead generation efforts are running efficiently.

Morgan Hoida

Project Coordinator

Morgan helps organize marketing projects by monitoring plans, schedules, budgets, and expenses, and ensuring project deadlines are met. She also assists with tasks related to digital marketing, event planning, and more.

Andrew Krause

Digital Marketing Specialist

Andrew prepares email campaigns, plans social posts, creates digital ads, makes website updates, and reviews analytics reports. He analyzes data from past marketing campaigns to improve future campaigns to reach and educate more clients.

Alisa Lamal

Legal Content Specialist

Alisa researches and creates content on topics relevant to the elder care and estate planning industry. She also moderates webinars, and works to ensure we provide content that is pertinent to our clients.

Katherine Turner

Education and Events Coordinator

Katie works with event coordinators, staff members, and other organizations to ensure events run smoothly. She packages event materials, moderates webinars, and handles CE certification for agents.

Brian Vogel

Digital Marketing Manager

Brian manages the digital efforts of the company, including our websites, digital advertising campaigns, marketing automation, email marketing, CRM, and other digital tools, in order to improve the online experience for our clients.

Learn more
about our staff at
thekrauseagency.com/team.

Contact Us

Our main priority is helping our agents build their businesses and succeed in developing long-term care plans for their clients. Therefore, we place a high value on superior customer service. If you have any questions, don't hesitate to contact our office, and one of our team members will gladly assist you!

E-mail

Work with Krause & General Inquiries:
info@thekrauseagency.com

Application Support:
annuityservices@thekrauseagency.com

Marketing, Educational Materials, & Events:
marketing@thekrauseagency.com

Address

Main Office
1234 Enterprise Drive
De Pere, WI 54115

Satellite Office
501 East Las Olas Boulevard
Suite 241
Fort Lauderdale, FL 33301

Operating Hours

7:00 a.m. – 5:00 p.m. CT

Phone

(800) 255-1932

Fax

(805) 683-6313

Schedule a Discovery Call

If you're interested in learning more about how we work together, schedule a Discovery Call with one of our advisors at thekrauseagency.com/schedule.

Chat with Us Live

Start a live chat with one of our friendly staff members at thekrauseagency.com during our standard operating hours.

SCHEDULE A DISCOVERY CALL

Not sure where to start? Book a Discovery Call with one of our advisors to learn how we can best serve you. Whether you're interested in learning more about Medicaid Compliant Annuities, Long-Term Care Insurance, or any of our other products and services, you can connect with a specialist by scanning the QR Code or going to ***thekrauseagency.com/schedule.***

SCAN THE QR CODE TO BOOK YOUR FREE CALL!

CHAPTER 2
PRODUCTS

Crisis Planning Products

MEDICAID COMPLIANT ANNUITY

At the heart of our business is the Medicaid Compliant Annuity (MCA), a SPIA with certain provisions to comply with Medicaid's requirements. An MCA is designed to protect assets and accelerate Medicaid eligibility by converting excess countable resources into an income stream with no cash value.

For more information, turn to page 63.

A Medicaid Compliant Annuity may be right for your client if they:

- Are residing in a nursing home
- Have exhausted their Medicare or LTCI benefits
- Are paying out of pocket for care
- Have excess countable assets

IRREVOCABLE FUNERAL EXPENSE TRUST

An Irrevocable Funeral Expense Trust is a small whole life insurance policy assigned to a funeral trust controlled by an insurance company. Upon the death of the insured, the funds can be used for their funeral and burial services. Policies below a state-specific limit are exempt for Medicaid purposes.

For more information, turn to page 91.

REFUSAL LETTERS

Refusal letters are letters from secondary annuity buyers indicating their inability to purchase an annuity due to its restrictive provisions. These letters may be needed to secure a Medicaid Compliant Annuity in some states or demonstrate undue hardship in certain cases involving a non-compliant annuity.

Pre-Planning Products

TRADITIONAL LONG-TERM CARE INSURANCE

Traditional LTCI functions like a typical insurance policy with premiums paid in exchange for future benefits, and each policy can be tailored to a client's specific budget and projected needs. Available features include state partnership protection, inflation riders, spousal discounts, and anonymous pre-screening.

For more information, turn to page 99.

ASSET-BASED LONG-TERM CARE INSURANCE

Asset-Based LTCI is a life insurance or annuity contract with long-term care benefits attached. Although this type of LTCI is typically funded with a single premium, it offers premium flexibility and can be customized to fit the client's anticipated needs. Available features include tax-deferred growth, guaranteed premiums, and a guaranteed death benefit.

For more information, turn to page 100.

ESTATE TRUST

An Estate Trust allows individuals to allocate assets into a guaranteed-issue insurance contract with a built-in trust mechanism to help pre-plan for funeral expenses and leave a legacy for their heirs. Upon the owner's death, the benefit amount provides immediate financial liquidity and avoids probate. An estate trust may have a face value up to $100,000 and is only considered exempt for Medicaid purposes after the five-year lookback period.

LTCI may be right for your client if they:

- Are in good health and between age 30 and 85
- Are worried about their future long-term care
- Want to avoid a financial crisis and gain peace of mind

General Insurance Products

NON-MEDICAID SPIA

A non-Medicaid Single Premium Immediate Annuity (SPIA) is a contract funded with a lump sum that begins making payments immediately for a specified period of time (period certain) and may be life contingent, but it does not comply with Medicaid's restrictions. This type of annuity can be used to fund a Personal Services Contract (PSK) in Florida.

SINGLE PREMIUM DEFERRED ANNUITY

A Single Premium Deferred Annuity is a traditional insurance contract that is funded with a one-time deposit, and the funds receive a rate of return on a tax-deferred basis. The contract term is often three to ten years, during which time most contracts allow for penalty-free withdrawals of the interest earned, while some allow for up to 15% of the principal to be withdrawn annually. The interest is tax-deferred until it is withdrawn from the contract.

FLEXIBLE PREMIUM DEFERRED ANNUITY

A Flexible Premium Deferred Annuity is a traditional insurance contract that can be funded with multiple deposits over a period of time. This annuity earns a rate of return that is tax-deferred until withdrawn. This type of annuity is a great option for individuals who can't afford to invest a lump sum or who are looking to reinvest their annuals RMDs.

WHOLE LIFE INSURANCE POLICY

A whole life insurance policy is a type of permanent life insurance designed to stay in force until the owner's death. This type of life insurance can be funded with a single premium or recurring premiums. Some whole life insurance policies are guaranteed issue, meaning that the owner does not need to qualify medically for the policy. For Medicaid purposes, a small policy with a face value of $1,500 or less is considered an exempt asset in most states.

CHAPTER 3

SERVICES

Crisis Medicaid Case Analysis

Based on your client's unique case facts, we develop a custom solution using a Medicaid Compliant Annuity. This proposal includes a strategy to accelerate Medicaid eligibility, an annuity recommendation, and the projected economic results of the plan. If your client chooses to proceed, we'll guide you through the annuity application, purchasing process, and issuance of the contract.

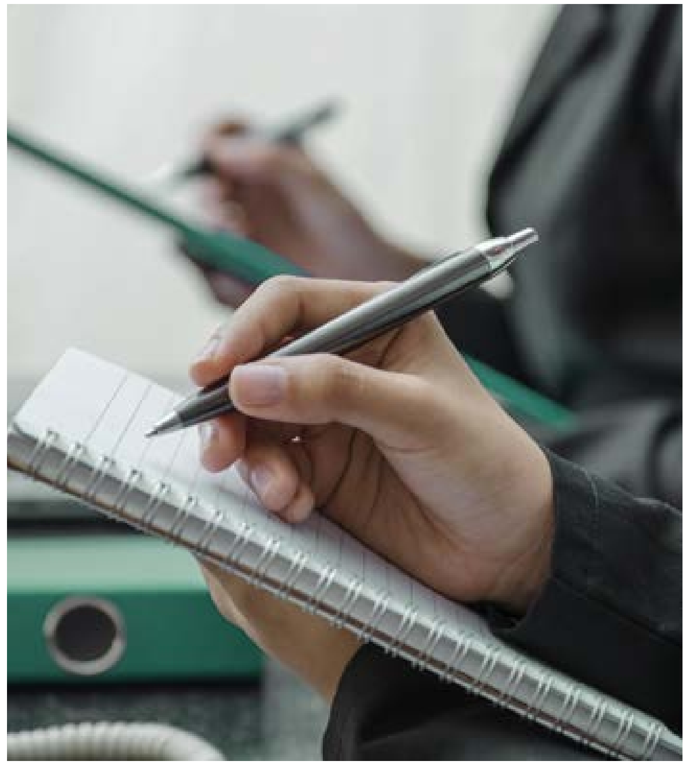
OUR ANALYSIS INCLUDES:

- Strategy for Medicaid Eligibility
- Annuity Recommendation
- The Economic Results

NEED A CUSTOM PLAN FOR YOUR CLIENT?

Start your case online or call us at (800) 255-1932!

thekrauseagency.com/quote



Long-Term Care Insurance Consultation

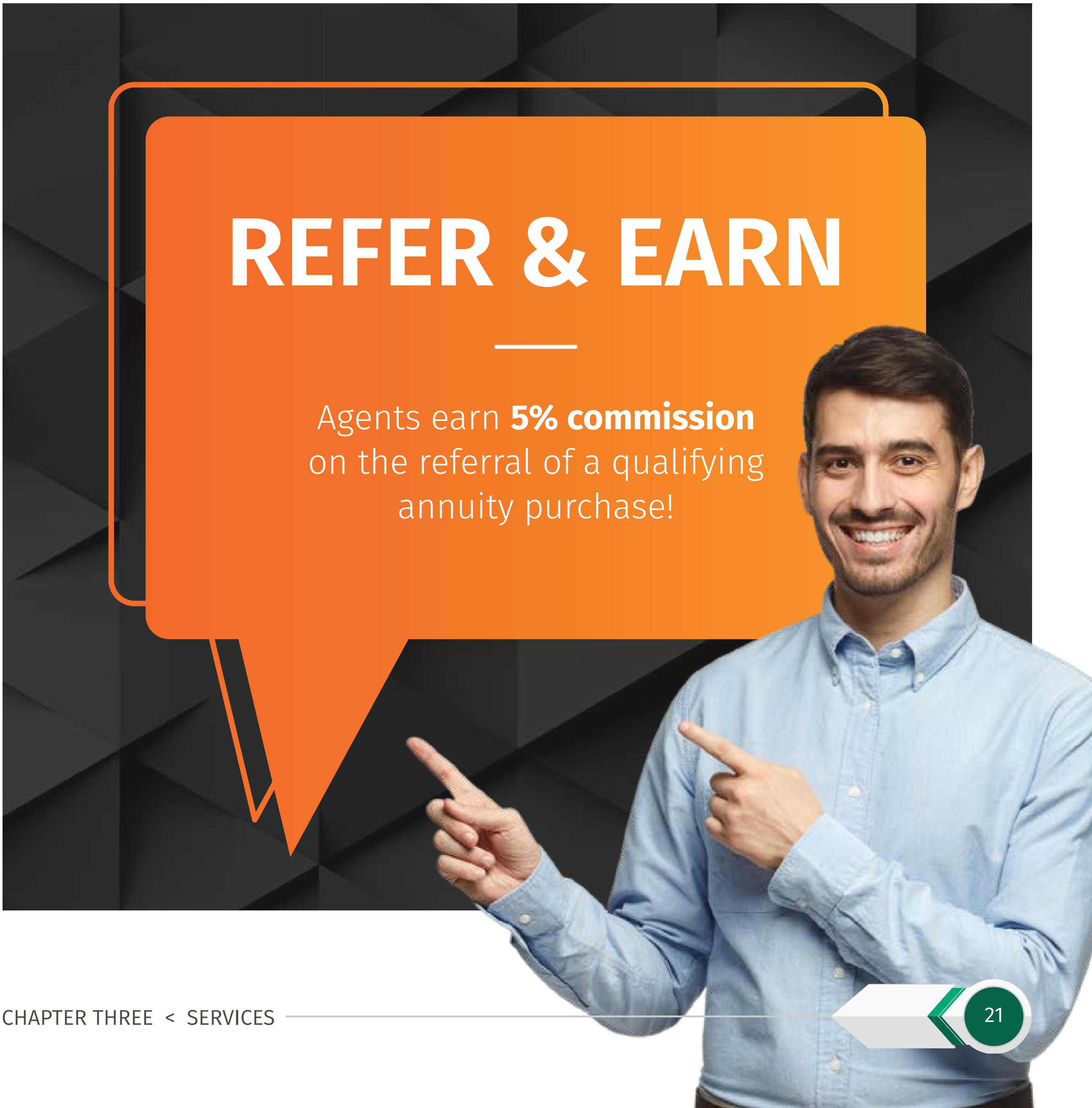
Whether you have a pre-planning client or want to learn how LTCI fits into your business, we offer complimentary consultations. We'll provide guidance on the policy options available as well as strategies for choosing the right policy and how it can help when long-term care is needed. If your client chooses to proceed, we'll work with you to secure the purchase and protect your client's financial future.

Expert Testimony and Litigation Support

If your client receives a Medicaid denial due to a product purchased through our office, our in-house attorneys will work with you throughout the fair hearing process. This free service includes a thorough review of your client's denial, support before and during the case, and guidance to help your client gain eligibility for the benefits they deserve.

Valuation of Non-Compliant Annuities

Many seniors seeking Medicaid benefits already own an existing annuity that impedes their eligibility. In these cases, we will review the contract and determine its fair market value. Then, we will purchase the annuity for cash, allowing your client to pursue crisis Medicaid planning options. From valuation to sale, the process can take as little as two weeks.



CHAPTER 4

RESOURCES

Education and Training

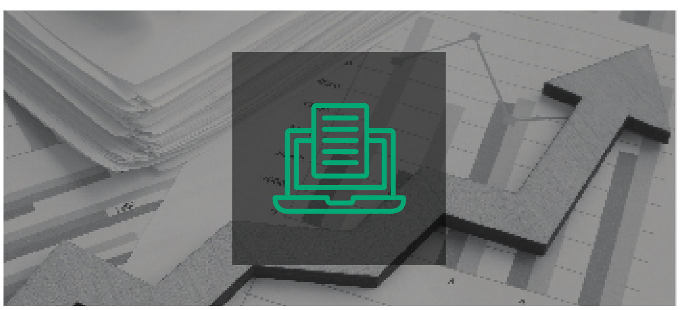
EACADEMY WEBINARS

Our eAcademy webinars provide essential information about a variety of topics associated with Medicaid and elder care planning, including real-life case studies that illustrate our most popular planning strategies. Each webinar is led by one of our in-house professionals or a trusted guest presenter and concludes with a live Q&A session.

Register for our upcoming webinars at ***thekrauseagency.com/eacademy***.

VIDEO LIBRARY

Our videos are designed to bolster your growth by breaking down complex long-term care planning topics into straightforward and understandable concepts and taking an in-depth look at marketing strategies to enhance your business.



MARKETING RESOURCES

In addition to offering the right products and services, a solid marketing strategy is crucial to achieving success in your business. That's why we provide videos, white papers, blogs, and other resources to help you promote your business online as well as with traditional marketing efforts.

CASE STUDIES

See our most popular planning strategies in action with our comprehensive case studies, which take real-life examples and break them down into easily digestible steps toward a long-term care solution.

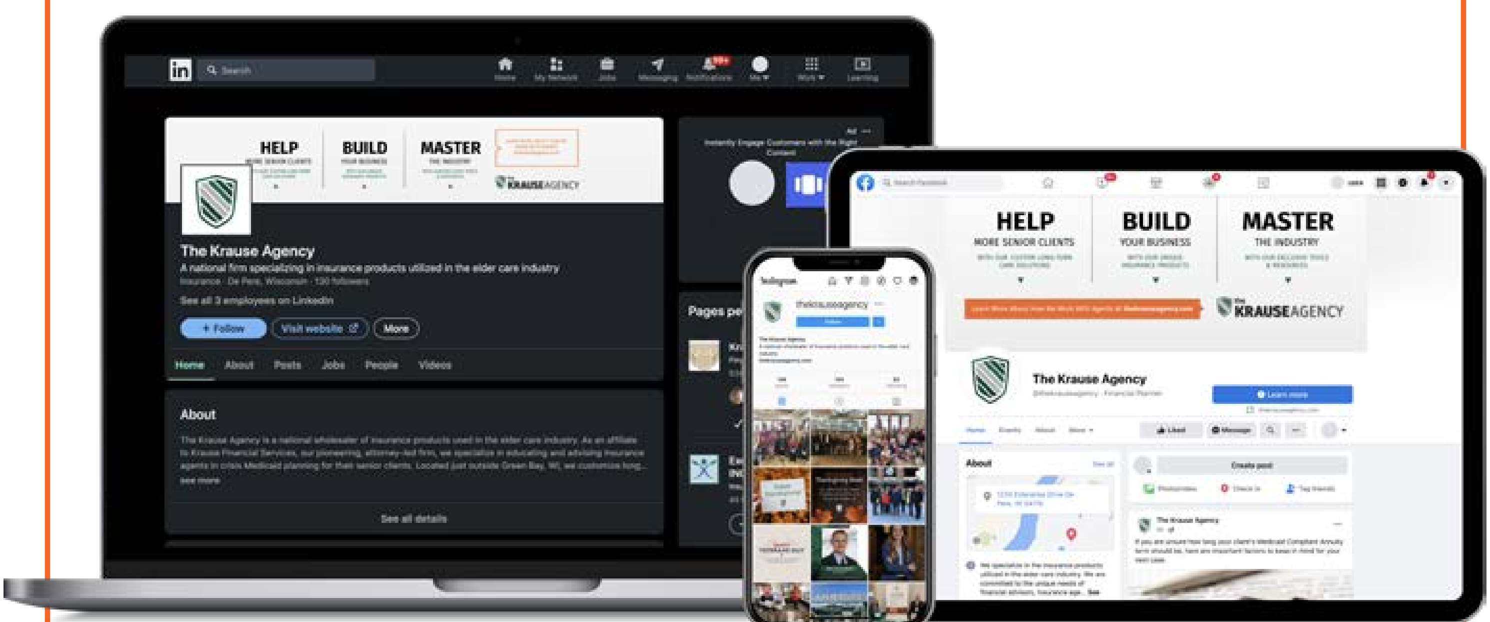
BLOGS AND INDUSTRY NEWS

Stay up to date with the latest planning tips, legal updates, and news. Our blogs go in depth on crisis and pre-planning planning strategies and other important issues in the elder care industry, while our Industry News pieces highlight breaking news relevant to your clients and your business.

SOCIAL MEDIA

Follow The Krause Agency on Facebook, LinkedIn, Twitter, and Instagram for regular updates on Medicaid regulations, eAcademy webinars, recent blogs, national news, and an inside look at our company culture

FOLLOW US ON SOCIAL MEDIA!



Agent Access

Agent Access is our exclusive online portal designed to help insurance agents, advisors, and other financial professionals succeed in long-term care planning with their senior clients.

EXCLUSIVE CONTENT

Take advantage of exclusive content meant to enhance your offering to clients and grow your business in the process. This content includes educational video series, crucial planning updates, and our archive of past eAcademy webinar episodes.

STATE-SPECIFIC RESOURCES

When it comes to staying up to date on Medicaid regulations, let us do the legwork for you. We provide the latest state-specific information, including Medicaid planning figures, your state's Medicaid manual, and relevant legal changes.

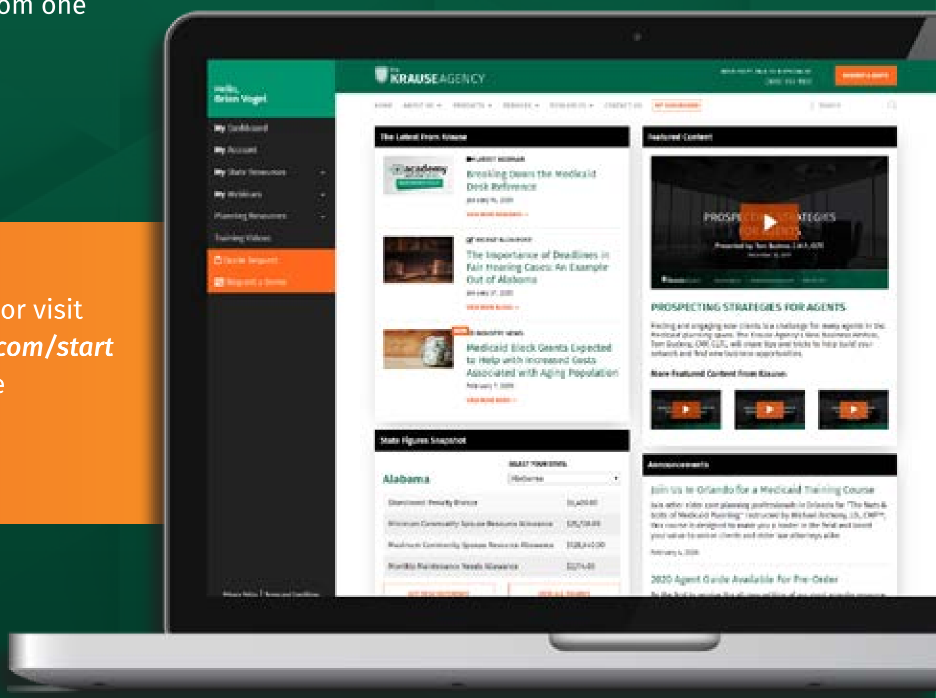
PERSONALIZED DASHBOARD

Your personalized dashboard features the latest resources from our office, suggested content, educational materials, and important account information. From the dashboard, you can easily request a quote or planning assistance from one of our advisors.

EXCLUSIVE CONTENT INCLUDES:

- White papers
- Marketing materials
- Important announcements
- And more!

Scan the QR code or visit ***thekrauseagency.com/start*** to create your free account today!



How We Work with You

If you want to incorporate long-term care planning into your business, we can help. We offer the tools to educate and empower you, so you can better serve your clients while simultaneously enhancing your business. If you have a client who you think could benefit from a Medicaid Compliant Annuity or one of our other unique products, simply contact us to get started.

WE DO MORE THAN JUST PROVIDE A PRODUCT.

We offer the **service**, **support**, and **education** you need to use that product successfully and increase your bottom line in the process.

We're with you every step of the way.

When you work with us, you're not alone. No question is too small, and no problem is too big for us to handle. We support our agents through every stage of the planning process—we've got you covered from start to finish.

1

YOU PROVIDE US THE CASE FACTS.

To begin, simply provide us some details about the case, such as the client's marital status, health status, state of residence, assets, and income.

2

WE PROVIDE A CUSTOM ANALYSIS.

Next, we'll present you with a customized financial analysis of the case, a product recommendation, and an overview of the projected economic results.

3

YOUR CLIENT COMPLETES THE INSURANCE APPLICATION.

Once you and your client are ready to proceed with the plan, we can walk you through the necessary product application paperwork.

4

WE PROCESS THE PAPERWORK.

Then, we'll conduct a review to ensure the application is accurate and compliant with your state's regulations before submitting it to the insurance company.

5

YOUR CLIENT GETS THE BENEFITS THEY DESERVE.

No matter the product, we always aim to expedite the process, so you get a win for your client, and they achieve peace of mind as they age.

Not sure where to begin?

Schedule a Discovery Call with one of our advisors to get your questions answered.

thekrauseagency.com/schedule

CHAPTER 5

THE LONG-TERM CARE PLANNING OPPORTUNITY

The Rising Need for Long-Term Care

As the Baby Boomer generation continues to age and the population is living longer, the need for long-term care is greater now than ever before. Unfortunately, many seniors are unprepared for the high costs associated with long-term care. With the average nursing home bill running over $90,000 per year, many risk depleting their life savings in just a few short years.

As an increasing number of seniors are faced with this reality, they'll be searching for guidance and looking for someone to help protect their hard-earned assets. That's where you come in.

WHAT ARE ACTIVITIES OF DAILY LIVING?

- Eating
- Bathing
- Dressing
- Toileting
- Transferring
- Moving Around

The Cost of Care

IN-HOME CARE
Average Cost: $5,148 per month*

- Regular support from a professional caregiver
- Maintain a level of independence in their own home

Ideally, most seniors want to remain at home for as long as possible. While some are able to do so, others may eventually require more hands-on care at an assisted living facility or nursing home.

ASSISTED LIVING
Average Cost: $4,500 per month*

- Blend full-time care with a level of autonomy
- Assistance with some daily activities

An assisted living facility is a great option for seniors who can no longer live at home but desire to maintain some independence. As they age, however, they may need a higher level of care.

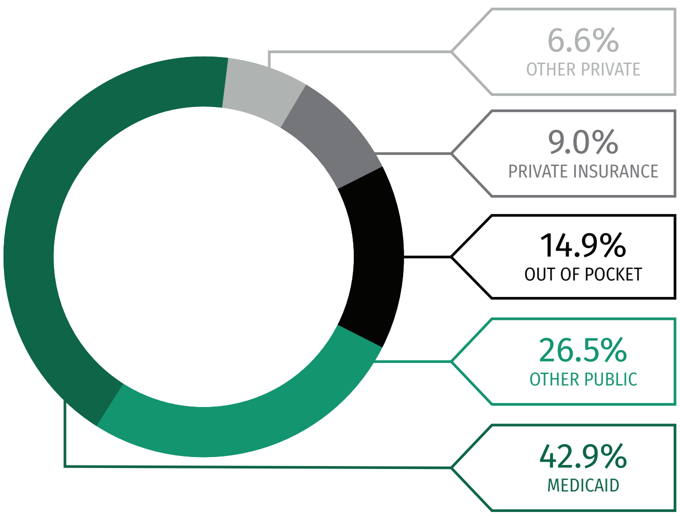
NURSING HOME
Average Cost: $7,908 per month*

- Round-the-clock nursing care and support
- Assistance with Activities of Daily Living (ADLs)

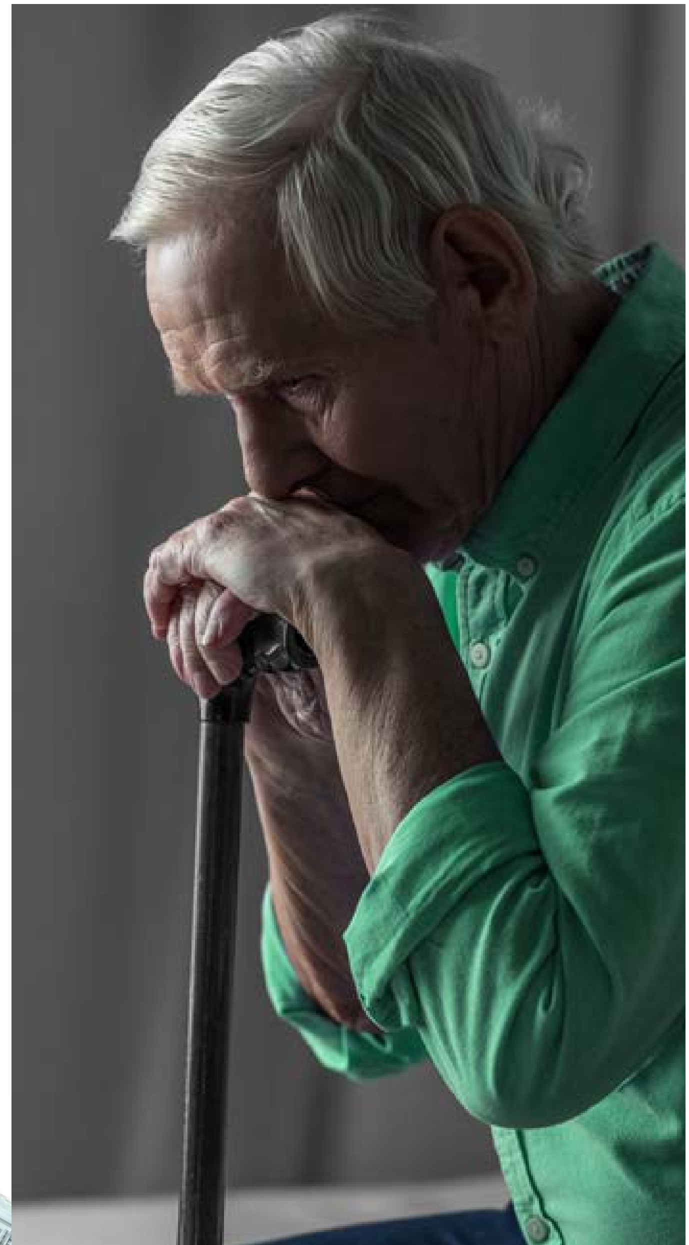
As their health deteriorates and they require more hands-on support, many seniors require nursing home care. Fortunately, you can help them protect their life savings from the high cost.

* *Genworth 2021 Cost of Care Survey*

Paying for Long-Term Care

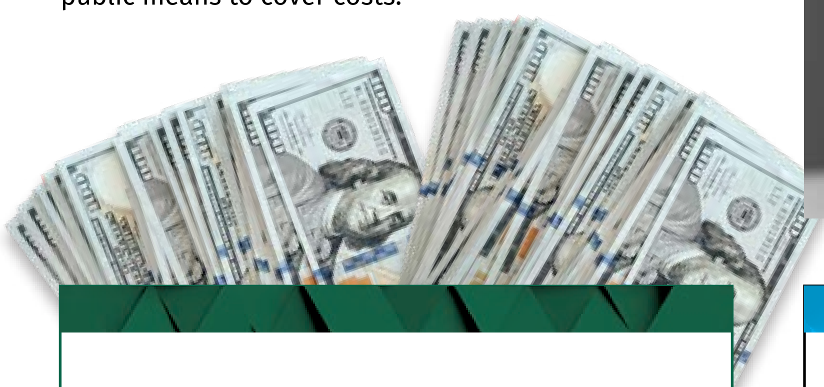


Source: CRS analysis of National Health Expenditure Account (NHEA) data obtained from the Centers for Medicare & Medicaid Services, Office of the Actuary, prepared December 2020.



OTHER PRIVATE [6.6%]

Whether through fundraising organizations or direct contributions, philanthropic support accounts for a small portion of long-term care expenditures. However, most seniors cannot rely on donations to pay the nursing home bill and must turn to other private or public means to cover costs.



54%

By 2029, 54% of seniors will not have enough financial resources to pay for long-term care.

(Health Affairs)

60%

Roughly 60% of residents will transition from assisted living to a skilled nursing facility.

(National Center for Assisted Living)

2050

The number of Americans who require long-term care will more than double by 2050.

(Centers for Medicare and Medicaid Services)

2.3 Years

The average stay in a nursing home is 2.3 years

(Centers for Disease Control and Prevention)

PRIVATE INSURANCE [9.0%]

Some private insurance programs offer long-term care support, but Long-Term Care Insurance (LTCI) is responsible for most of this coverage. LTCI policies can be customized to fit each situation, and benefits can cover any type of facility. The key is people must purchase LTCI while they're still healthy.

OUT OF POCKET [14.9%]

Many seniors are unprepared for a long-term care stay and end up paying the bill out of their own pocket. While this option may be feasible for individuals with a high net worth, the unfortunate reality is many of them will deplete their entire life savings within one year of entering a nursing home.

OTHER PUBLIC [26.5%]

Medicare, Veterans Affairs (VA), and other public programs may cover a portion of a long-term care stay but only in specific situations and only for qualified individuals. Plus, these public funds are typically not enough to cover the entire bill, requiring many seniors to find additional coverage.

!

This includes Medicare coverage for temporary post-acute care in a skilled nursing facility, which is one of the only instances where Medicare covers a long-term care stay.

2022 VA AID & ATTENDANCE MONTHLY PENSION RATES	
Single Veteran	$2,050
Married Veteran	$2,431
Surviving Spouse	$1,318
Veteran Married to Veteran	$3,253

MEDICAID [42.9%]

Medicaid is the largest payer of long-term care. It covers the cost of an individual's custodial care in a nursing home, including room and board, pharmacy, and incidentals. However, in order to qualify for benefits, applicants must meet certain financial and non-financial criteria.

To learn more about the Medicaid program, turn to page 44.

Planning for long-term care can be confusing, and more seniors are seeking a professional they can trust to help navigate this stage of life. The opportunity for long-term care planning has never been greater. **Are you taking advantage of it?**

IF YOU'RE LOOKING TO GROW YOUR BUSINESS AND REACH MORE SENIORS IN NEED, NOW IS THE BEST TIME TO DIVE INTO LONG-TERM CARE PLANNING.

The Financial Opportunity

As the need for long-term care continues to increase, so does the opportunity for financial growth. Plus, when you work with us, you get access to unique products and services to enhance your business, boost your revenue, and help your senior clients achieve peace of mind as they age.

AN ARSENAL OF PRODUCTS

No matter your client's financial situation or where they are in the planning process, we offer a diverse selection of products designed to help them preserve their assets and get the benefits they deserve. Beyond long-term care planning products, we also offer retirement investment products that can benefit clients of any age.

COMMISSIONS

Commissions are key to succeeding in the insurance business. Fortunately, you can earn competitive commissions on many of our products, including Irrevocable Funeral Expense Trusts, Tax-Deferred Annuities, and Long-Term Care Insurance. Medicaid Compliant Annuities with longer terms may also provide a commission. The commission amount is dependent on the insurance carrier as well as the agent's level of experience.

EARN COMPETITIVE COMMISSIONS ON LONG-TERM CARE INSURANCE, IRREVOCABLE FUNERAL EXPENSE TRUSTS, TAX-DEFERRED ANNUITIES, AND LONG-TERM MEDICAID COMPLIANT ANNUITIES.

FEES

Although commissions still have a place in long-term care planning products, charging fees is the best way to increase your revenue. We understand you may be hesitant to charge a fee to your clients, but it's important for you to realize that most of them are used to paying fees for financial planning services. Since you are providing them a necessary service with a favorable economic outcome, they likely view the fees as a small price to pay for a large benefit.

LTC plan with a financial benefit

Fee paid to the agent or advisor

A NEW NORMAL?

Fee structures are becoming a more common revenue source for insurance agents than commission-based models. Now is a great time to get comfortable discussing fees with your clients.

When discussing fees with a client, we recommend waiting until after you determine the structure of the plan and review its benefits. Then, you can explain the fees associated with the planning and products in a simple and straightforward way. Charging a fee is normal, so avoid placing too much focus or pressure on this part of the conversation.

Remember, your client is receiving a high-value service that is saving them a lot of money.

NOT SURE WHERE TO BEGIN WHEN IT COMES TO CHARGING FEES?

Don't worry. We offer a streamlined process to ensure you get the payment you deserve—the Agent Advantage program.

Get the Agent Advantage

To ensure you get compensated in cases with little or no commission, we offer our Agent Advantage program. It allows you to easily obtain the payment you deserve without having to charge a separate fee to your client. Enrolling in Agent Advantage is completely optional, and you can choose to unenroll at any time.

HOW DOES AGENT ADVANTAGE WORK?

With Agent Advantage, your client pays a larger processing fee on short-term annuities of 71 months or less. After we receive the processing fee, we retain our base fee and provide your portion back to you as compensation. The best part? You can choose your compensation up to the amount of our base fee.

WITHOUT AGENT ADVANTAGE

Fee Charged to Client: $1,750*

Payment to You: $0

VS.

For illustrative purposes only. Actual fees and payments may vary.

WITH AGENT ADVANTAGE

Fee Charged to Client: $3,500*

Payment to You: $1,750*

BENEFITS OF AGENT ADVANTAGE

- You get paid for your time and effort.
- It's easier for your client to pay one single fee.
- Getting started is simple and straightforward.

READY TO GET STARTED?

1. Enroll with The Krause Agency.
2. Submit business using the application packet.
3. Get paid when we receive the client's payment.

CONTACT OUR OFFICE TODAY TO ENROLL!

CHAPTER 6

INCORPORATING LONG-TERM CARE PLANNING INTO YOUR BUSINESS

Incorporating Long-Term Care Planning Into Your Business

Understanding the need for long-term care planning and the financial opportunity associated with it is just the beginning. Are you ready to take the first step and add this essential service to your business? If you're feeling a bit overwhelmed, don't worry. Although there's a lot of information for you to understand and keep up with, we're here to support both you and your clients through the entire process.

> IT'S NOT ALL ABOUT OUR PRODUCTS AND SERVICES – WE'RE HERE TO PROVIDE THE TRAINING AND TOOLS YOU NEED TO SUCCEED IN YOUR BUSINESS.

Sign up for a FREE Agent Access account!

Scan the QR code or visit ***thekrauseagency.com/start*** to access all our exclusive content and educational materials!

IT ALL STARTS WITH THE RIGHT EDUCATION AND TRAINING.

To ensure you have the information you need to understand the products and strategies used in long-term care and Medicaid planning, we provide resources and tools to educate you along the way. In addition to this comprehensive guide, we provide live and on-demand webinars, educational video series, white papers, and blogs covering a wide variety of planning topics.

- Our annual Agent Guide
- Live and on-demand webinars
- Educational videos
- Relevant blog posts

Pre-Planning vs. Crisis Planning

In order to add long-term care planning to your business, you first need to understand the two different types of planning: pre-planning and crisis planning. Pre-planning takes place in advance with plenty of time to save or allocate funds for a potential nursing home stay. Crisis planning, on the other hand, happens when a person has failed to plan ahead and is either in a nursing home or about to enter one.

PRE-PLANNING

With pre-planning, you can help individuals develop a long-term care plan and put asset protection strategies into motion well before they require care. In order to take advantage of most pre-planning strategies, however, clients must be relatively young and healthy and at least five years from requiring long-term care. One of the most common pre-planning tools is Long-Term Care Insurance.

CRISIS PLANNING

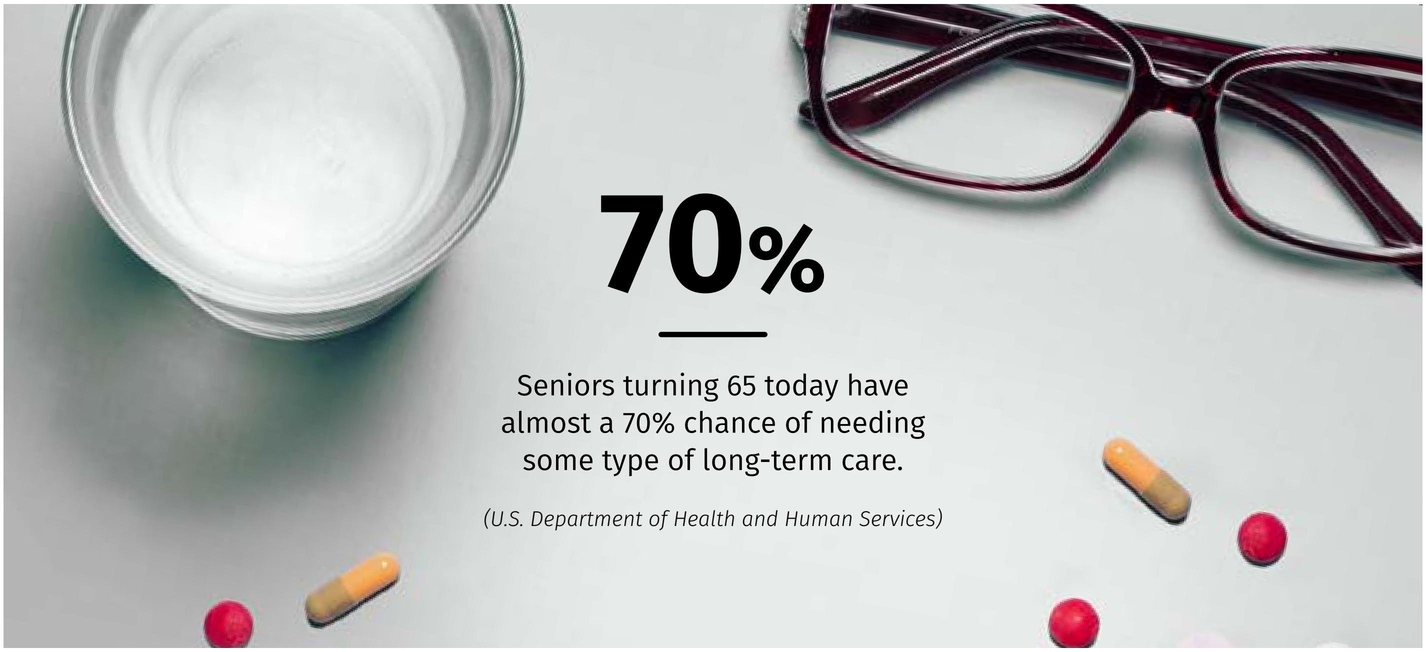
Conversely, crisis planning takes place when an individual enters a nursing home or another long-term care facility without having done any planning in advance. With crisis planning, you can help seniors rearrange their assets to accelerate their eligibility for Medicaid benefits and protect their hard-earned savings. A common crisis planning tool is our flagship product—the Medicaid Compliant Annuity.

Pre-planning is appropriate for individuals who:

- Are in fairly good health
- Do not anticipate needing long-term care in the next five years
- Are concerned about long-term care costs down the road
- Are interested in protecting their assets for the next generation
- Own assets exceeding Medicaid's limitations

Crisis planning is appropriate for individuals who:

- Are already in a nursing home or about to enter one
- Are not expected to return home
- Are not on their immediate deathbed
- Have exhausted all their Medicare or LTCI benefits
- Are paying out of pocket for care



WHERE DO WE COME IN?

Whether your client needs pre-planning or crisis planning, we offer solutions to protect their assets and provide financial relief from a long-term care stay. We thrive on creating customized approaches to fulfill your client's needs that work in tandem with the services you provide as an agent.

LET'S WORK TOGETHER THROUGH THIS PROCESS.

Building Referrals

The most successful agents are experts at building relationships with the right individuals and leveraging those relationships into referrals. The key is recognizing who your ideal prospect is and pursuing the appropriate opportunities to reach them. Here are some essential referral sources you can use to create a steady influx of business and ensure you're the go-to long-term care agent in your area.

SENIOR CITIZEN ORGANIZATIONS

One of the best and largest referral sources for agents is simply their target market – senior citizens. Get involved with local organizations that are geared toward or specifically for seniors. In addition to connecting with seniors in your area, getting involved with these organizations can help you earn trust and respect by becoming an active part of your community.

These organizations may include:

- Retirement communities
- Senior centers
- The VFW
- Church groups
- Alzheimer's Association
- Meals on Wheels
- The Salvation Army

VOLUNTEER WITH LOCAL ORGANIZATIONS

In addition to visiting and attending gatherings at senior citizen organizations, consider volunteering your time. Volunteering shows your commitment to these organizations and the people they serve. It also gives you an extra leg up with other senior volunteers as well as the individuals you are helping.

REAL ESTATE AGENTS

Many seniors who are facing a long-term care stay may need to sell or downsize their home. Being associated with real estate agents in your area can help you reach these individuals who may benefit from the products and services you offer, allowing you to boost your business in the process.

FUNERAL HOMES

When an elderly person passes away, their loved ones may be concerned about their own long-term care needs, whether immediate or in the future. Additionally, they may have referral opportunities for seniors coming to them to purchase a pre-paid funeral. Reach out to local funeral directors and tell them about the services you offer.

ASSISTED LIVING FACILITIES AND HOME CARE AGENCIES

Get your foot in the door at assisted living facilities and at-home care agencies. These sources can connect you with potential clients who are concerned about the high cost of a nursing home before they enter one, and you can provide the guidance they need during the transition.

NURSING HOMES

Many nursing homes are unable to provide the right advice and assistance to residents in need. Fortunately, you can offer products and services to help these seniors in crisis pursue Medicaid eligibility, even if they own complicated assets, such as retirement accounts and extra property.

MEDICAID APPLICATION SERVICES

Many seniors use Medicaid Application Services for assistance completing the Medicaid application. However, if they own too many assets or have complicated resources preventing their eligibility, your products can help. Reach out to these services and offer your expertise to clients in need.

ATTORNEYS

Long-term care planning is both a financial and a legal matter. Therefore, it's crucial to have a well-informed elder law attorney in your corner. An attorney can also serve as one of your biggest sources of business as long as you have established a level of trust, commitment, and knowledge of the industry.

WHAT ABOUT LONG-TERM CARE PLANNING RESOURCES FOR ATTORNEYS?

If you're working with an estate planning attorney who isn't familiar with Medicaid or the long-term care planning process, we have training and resources specifically geared toward legal professionals. Contact our team to learn more.

DO NURSING HOMES BENEFIT FROM MEDICAID PATIENTS?

A common misconception is nursing homes don't want to house Medicaid recipients because they bring in less money than those paying privately. In reality, Medicaid offers a continued payer source for individuals who are otherwise unable to pay the monthly bill. In some cases, nursing home residents have assets preventing them from qualifying for benefits that are also preventing them from paying privately. Your products and services can help both parties achieve a positive outcome.

Interested in learning more about getting referrals in the nursing home?

Download our helpful white paper to explore this referral source in more detail.

Scan the QR code or visit ***thekrauseagency.com/getreferrals*** to download.

Digital Marketing 101

An important part of winning new clients and fostering existing relationships is marketing your business. While traditional marketing channels, such as television, print, and radio have their place in promoting your business, digital marketing is an essential tool for you to be using in today's market.

- **Maintaining an active online presence** improves your trustworthiness as an agent.
- **Being accessible on social media and your website** is more important than ever before.
- **Digital advertising** allows you to pinpoint your audience and reach them online.

Download An Agent's Guide to Digital Marketing

Our comprehensive white paper covers these and more digital marketing basics for your business.

Scan the QR code or visit ***thekrauseagency.com/digitalmarketing*** to download.

Whether you're just getting started with digital marketing or looking for new ways to grow your promotional efforts, we're here to equip you with the knowledge and tools you need to succeed.

WEBSITE & SEO

Maintain a Strong Online Presence

One of the best ways to establish a strong presence online is by building and maintaining a website. That way, when a prospective client searches for you online, they can learn more about you and your business. Once you've established your website, you can take it to the next level by incorporating Search Engine Optimization (SEO) into your digital marketing strategy. This will help your website appear higher on search results pages.

!

SEO TIP

Include your location and nearby cities in the headings and content on your website.

Another way to enhance your online presence is by posting helpful content for your intended audience. This could be something as simple as uploading a blog once a week. As an expert in the industry, you have information that your clients are seeking, and sharing your expertise increases the likelihood prospective clients will choose you as their advisor once they're ready to take the next step.

!

CONTENT TIP

Upload a blog to your website once a week.

ALTHOUGH IT MIGHT TAKE SOME EXTRA TIME AND ENERGY INITIALLY, A SOLID WEBSITE AND SEO STRATEGY CAN MAKE ALL THE DIFFERENCE FOR YOUR BUSINESS.

KEY TAKEAWAYS

- Establish a brand identity and verify your credibility.
- Enhance your website with a solid SEO strategy.
- Maintain your online performance with helpful content.

SOCIAL MEDIA

Engage with Current and Potential Clients

Social media is one of the most rapidly growing tools for businesses to engage with their current and potential clients. Over three billion people utilize social media across several channels, each of which has its own unique atmosphere and strategy.

SOCIAL MEDIA TIP

Post videos to your social media pages answering frequently asked questions or discussing one of your products in more detail.

FACEBOOK

- About 70% of U.S. adults use Facebook
- 65% of users are age 35 or older
- Emphasis on visuals
- Go-to source of information for users

LINKEDIN

- 171 million LinkedIn users in the U.S.
- Primarily for B2B business
- Ideal for networking with other agents and elder care professionals

TWITTER

- 1 in 5 U.S. adults use Twitter
- Most popular among ages 18-29
- 280-character limit for posts
- Fast-paced, real-time engagement

INSTAGRAM

- 130 million Instagram users in the U.S.
- Most users are younger than 34 years old
- Exclusively focused on visuals
- On-the-go posting

IS YOUR TARGET AUDIENCE EVEN ON SOCIAL MEDIA?

Although most nursing home residents aren't scrolling through Facebook, you can still reach the right audience on social media. Keep in mind that long-term care planning is largely a family decision involving a healthy spouse and/or adult children, who are more likely to be active on social media channels.

When using social media for your business, it's important to post consistently and share a variety of content, including links to your website, relevant news articles, images, and videos. Although all types of content are essential to maintain variety, videos are especially important. People enjoy video content since it allows them to consume information without having to read an article or visit a different website.

Hashtags are an important aspect of social media. Including hashtags in your posts allows you to link your post to a specific topic and connect with other users who are posting similarly.

SOCIAL MEDIA TIP

Include relevant hashtags, such as **#Medicaid**, in your social media posts.

Engagement is another crucial part of social media since these channels allow you to interact directly with prospective clients in a more casual environment. Make sure you respond to messages and comments in a timely manner and seek opportunities to continue the conversation.

SOCIAL MEDIA TIP

Continue the conversation by responding to messages and comments and engaging with other social media pages.

KEY TAKEAWAYS

- Take advantage of social media to reach prospective clients.
- Post consistently and share a variety of content.
- Engage with followers and other pages.

SOCIAL MEDIA

3.5 BILLION
social media users worldwide

An average of
3 HOURS
per day spent on social networks

54% OF USERS
use social media to research products

DIGITAL ADVERTISING

Reach the Right Audience

Similar to traditional advertising, digital advertising allows you to pay a certain amount of money in order to increase your online reach and get your website or social media posts in front of the right audience. Although digital advertising encompasses several different categories, we recommend starting with the following types of ads:

- ***Keyword Ads***
  Delivered through search engines like Google, keyword-based ads show up at the top of search results pages for specific queries, but you don't get charged unless someone clicks on the ad.

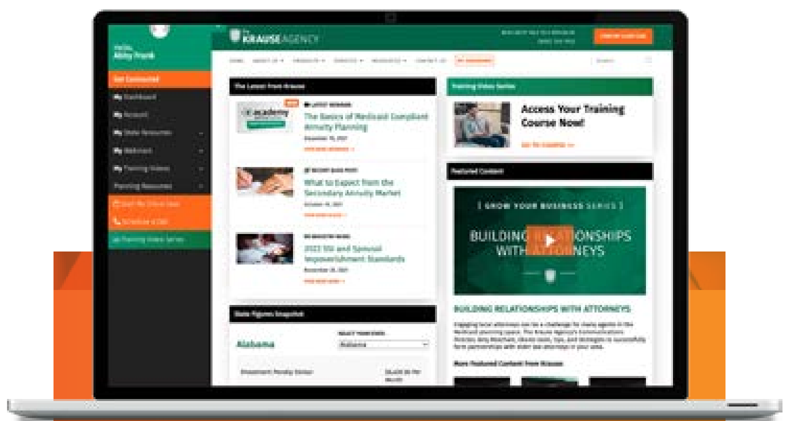
- ***Demographic and Interest Ads***
  Typically used on social media platforms, these ads allow you to target specific groups of people based on their location, age, education, marital status, job, and other characteristics.

- ***Remarketing Ads***
  Remarketing allows you to display your ads to users who have already taken an action with your brand, such as visiting a page on your website or engaging with another ad.

KEY TAKEAWAYS

- Digital advertising can help you reach your intended audience.
- Start with keyword, demographic and interest, and remarketing ads.

ENHANCE YOUR BUSINESS, WIN NEW CUSTOMERS, AND ENGAGE CURRENT AND PROSPECTIVE CLIENTS THROUGH DIGITAL MARKETING.



To learn more about digital marketing and other essential tools for growing your business, check out our related blogs, videos, and other resources through your Agent Access account.

Go to thekrauseagency.com/start.

CHAPTER 7

THE MEDICAID PROGRAM

The Medicaid Program

Medicaid is a government program that provides health insurance coverage to those with limited income and resources. Although eligibility and coverage standards have changed in the 55 years since it was originally established, Medicaid remains the primary source of assistance for long-term care costs in the United States.

When it comes to long-term care, Medicaid benefits cover custodial care, including room and board, pharmacy, and incidentals, in a Medicaid-approved facility. This is typically a skilled nursing home, but many states engage in waiver programs that extend Medicaid benefits to assisted living facilities or at-home care programs.

MEDICAID COVERS:

- Room and board
- Pharmacy
- Incidentals

DO SENIORS HAVE TO EXHAUST THEIR ASSETS TO QUALIFY FOR MEDICAID?

No. Even though most seniors have assets exceeding the Medicaid limitation, they don't have to exhaust their life savings in order to receive benefits. With crisis planning, you can use specialized insurance products to accelerate their eligibility while protecting their hard-earned assets in the process.

Medicaid rules and regulations vary by state and include strict financial and non-financial qualifications. When seeking Medicaid eligibility, most seniors have too many assets to qualify and are unable to meet the limitations until they've depleted their life savings paying the nursing home bill.

Fortunately, it's never too late to plan, even for those who are already in a nursing home.

BATTLING THE MISCONCEPTIONS OF MEDICAID VS. MEDICARE

Unfortunately, many seniors believe the misconception that Medicare pays for long-term care. In reality, Medicare will only cover skilled nursing care in a rehabilitative setting after a qualifying hospital stay of at least three days. If a nursing home resident qualifies for Medicare assistance, the coverage is temporary. Medicare only offers full coverage for 20 days and partial coverage for 80 additional days, which only applies if the patient continues to qualify under the rehabilitative category during the 100-day benefit period.

PART A SKILLED NURSING FACILITY COINSURANCE

Days 1–20: $0 for each benefit period

Days 21–100: $194.50 (for 2022) coinsurance per day of each benefit period

Days 101 and beyond: all costs

Eligibility Requirements

NON-FINANCIAL REQUIREMENTS

In order to meet the non-financial qualifications for Medicaid, an individual must be:

- A U.S. citizen or qualified non-citizen
- Age 65 or older, blind, or disabled
- Residing in a Medicaid-approved facility

FINANCIAL REQUIREMENTS

The financial qualifications for Medicaid are much more complex than the non-financial constraints. They fall under two major categories: income and assets. Having too much income or too many assets will prevent an applicant from qualifying for benefits.

MEDICAID'S FINANCIAL RESTRICTIONS FALL UNDER TWO CATEGORIES:

INCOME   ASSETS

ISN'T MEDICAID ONLY FOR POOR PEOPLE?

While one has to meet certain financial requirements to qualify for Medicaid, having a source of financial relief from the nursing home is something any senior can benefit from. There are products and strategies that allow seniors to protect what assets they have left without hitting the poverty level. We're here to bust the misconception that Medicaid means no money and instead shift the focus of the conversation to asset preservation.

MEDICAID FOR THE AGED, BLIND, AND DISABLED (ABD)

Although the Medicaid program provides assistance to several different groups, we are specifically focused on the eligibility rules and coverage for individuals who are age 65 or older, blind, or disabled who are seeking long-term care benefits.

INCOME

Medicaid's income requirements vary depending on the applicant's marital status.

Single Person
In most states, an individual's income, including Social Security, pension, and other earned and unearned sources, must be less than the private pay rate of the facility. Some forms of income may be exempt, but these exemptions are rare. A few states apply a different income cap that is separate from the private pay rate.

About half of states apply an additional income restriction. If the applicant's monthly income exceeds 300% of the SSI rate, it must flow through a Qualified Income Trust (QIT), also known as a Miller Trust. For 2022, this limit is $2,523.

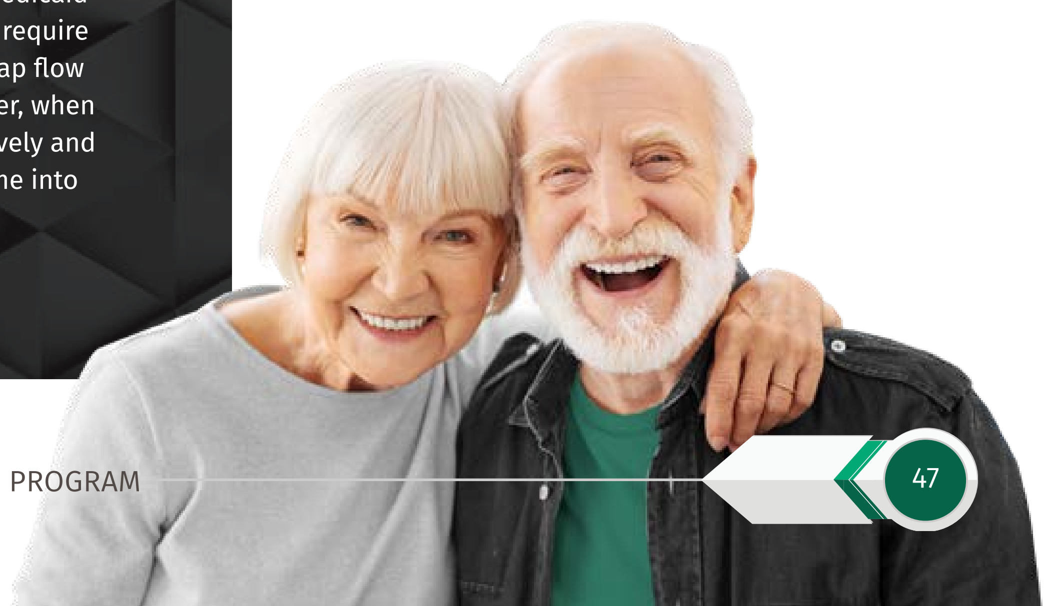
WHAT IS A QIT?

A QIT is an irrevocable, income-only trust that holds the income of the Medicaid recipient. Each month, their income flows into the trust. From there, the trustee disburses the recipient's allowable expenses. Any funds remaining in the trust after death are subject to reclaim by the state Medicaid agency. Most states only require that income above the cap flow through the trust. However, when in doubt, plan conservatively and put all the client's income into the trust.

WHAT IS THE MEDICAID CO-PAY?

When an individual qualifies for Medicaid, their income is still subject to pay the nursing home bill. They are allotted a monthly Personal Needs Allowance and certain medical deductions from their income. If the Medicaid recipient is married, a portion of their income may also be shifted to the community spouse depending on their Monthly Maintenance Needs Allowance (MMNA). The rest of their income must go toward their cost of care. This is their Medicaid co-pay.

Married Couple
In the case of a married couple, the spouse in the nursing home, known as the institutionalized spouse, is subject to the single person rules outlined above. The spouse living at home, however, known as the community spouse, is not subject to any income restrictions. If the couple receives joint income, one-half will be attributed to the institutionalized spouse.



ASSETS

For Medicaid purposes, assets are divided into two categories: exempt and countable.

Exempt Assets
Exempt assets are not considered when determining Medicaid eligibility, so the applicant and their community spouse can retain any of these assets without jeopardizing their benefits.

Countable Assets
Countable assets include non-exempt resources that hold value and could become liquid. To qualify for Medicaid, the applicant and community spouse can only keep a certain amount of countable assets.

COMMON EXEMPT ASSETS

- The primary residence
- One vehicle
- Household furnishings and appliances
- Personal effects and clothing
- Life insurance*
- Irrevocable Funeral Expense Trust*

**If the face value is below a state-specific limitation*

COMMON COUNTABLE ASSETS

- Checking or savings accounts
- CDs or Money Market accounts
- Stocks, bonds, or mutual funds
- Additional real estate or vehicles (including boats and RVs)
- Land contracts, promissory notes, or annuities with value on the secondary market
- IRAs*
  **The classification of an IRA as an exempt or countable resource varies by state. For more information* *see page 69.*

IS THE PRIMARY RESIDENCE REALLY EXEMPT?

In most cases, yes, the primary residence is exempt for Medicaid purposes. Exceptions exist in cases where the community spouse or a minor or disabled child are not occupying the residence, and the Medicaid applicant's equity in the home exceeds the state-specific limitation (between $636,000 and $955,000 in 2022).

Individual Resource Allowance

The Individual Resource Allowance pertains to the amount of countable assets an individual or institutionalized spouse can retain while still qualifying for Medicaid benefits. This allowance is $2,000 in most states. Although single applicants are restricted to this amount, married couples are allotted a separate allowance for the community spouse.

Community Spouse Resource Allowance

The Community Spouse Resource Allowance (CSRA) pertains to the amount of countable assets a community spouse can keep while still qualifying the institutionalized spouse for Medicaid benefits. This allowance varies by state but is generally between $27,480 and $137,400 in 2022. Some states apply a standard CSRA, and others apply a minimum and maximum allowance.

!

The institutionalized person can keep **$2,000** in countable assets.

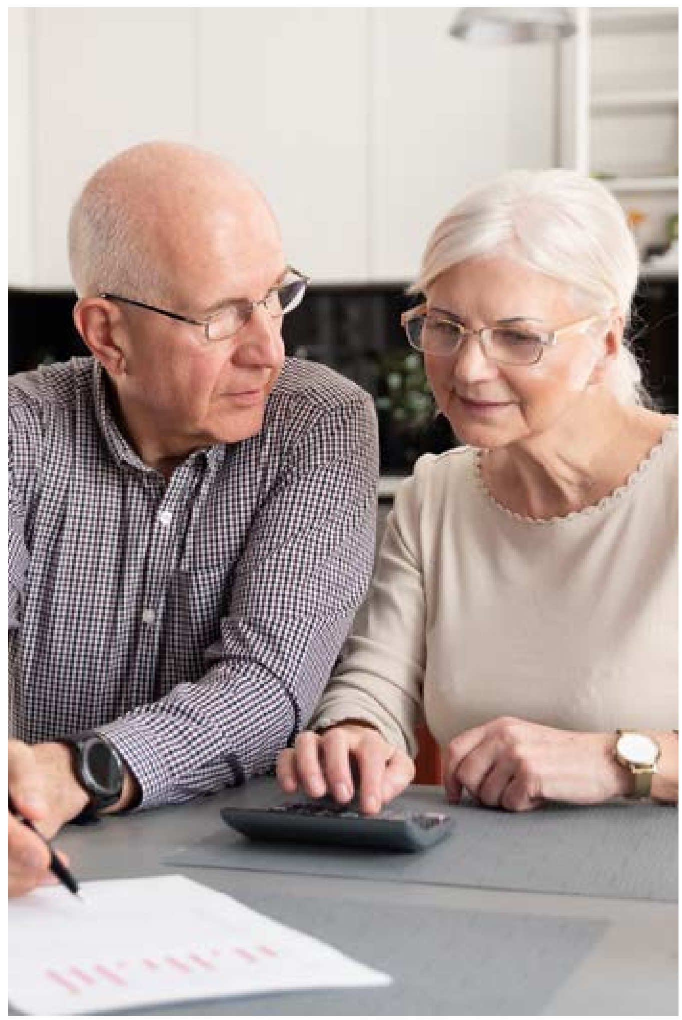
!

The community spouse can keep **between $27,480 and $137,400**, depending on their state.

WHAT'S THE MAIN REASON SENIORS ENTERING A NURSING HOME DON'T AUTOMATICALLY QUALIFY FOR MEDICAID?

In most cases, they have too many countable assets to qualify. In order to become eligible for benefits, they must spend down their excess assets. Some seniors can achieve this by purchasing or improving exempt assets or paying off existing debts. Others, however, are under the impression they have to exhaust their life savings paying the nursing home bill before they can achieve Medicaid eligibility.

Fortunately, you can help. To learn about a powerful spend-down tool designed to accelerate Medicaid eligibility and protect your client's assets, turn to page 63.



Spousal Impoverishment

Many married couples who are looking to qualify for Medicaid are concerned about the financial wellbeing of the community spouse. Fortunately, in order to combat this concern, the Medicaid program contains certain standards to prevent spousal impoverishment. The goal is for the spouse at home to maintain their current lifestyle within the community. This is achieved through asset and income regulations that ensure the community spouse is not left destitute once their loved one enters a nursing home and qualifies for Medicaid benefits.

> THE GOAL IS FOR THE SPOUSE AT HOME TO MAINTAIN THEIR CURRENT LIFESTYLE WITHIN THE COMMUNITY.

COMMUNITY SPOUSE RESOURCE ALLOWANCE

While the institutionalized spouse can keep an Individual Resource Allowance of $2,000 (in most states), the community spouse is entitled to retain a much larger amount known as the Community Spouse Resource Allowance (CSRA). Although the community spouse must initially spend down to be within their CSRA, once eligibility is achieved, Medicaid will no longer consider any of the community spouse's assets as available to the institutionalized spouse. This means the community spouse can retain assets in excess of the CSRA after the institutionalized spouse begins receiving benefits.

Standard CSRA States

Some states apply a standard CSRA for all cases involving a married couple. In these states, the couple must spend down their excess countable assets to this limit in order to qualify the institutionalized spouse for Medicaid. The allowance varies by state but is generally capped at $137,400 in 2022.

Minimum/Maximum CSRA States

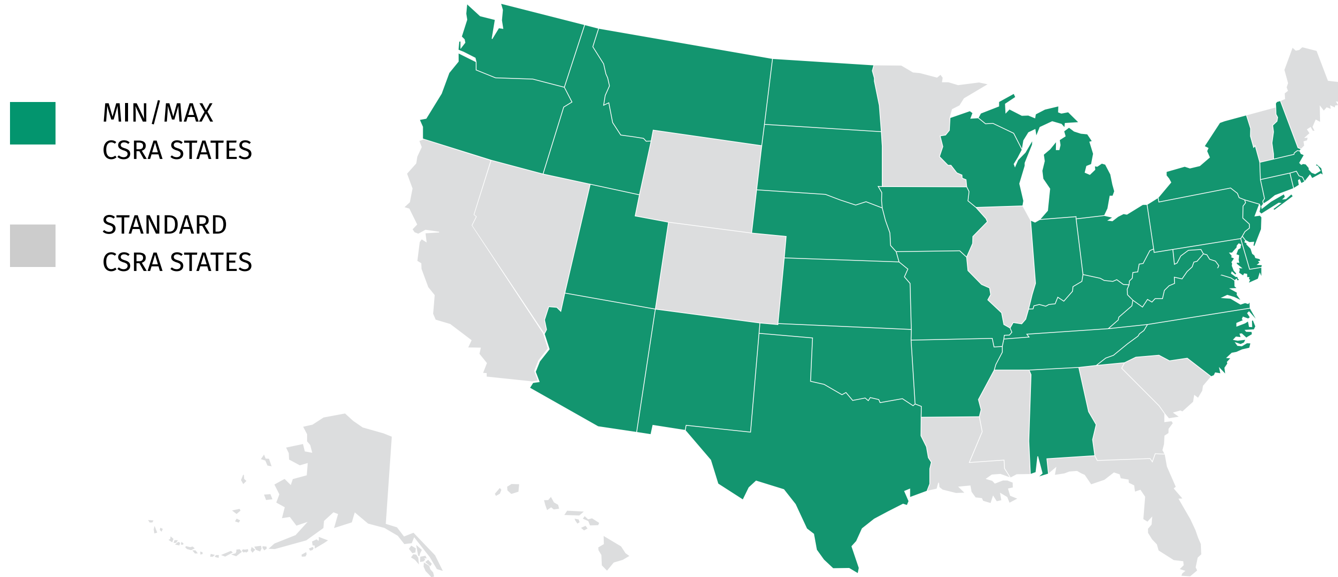
Most states apply a minimum and maximum CSRA. In these states, the community spouse is not automatically entitled to retain a standard amount. Instead, the amount they can keep is based on the couple's total countable assets as of the snapshot date. The community spouse is entitled to one-half of the couple's assets as of that date, not to exceed the maximum CSRA and not to fall below the minimum. The minimum and maximum allowances vary by state but are generally $27,480 and $137,400 in 2022, respectively.

Minimum/Maximum CSRA Calculation

To calculate the CSRA in a minimum/maximum CSRA state, you first need to determine the snapshot date, which is the first date of continuous institutionalization where the Medicaid applicant spent at least 30 consecutive days in an institution. Then, take the couple's total countable assets on that date and divide it in half.

DETERMINING THE CSRA FROM THE CALCULATION

If the resulting figure **exceeds the max CSRA . . .**	The community spouse can **keep the max CSRA.**
If the resulting figure is **between the min and max CSRA . . .**	The community spouse can **keep that amount.**
If the resulting figure is **less than the min CSRA . . .**	The community spouse can **keep the min CSRA.**



MEET JOHN AND RUTH

John and Ruth are married, and John enters a nursing home on January 1, 2022. As of that date, the couple's total countable assets were $200,000. A month later on February 1, the couple decides to apply John for Medicaid.

How much can Ruth keep as her CSRA while still qualifying John for benefits?

$

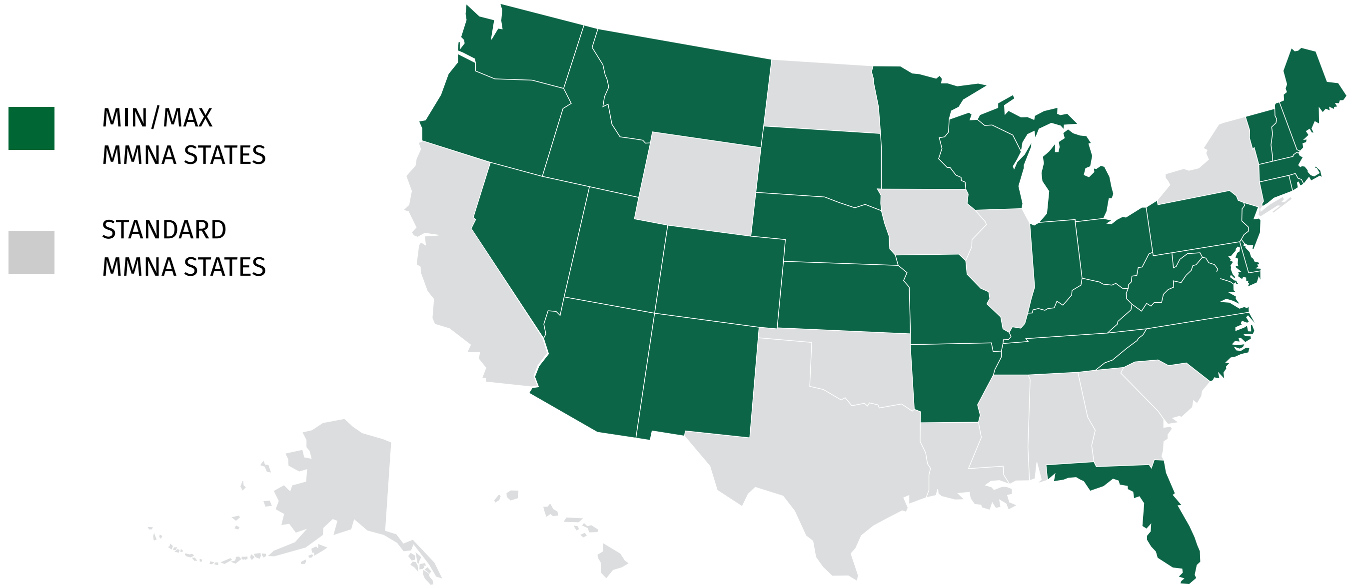
Minimum CSRA: $27,480

Maximum CSRA: $137,400

Total assets of the snapshot date:	$200,000 ÷ 2
Resulting Figure:	$100,000

RESULTS

The resulting figure is more than the minimum CSRA and less than the maximum CSRA, so Ruth can keep that amount—$100,000—of countable assets as her CSRA.



MONTHLY MAINTENANCE NEEDS ALLOWANCE

In addition to the institutionalized spouse's monthly Personal Needs Allowance and certain medical deductions, the community spouse may be eligible to receive some of the institutionalized spouse's income. This is where the Monthly Maintenance Needs Allowance (MMNA) comes in. If the community spouse's income is less than their MMNA, they are entitled to a portion or all of the institutionalized spouse's income.

Standard MMNA States

Some states apply a standard MMNA for cases involving a married couple. In these states, if the community spouse's income is more than the MMNA, they will continue receiving their income as usual. If their income is less than the MMNA, however, they will receive an income shift of the difference from the institutionalized spouse. This amount varies by state but is generally capped at $3,435 in 2022.

Minimum/Maximum MMNA States

Most states apply a minimum and maximum MMNA. Rather than being entitled to receive a standard amount, the community spouse's MMNA is based on their total shelter expenses. They will always be entitled to receive at least the minimum, but they may be eligible to receive more if they have shelter expenses above a certain threshold, not to exceed the maximum. The minimum and maximum MMNAs vary by state but are generally $2,288.75 and $3,435 in 2022, respectively.

Calculating Shelter Expenses

To calculate the MMNA, you'll use the state-specific Standard Utility Allowance and Shelter Standard.

The **Standard Utility Allowance** is a standard figure used to represent the community spouse's monthly utility bills (electricity, water, gas, heat, etc.). Since utility bills can vary each month, the Standard Utility Allowance is used as an estimated amount, rather than calculating the actual out-of-pocket utility costs each month. The Standard Utility Allowance varies by state.

The **Shelter Standard** is a base figure for all of the community spouse's monthly shelter expenses (mortgage payments, real estate taxes, Standard Utility Allowance, etc.). If their total expenses exceed the Shelter Standard, their MMNA is increased dollar-for-dollar from the minimum MMNA to account for the difference, not to exceed the maximum. The Shelter Standard varies by state but is $686.63 in 2022 in most states.

CONSIDER JOHN AND RUTH AGAIN

They have spent down their excess countable assets, and John becomes eligible for Medicaid. Ruth's monthly income is $2,000. She knows that due to her high monthly shelter expenses, she will receive some of John's income each month.

What is Ruth's MMNA? How much will she receive from John each month?

$

Minimum MMNA:	$2,288.75
Maximum MMNA:	$3,435
Standard Utility Allowance:	$400
Shelter Standard:	$686.63

$

DETERMINE RUTH'S TOTAL MONTHLY SHELTER EXPENSES

Mortgage Payment:	$800
Real Estate Taxes:	+ $300
Homeowner's Insurance:	+ $50
Standard Utility Allowance:	+ $400
Total Monthly Expenses:	$1,550

DEDUCT THE SHELTER STANDARD FROM THE TOTAL MONTHLY EXPENSES

Total Monthly Expenses:	$1,550.00
Shelter Standard:	- $686.63
Excess Expenses:	$863.37

ADD THE EXCESS EXPENSES TO THE MINIMUM MMNA

Excess Expenses:	$863.37
Minimum MMNA:	+ $2,288.75
Ruth's New MMNA:	$3,152.12

DETERMINE THE INCOME SHIFT FROM JOHN

Ruth's MMNA:	$3,152.12-
Ruth's Income:	$2,000.00
Income Shift from John:	$1,152.12

RESULTS

Ruth is entitled to receive **$1,152.12** from John to supplement her monthly income and maintain her lifestyle within the community.

Divestment of Assets

To qualify for benefits, Medicaid applicants must spend down their countable assets to be under a specific limit. Although some applicants may be tempted to simply give away their assets in order to accelerate their eligibility, Medicaid has implemented certain measures to penalize those transactions. Unfortunately, many individuals make gifts or divestments without realizing it. That's why it's important for you to be aware of these rules as you walk through the spend-down process with your senior clients.

> MEDICAID APPLICANTS CANNOT SIMPLY GIVE AWAY THEIR ASSETS IN ORDER TO QUALIFY FOR BENEFITS.

Medicaid rules stipulate that if an applicant or their spouse has made an ineligible transfer of assets within the last five years—**the lookback period**—the applicant will be subject to a period of ineligibility—**the penalty period**—when they are otherwise eligible for Medicaid.

THE LOOKBACK PERIOD

The lookback period is the five-year period before an individual applies for Medicaid. At the time of application, the caseworker will look back over the last five years to determine if they divested any assets. If the applicant made any ineligible transfers within this timeframe, they will be ineligible for benefits for a certain period of time based on the total amount divested. Many seniors may not be aware of this rule and could be divesting assets without realizing the consequences it may have on their long-term care needs.

WHAT IS A DIVESTMENT?

A divestment is a transfer of assets for less than fair market value. Many people also refer to divestments of this nature as gifts. Actions that qualify as divestments include donating money to charity, giving money or items to loved ones, transferring assets to an irrevocable trust, or selling items for less than fair market value.

In some cases, a senior paying a family caregiver to assist them while they remain in their home could also qualify as a divestment. To help support this transaction and prevent it from being considered a divestment, it's important for seniors to create a formal caregiver agreement that outlines the work to be done and the caregiver's compensation. Otherwise, the money paid to the family caregiver could result in a penalty period.

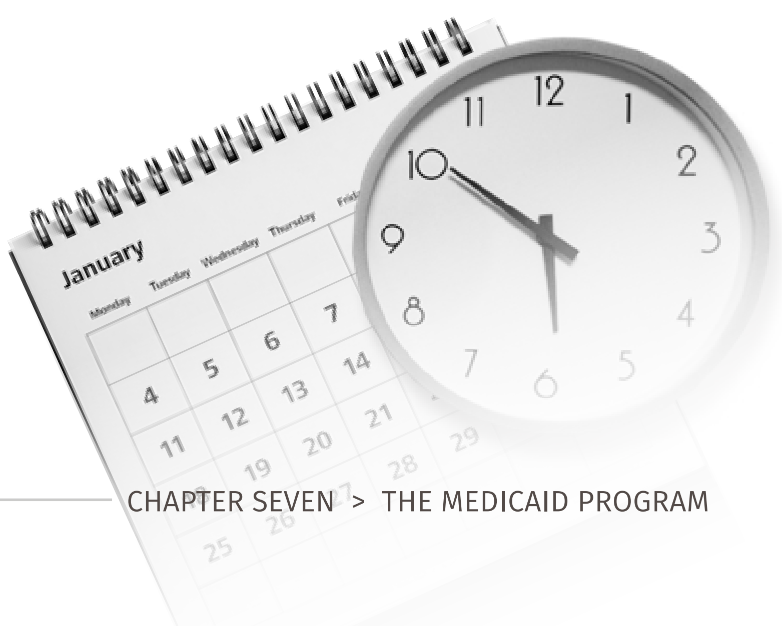
A married couple can transfer assets back and forth without any penalty up until the institutionalized spouse becomes eligible for Medicaid benefits. After the institutionalized spouse begins receiving benefits, they may continue transferring assets to the community spouse as long as the resulting amount does not exceed the Community Spouse Resource Allowance. If it does exceed the CSRA, the transfer will count as a divestment.

THE PENALTY PERIOD

The penalty period is the period of ineligibility an applicant is subject to when they have made divestments during the five-year lookback period. The penalty period begins once the applicant is deemed "otherwise eligible" for Medicaid benefits, aside from the ineligible transfer.

The length of the penalty period is based on two numbers:

- The total amount of divested assets
- The Divestment Penalty Divisor



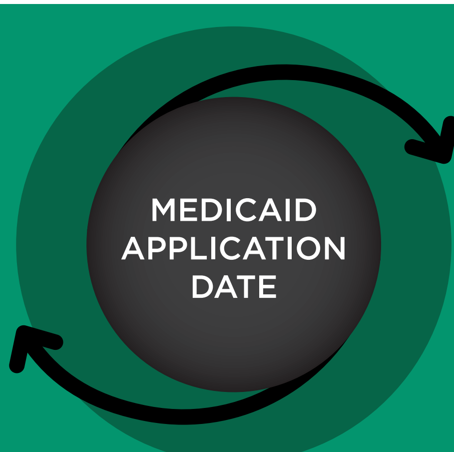
Each state has its own Divestment Penalty Divisor that is constructed based on the average private pay rate for nursing home facilities in that state. To determine the penalty period, the total divestment amount is divided by the Divestment Penalty Divisor. The resulting figure is the length of the penalty period in months. (Some states use a daily Divestment Penalty Divisor instead.) Penalty periods have no cap on length. They are solely based on the divestment amount, no matter how large or small, and the state's Divestment Penalty Divisor.

WHAT DOES "OTHERWISE ELIGIBLE" MEAN?

In order for the penalty period to commence, the applicant must be considered "otherwise eligible" for benefits. That is, they must meet all other financial and non-financial qualifications for Medicaid apart from the ineligible transfer of assets during the lookback period.

THE LOOKBACK PERIOD REFERS TO THE PAST.

When applying for Medicaid, the applicant's finances will be examined to determine whether they made any divestments during the last five years.



THE PENALTY PERIOD REFERS TO THE FUTURE.

If the applicant has made divestments during the lookback period but is otherwise eligible for Medicaid, they will incur a penalty period of ineligibility.

MEET MARILYN

Marilyn is residing in a nursing home and seeking Medicaid eligibility. Unaware of Medicaid's rules on divestments, Marilyn has been making gifts to her children in the amount of $15,000 each year since 2016. Over the last several years, she has given over $100,000 to her children.

When the caseworker reviews Marilyn's Medicaid application, what is the total amount that will be considered a divestment of assets?

Although Marilyn has given her children a total of $105,000, only $75,000 was gifted during the 5 year lookback period. This is the amount for which Marilyn will be penalized for Medicaid purposes.

DATE	AMOUNT
January 1, 2016	$15,000
January 1, 2017	$15,000
January 1, 2018	$15,000
January 1, 2019	$15,000
January 1, 2020	$15,000
January 1, 2021	$15,000
January 1, 2022	$15,000
TOTAL DIVESTED	**$105,000**
LOOKBACK PERIOD DIVESTMENTS	**$75,000**

$

Lookback Period Divestments	$75,000
Divestment Penalty Divisor	÷ 7,500
Penalty Period	10 months

RESULTS

Marilyn will be ineligible to receive benefits for the next 10 months, so she must continue privately paying for care during this time. In month 11, she will become eligible for Medicaid.

Common Spend-Down Strategies

When seeking Medicaid eligibility, most seniors have too many countable assets to qualify. Rather than exhausting their life savings before they can begin receiving benefits, they can strategically spend down their excess assets to be within Medicaid's asset limitations. Here are some of the most common spend-down strategies your senior clients can use to accelerate their Medicaid eligibility.

EARN COMPETITIVE COMMISSIONS ON CERTAIN SPEND-DOWN TOOLS, INCLUDING IRREVOCABLE FUNERAL EXPENSE TRUSTS AND LONG-TERM MEDICAID COMPLIANT ANNUITIES.

Purchase or Improve Exempt Assets
Since certain assets are exempt from Medicaid's asset limit, applicants can use cash to upgrade or improve these assets. For instance, they can buy new clothing, electronics, or even a new vehicle.

Pay Off Debts
Seniors who have outstanding debts can use some of their excess liquid assets to pay down these liabilities and save their heirs from being responsible for them.

Buy an Irrevocable Funeral Expense Trust
An Irrevocable Funeral Expense Trust with a face value of $15,000 or less (in most states) is exempt from Medicaid. Seniors can purchase these trusts to set aside funds for funeral and burial costs.

To learn more about Irrevocable Funeral Expense Trusts, turn to page 91.

Purchase a Promissory Note
A promissory note is a contract with another party that converts countable assets into an income stream with zero cash value. However, these contracts are only viable in a handful of states.

Fund a Medicaid Compliant Annuity
A Medicaid Compliant Annuity (MCA) is an annuity with special provisions that comply with Medicaid's strict regulations. An MCA converts excess assets into an income stream with no cash value.

To learn more about Medicaid Compliant Annuities, turn to page 63.

The Medicaid Application

Once your client meets all the financial and non-financial requirements for Medicaid, it's time to start the application process. The Medicaid application is a crucial step in any Medicaid plan, so ensuring accuracy is of the utmost importance.

WHAT TO EXPECT FROM THE MEDICAID APPLICATION

Each state has its own Medicaid application form, but all state Medicaid agencies ask for the same basic information about the applicant's assets, income, expenses, and transfers during the lookback period. The applicant must also provide proof of their financial information as well as their citizenship and health status. It's also beneficial to include explanations for any large repositioning of assets, such as the purchase of a Medicaid Compliant Annuity or Funeral Expense Trust.

1. Verify your client meets their state's Medicaid restrictions.
2. Gather all necessary information and documentation for the application.
3. Visit the state Medicaid agency's website to fill out the application.

WHO SUBMITS THE MEDICAID APPLICATION?

The Medicaid Applicant

In some cases, the Medicaid applicant may be able to fill out the application themselves. However, many seniors seeking eligibility for long-term care do not have the cognitive ability to submit the full application themselves.

The Community Spouse or a Legally Appointed Representative

The community spouse or another family member may choose to complete the application on behalf of the institutionalized individual. In some cases, this individual may also be the applicant's legally appointed representative, such as a power of attorney or conservator.

The Attorney

The applicant's elder law attorney may also be the one to submit the Medicaid application. Ultimately, it is their responsibility to review the application for errors and to ensure all necessary information is included. We always recommend working with an elder law attorney on crisis planning cases.

To learn more about working with an attorney, turn to page 78.

Medicaid Application Service

The applicant or the family/representative may choose to work with a Medicaid Application Service to complete the application. While these services assist with the application process, they do NOT conduct Medicaid planning and may not know how to handle certain products, like MCAs.

Social Worker

If the Medicaid applicant has already been working with a social worker, they may be the one to help submit the application. Although the social worker may have a solid understanding of the application process and the applicant's situation, they may not be familiar with specialized crisis planning products, such as MCAs.

THE IMPORTANCE OF FULL DISCLOSURE

When filling out the Medicaid application, the applicant should be as precise and specific as possible. You'll also want to make sure your client is disclosing all necessary information and not intentionally concealing assets. If they purposely fail to provide full disclosure of their assets, income, and divestments, they risk incurring a substantial fine.

APPLICATION TIMING

When it comes to Medicaid planning, timing is everything. Since Medicaid is a month-by-month system, the applicant can begin receiving benefits in the month they are deemed eligible. Therefore, it's important to file the application in the month during which coverage is needed to begin and as soon as eligibility is achieved.

Because the application requires so much documentation, the application may be submitted as soon as possible with as much documentation as possible. In these instances, the caseworker will provide a deadline for the rest of the documentation to be submitted.

Crucial Application Documents

- State identification card
- Proof of citizenship
- House or property deed
- Vehicle title
- Bank statement
- Life insurance policy
- Social Security declaration of benefits
- Rental lease or mortgage bill
- Homeowners or renters insurance bill
- Documentation regarding transfers during the lookback period (including the source, mode, and transaction receipt, if applicable)

HANDLING A MEDICAID DENIAL

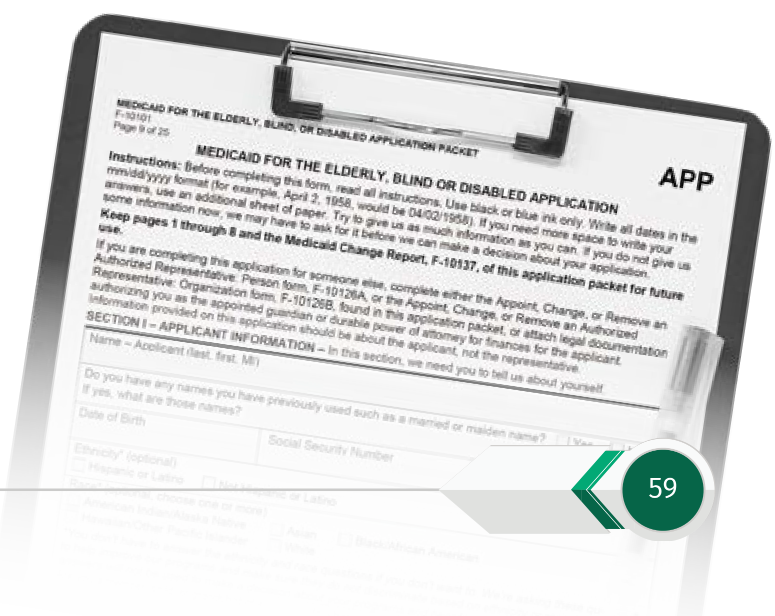
Even when you conduct proper planning, a denial can still occur for multiple reasons. Perhaps the caseworker simply didn't understand the case, or their supervisor instructed them to deny the application. Or maybe the state is trying to implement a more restrictive policy.

> IF YOUR CLIENT'S MEDICAID APPLICATION IS DENIED, DON'T PANIC. HAVE THE ATTORNEY CONTACT OUR OFFICE.

Common Reasons for a Medicaid Denial

- The penalty period for a divestment or asset transfer was improperly assigned or incorrectly assessed.
- The applicant was determined to have too many assets or to be "over resourced."
- The applicant was determined to have too much income.
- There was an issue with the "Name on the Check Rule."

Being familiar with these common reasons allows you to better prepare for a potential denial and achieve a favorable outcome for your client.



How to Avoid a Denial

Although denials cannot be 100% prevented, you can take the following steps to help avoid one:

1. Make sure your client is providing all necessary financial information regarding their assets, income, and divestments.
2. Verify the Medicaid Compliant Annuity and other products comply with the state-specific Medicaid regulations.

The Importance of Working with an Attorney

Because a Medicaid denial is always a possibility, we always recommend working with an attorney throughout the Medicaid planning process. Their knowledge and resources are crucial for resolving a denial, especially if it leads to a fair hearing. At The Krause Agency, we also provide complimentary fair hearing and litigation support from our in-house legal staff.

To learn more about working with an elder law attorney, turn to page 78.

TO REDUCE YOUR CLIENT'S CHANCES OF A DENIAL, MAKE SURE THEY:

- Have assets below the resource limit
- Provide complete and accurate information on the application
- Have not made disqualifying transfers within the lookback period
- Reside in a Medicaid-approved facility

Interested in learning more about Medicaid denials?

Log in to your Agent Access account to watch a webinar from Corporate Counsel, Scott Engstrom, J.D.

Scan the QR code or go to ***thekrauseagency.com/denialwebinar*** to watch now!

Estate Recovery

Another key aspect of Medicaid to discuss with your crisis planning clients is estate recovery. After a Medicaid recipient passes away, the state Medicaid agency will seek to recoup the funds they expended on behalf of the individual. Estate recovery is an important part of every Medicaid plan and something that your clients should be prepared for.

ASSETS AT RISK OF ESTATE RECOVERY

The first thing your clients will probably want to know is which of their assets the state Medicaid agency can recover against. Although specific estate recovery rules vary by state, their estate, at minimum, is subject to Medicaid recovery. This includes any assets the individual owns outright and did not have a beneficiary named. In many situations, this would be their home, other property, and vehicles. Since there is no easy way to establish a beneficiary for these items at the time of purchase, the only way to avoid probate is for the individual to develop a proper estate plan while they are living.

On the other hand, assets like bank accounts, investments, and life insurance policies often come with recommendations to name a beneficiary when they are established. Thus, these assets are not typically included in the probate estate. However, that doesn't necessarily mean they are safe from Medicaid recovery. States have the ability to expand their estate recovery program to include non-probate assets.

Probate Assets at Risk

- The home
- Other property
- Vehicles

Non-Probate Assets at Risk

- Bank accounts
- Investments
- Life insurance policies

RECOVERING AGAINST THE HOME

In many cases, the state Medicaid agency will place a lien on the Medicaid recipient's home once they begin receiving benefits. This allows the state to stake its claim on the asset for the purposes of estate recovery while the Medicaid recipient is still living. The state Medicaid agency can typically only impose a lien on the home if the individual is unlikely to return home from the facility, and it must notify the individual that the lien is being imposed. If the Medicaid recipient recovers and is able to move home, the lien is dissolved.

Following the individual's death, the home becomes part of their estate, and the state Medicaid agency has the right to collect against the lien. In cases where a lien was imposed and the home was sold during the individual's lifetime, the state is still able to recover against it.

RECOVERING AGAINST A MEDICAID COMPLIANT ANNUITY

If your client owns a Medicaid Compliant Annuity (MCA), it's vital to understand how estate recovery works with this unique asset. In many cases, the state Medicaid agency must be named primary beneficiary on the MCA, so the state can collect up to the amount of benefits expended on behalf of the institutionalized individual. However, this differs depending on the client's marital status and the MCA strategy used.

ESTATE RECOVERY ON AN MCA VARIES DEPENDING ON THE CLIENT'S CIRCUMSTANCES AND THE STRATEGY USED.

To learn more about MCAs and their beneficiary rules, turn to page 63.

PROTECTIONS AGAINST ESTATE RECOVERY

The Medicaid estate recovery program has certain protections in cases where the Medicaid recipient is survived by a spouse or a minor, blind, or disabled child. In these situations, estate recovery is delayed until the spouse or child passes away. These protections exist for assets included in the estate as well as Medicaid Compliant Annuities, which inherently include beneficiary exceptions for these situations.

SPECIFIC ESTATE RECOVERY PROCESSES VARY BY STATE, SO CHECK YOUR STATE'S MEDICAID MANUAL TO BETTER UNDERSTAND YOUR CLIENT'S SPECIFIC SITUATION.

Get essential Medicaid planning resources for your state.

Gain instant access to your state-specific Medicaid figures and tools from the Agent Access dashboard.

Scan the QR code or visit ***thekrauseagency.com/start*** to access your state resources!

CHAPTER 8

MEDICAID COMPLIANT ANNUITIES

Medicaid Compliant Annuities

A Medicaid Compliant Annuity (MCA) is a powerful spend-down tool designed to help agents and advisors achieve Medicaid eligibility for their senior clients who are facing a costly nursing home stay. Technically speaking, an MCA is a Single Premium Immediate Annuity (SPIA) that converts assets into an income stream with zero cash value. When properly structured, this annuity allows you to legally eliminate the excess countable assets preventing your senior clients from qualifying for Medicaid and accelerate their eligibility for benefits.

THE MCA IS A REVOLUTIONARY PRODUCT, BUT IT'S EVEN MORE POWERFUL WITH KRAUSE STANDING BEHIND IT.

!

THE PIONEER OF THE MEDICAID COMPLIANT ANNUITY

Soon after he began practicing law in the 1980s, our President and CEO, Dale Krause, J.D., LL.M., created the very first short-term annuity product to help seniors qualify for Medicaid benefits. Thus, the Medicaid Compliant Annuity was born. Through the decades, Dale has kept up with ever-changing Medicaid regulations so insurance agents and their senior clients continue to have access to this groundbreaking product and the strategies needed to implement it. In doing so, Dale was the first to introduce the two-month MCA, an unprecedented achievement that allows seniors to preserve even more of their hard-earned assets.

REQUIREMENTS OF AN MCA

IRREVOCABLE	The payment amount, term, and parties of the annuity contract cannot be altered.
NON-ASSIGNABLE	The contract cannot be assigned to another party or sold on the secondary market.
ACTUARIALLY SOUND	The term of the annuity must be fixed and equal to or shorter than the owner's Medicaid life expectancy.
EQUAL PAYMENTS	The annuity must provide equal monthly payments with no deferral or balloon payments.
STATE AS BENEFICIARY	In most cases, the state Medicaid agency must be named primary death beneficiary to the extent of benefits paid on behalf of the institutionalized individual.

BREAKING DOWN THE BENEFICIARY REQUIREMENT

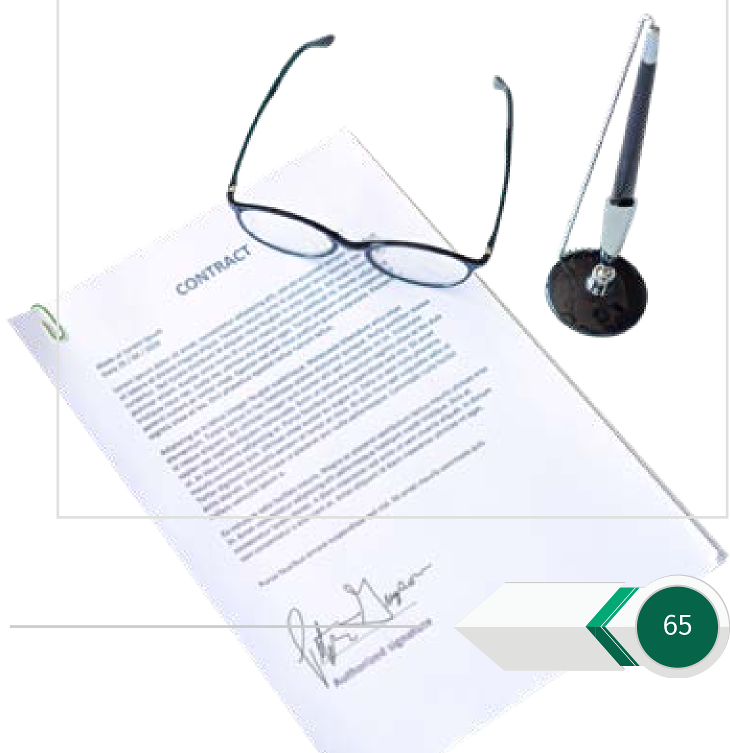
Although the state Medicaid agency must typically be named primary beneficiary, there are some exceptions. First, if the annuity is being purchased by an institutionalized spouse, the community spouse can be named primary beneficiary ahead of the state Medicaid agency, which would be listed as contingent beneficiary. This is especially important to keep in mind when choosing an MCA strategy. Additionally, if the MCA owner, whether a community spouse or institutionalized person, has a minor or disabled child at home, the child can be named primary beneficiary while the state Medicaid agency is listed as contingent beneficiary. Some states may have additional exceptions beyond those listed here.

Listing the state Medicaid agency as beneficiary may deter some people from using an MCA. However, the savings from accelerating Medicaid eligibility typically outweigh any estate recovery on the annuity. Plus, the state Medicaid agency can only recover if the owner predeceases the annuity term, and an outstanding balance is owed to the state. When purchasing an MCA for the community spouse, it's crucial to structure the term appropriately based on the owner's health and longevity. In cases involving a single person, typically no balance is owed to the state Medicaid agency.

EXCEPTIONS TO NAMING THE STATE AS PRIMARY BENEFICIARY OCCUR IN CERTAIN STATES AS WELL AS CERTAIN CASES INVOLVING A MARRIED COUPLE OR A MINOR OR DISABLED CHILD.

MCAS VS. PROMISSORY NOTES

If your state allows promissory notes to be used as a Medicaid spend-down tool, you may be wondering how to explain to your client why an MCA may be a better fit. In many cases, especially when cash assets are involved, an MCA is simply more practical. Since it's controlled by the insurance carrier rather than a loved one, an MCA places less responsibility and stress on that person. Promissory notes can also be problematic if the designated individual undergoes a disruptive event, such as death, bankruptcy, or divorce, which may subject the funds to seizure by another party.



PARTIES TO AN MCA

Knowing the parties to an MCA is vital to ensuring proper, sound planning. Who owns the annuity? To whom is it payable? Who are the beneficiaries? In most cases, MCA contracts consist of five potential parties:

OWNER	The owner is the individual who purchases the annuity. For single clients, they are the owner. For married couples, the owner may be either spouse, depending on the MCA strategy being used.
ANNUITANT	Since MCAs require a fixed term, the annuitant does not typically play an important role. In almost every case, the owner and annuitant are the same person.
PAYEE	The payee of an MCA is the individual who receives the contract payments. In most cases, the owner, annuitant, and payee are the same person, except when using the "Name on the Check Rule" strategy.
PRIMARY BENEFICIARY	The primary beneficiary is the party that receives the remaining contract payments or a lump sum of the benefits if the MCA owner predeceases the term. In most cases, this is the state Medicaid agency.
CONTINGENT BENEFICIARY	The contingent beneficiary is the party that receives any remaining contract benefits after the primary beneficiary has made its claim. This is typically the spouse, children, or a trust belonging to the owner.

MCA Product Features

- Available in 49 states plus D.C.
- Terms as low as two months
- A-rated carriers available
- Minimum investment of $5,000
- Maximum issue age of 100

WHEN SHOULD MY CLIENT USE AN MCA?

A Medicaid Compliant Annuity may be right for your client if they:

- Reside in a Medicaid-approved facility
- Have exhausted Medicare or Long-Term Care Insurance benefits
- Are paying out of pocket for care
- Have excess countable assets

CHOOSING AN MCA CARRIER

When it comes to choosing crisis Medicaid planning products for your clients, you want to make sure you're getting the best. That's where we come in. We work with several dependable insurance carriers, including multiple that are exclusive to us and companies with A.M. Best ratings as high as A+.

NATIONAL MEDICAID COMPLIANT ANNUITY CARRIERS

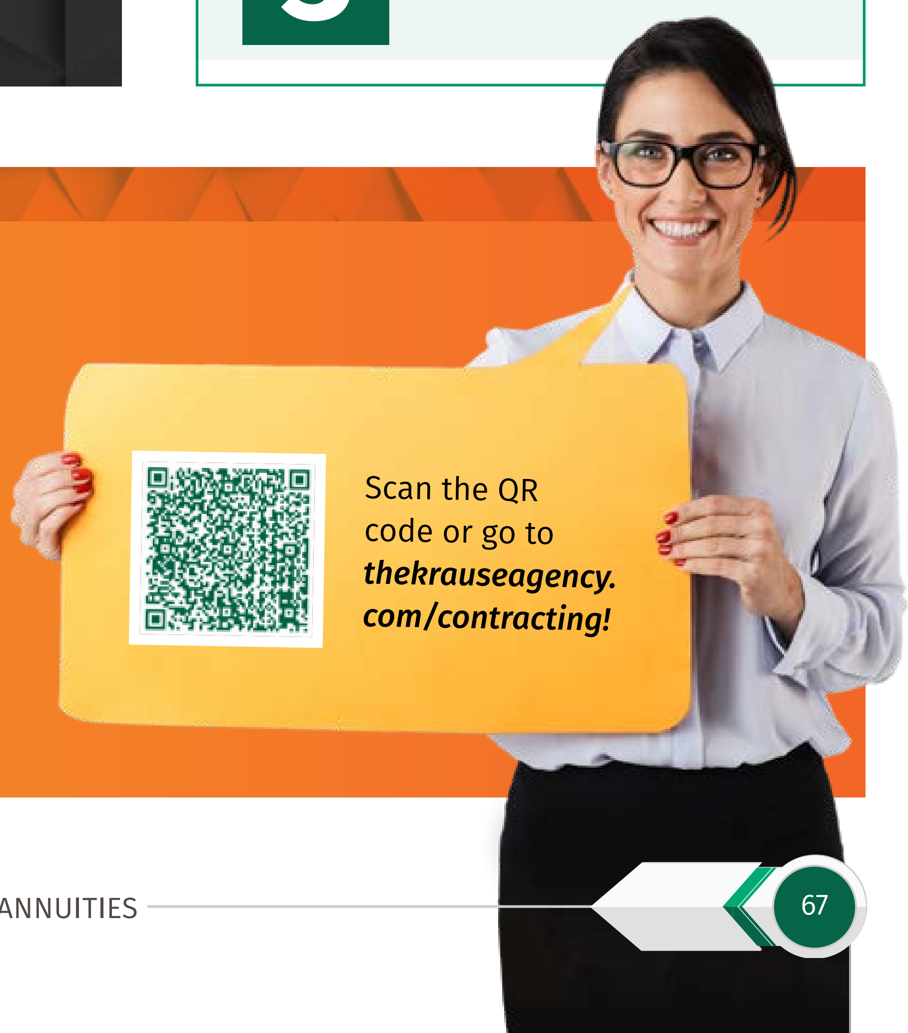
3	carriers with products not available anywhere else
2	carriers with an A.M. Best rating of A or higher
3	carriers with annuity terms as low as two months

CAN ANY INSURANCE CARRIER SELL AN MCA?

In short, no. Since the Medicaid Compliant Annuity is such a highly specialized product, it is not available through just any insurance carrier. Fortunately, we make it easy for you to get contracted through our carriers.

Get contracted today!

Contact our office to get contracted with the MCA carriers in your state. We'll provide the necessary paperwork, point you to helpful resources, and get you one step closer to providing this revolutionary product to your senior clients in crisis.



OPTIONS TO CONSIDER

Since Medicaid Compliant Annuities are unlike any other insurance product you or your client have dealt with before, it's important to understand your options in choosing the right carrier. In some cases, the details of your client's situation, such as their state, desired annuity term, and premium amount, may dictate which carriers can or cannot be used. If you and your client are choosing between a few of our carrier options, here are some key considerations to keep in mind:

Financial Strength Ratings

Although these ratings can help gauge certain aspects of a company, smaller carriers specializing in products like MCAs may have a lower rating but provide more desirable features and better service. Thus, you should not rule out an MCA carrier based solely on their rating.

Contract Dates

Some carriers offer flexibility in assigning the contract date of an MCA, which can be especially helpful for cases on a tight deadline. One of our exclusive carriers even allows clients to backdate their MCAs without restriction. This is crucial if your client's case needs to be rushed.

Beneficiary Options

In cases where a loved one is receiving proceeds from the MCA, most carriers allow them to either continue receiving the remaining payments or take a discounted lump sum payout. One of our exclusive carriers offers an additional option to take the lump sum payout with no discount.

Freelook Period

In some states, an MCA is seen as revocable during the freelook period. Since this may impact the contract's Medicaid compliance, most of our carriers offer short, 10-day freelook periods. Additionally, one of our exclusive carriers offers an option to waive the freelook period entirely in several states.

Product Focus

Most larger insurance companies that offer MCAs also have sizeable product lines. While they may be more recognized nationally, they may not be experts when it comes to Medicaid planning. Our exclusive carriers, however, tend to be smaller companies that specialize in products related to elder law.

OUR INSURANCE CARRIERS

Medicaid Compliant Annuities are at the heart of our business, and we want to achieve the best possible result for your clients based on their unique circumstances. We are proud to partner with these MCA carriers to offer a specialized and advantageous product to your senior clients.

ELCO MUTUAL LIFE & ANNUITY

unity FINANCIAL

TheStandard

Nationwide is on your side

CROATIAN FRATERNAL UNION OF AMERICA 1894

WHY SHOULD MY CLIENT USE AN MCA?

When your senior client enters a nursing home, they want to find a way to pay for care without depleting their entire live savings. **An MCA is a quick and easy way to do both**. The entire process, from the initial quote to receiving the contract in hand, can be completed in as little as seven days.

GET YOUR CLIENT AN MCA IN AS LITTLE AS 7 DAYS.

MCAs allow you to help your clients gain financial relief while enhancing your offering as an agent. You have the power to help them preserve their hard-earned savings when the alternative is draining it all on the nursing home bill. Trust us—they will be eternally grateful.

DELIGHTED CLIENTS MAKE FOR HAPPY REFERRALS, EXTRA COMMISSIONS, AND A GROWING BUSINESS.

Are you ready to take advantage of this essential Medicaid planning tool?

LET US TAKE THE GUESSWORK OUT OF THE MEDICAID PLANNING PROCESS BY SHOWING YOU HOW EASY USING AN MCA CAN BE.

Planning with Traditional IRAs

Since IRAs are a very common asset amongst seniors, it's vital to understand how to deal with these accounts in crisis Medicaid planning. For starters, an IRA is considered a countable asset for Medicaid in most states, so many of these cases involve spending down the IRA and transferring the funds to a Medicaid Complaint Annuity.

Since traditional IRAs contain pre-tax funds and funds are taxed upon withdrawal, liquidating the account often results in hefty tax consequences. In these cases, your client can transfer their traditional IRA funds into a tax-qualified MCA as part of their spend-down plan for Medicaid eligibility.

CONSEQUENCES OF LIQUIDATING AN IRA

Liquidating a traditional IRA comes with a few notable consequences.

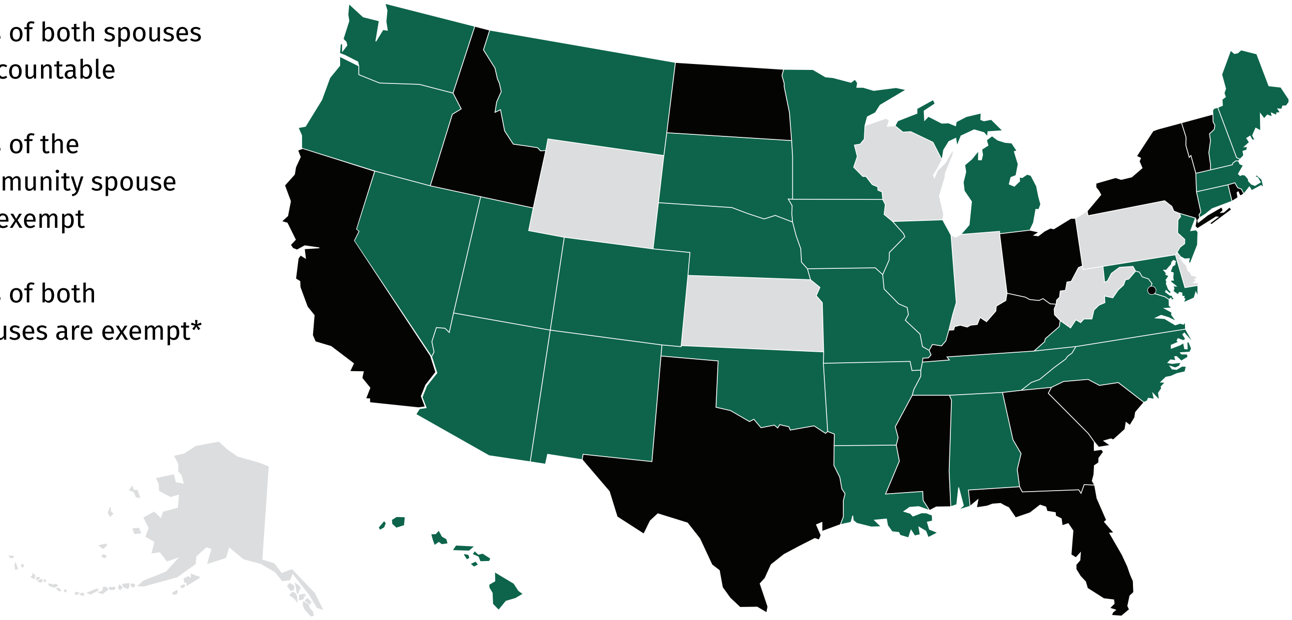
- All funds count as taxable income in the year of receipt.
- The client may be subject to a higher income tax bracket.
- If a married couple's total income for the year exceeds $44,000, up to 85% of their Social Security benefits become taxable.
- If a married couple's total income for the year exceeds $182,000, their Medicare Part B and Medicare Part D premiums will increase.

ARE IRAS COUNTABLE OR EXEMPT IN YOUR STATE?

IRAs of both spouses are countable

IRAs of the community spouse are exempt

IRAs of both spouses are exempt*



In some states, an IRA is only exempt if the owner is taking their Required Minimum Distributions.

!

Transferring a traditional IRA to an MCA spreads out the tax consequences over the entire annuity term.

TRANSFERRING IRA FUNDS

If your client resides in a state where their IRA is countable for Medicaid purposes, they have two options to fund the account into an MCA: **Trustee-to-Trustee Transfer** or **60-Day Rollover**. In order to avoid immediate tax consequences, the ownership of the IRA must remain the same.

WHAT ABOUT ROTH IRAS?

Since Roth IRA contributions are taxed before being deposited, the process of funding this type of IRA into a Medicaid Compliant Annuity typically involves liquidating the account and funding the proceeds into a non-qualified MCA. Roth IRAs can be liquidated tax-free as long as the funds have been in the account for at least five years and the account owner is at least 59½ years old.

!

TRANSFER LIMITATIONS

Although an individual can complete an unlimited number of Trustee-to-Trustee Transfers, the IRS limits the number of times an individual can conduct a 60-Day Rollover of their IRA to once every 365-day period.

Trustee-to-Trustee Transfer

A Trustee-to-Trustee Transfer takes place directly between plan administrators. Along with the MCA application, the account owner fills out authorization paperwork for the transfer, and the insurance company issuing the MCA obtains the funds directly from the custodian company. The entire transfer process may take four to six weeks.

60-Day Rollover

To complete a 60-Day Rollover, the account owner contacts the IRA custodian company and initiates a complete liquidation of the account without withholding any taxes. The account owner then receives the liquidation check, usually within five to seven business days. As long as they reinvest the funds into a tax-qualified MCA within 60 days, they will avoid immediate tax consequences.

TRUSTEE-TO-TRUSTEE TRANSFER	60-DAY ROLLOVER
Custodians handle the transfer	Client handles the transfer
May take four to six weeks	May take less than four weeks
No time limit for completion	60-day time limit for completion
Client does not receive a 1099-R	Client receives a 1099-R
Client does not receive Form 5498	Client receives Form 5498
No limit on the number of transfers	Limit of one rollover per 365-day period

TAXATION OF IRA FUNDS

Since contributions to a traditional IRA are made pre-tax, the funds are taxed upon withdrawal or liquidation. Therefore, when liquidating an IRA of high value, all funds count as taxable income during the year of receipt. In addition to incurring higher taxes that year, the liquidation may subject the individual to a higher income tax bracket. Transferring the IRA to an MCA spreads out the tax consequences over time, since the taxation occurs in the year each payment is made rather than all at once. This means that the longer the MCA term, the greater the economic benefit for the client.

PREFERENTIAL TREATMENT BY THE DRA

The Deficit Reduction Act of 2005 provides preferential treatment to annuities funded with retirement accounts. In most states, a tax-qualified immediate annuity does not have to be irrevocable or non-assignable, provide equal monthly payments, or be actuarially sound. However, it does typically need to designate the state Medicaid agency as a beneficiary, though certain states have exceptions to this. Annuities funded with retirement accounts are non-assignable and irrevocable by nature, but the client may be able to utilize a term longer than their Medicaid life expectancy or structure the annuity with different payments intervals.

CHAPTER 9

NON-COMPLIANT ANNUITIES

Non-Compliant Annuities

Since annuities are some of the most popular investment vehicles available, you will likely encounter clients in the crisis Medicaid planning process who own existing tax-deferred or immediate annuities. Unfortunately, in many cases, these annuities were not purchased with Medicaid in mind and are not compliant with the Medicaid program.

TAX-DEFERRED ANNUITIES

A tax-deferred annuity is a contract that accumulates growth until it is annuitized. Contributions may occur at one time or over time, and the funds earn returns on a tax-deferred basis until annuitization, when the owner begins receiving payments. With tax-deferred annuities, the owner has access to the cash value of the contract and can generally make withdrawals at any time.

TAX-DEFERRED ANNUITIES AND CRISIS PLANNING

For Medicaid purposes, a tax-deferred annuity is considered a countable asset because it has accessible cash value. The only exception would be in cases where the annuity is also an IRA, which may be exempt in some states due to its tax-qualified status. If your client owns a tax-deferred annuity, they have a few options for spending down the contract. They can either liquidate the account or transfer it to a Medicaid Compliant Annuity.

WHAT DOES "ANNUITIZED" MEAN?

When an annuity has been annuitized, it is no longer in a growth period and has begun making regular payments. At this point, the cash value is not accessible, and the terms of the contract, like the payment amount and term length, cannot be altered. While a tax-deferred annuity is typically annuitized on the contract's maturation date, MCAs and other immediate annuities are annuitized upon purchase.

Liquidate the Account

A tax-deferred annuity can typically be surrendered or liquidated. Your client can then use the cash to purchase or improve exempt assets during the spend-down process. The downside is the annuity likely has deferred gain, which is taxable to the client in the year of receipt. If the gain is significant, the client may incur the same economic consequences as liquidating a traditional IRA. Additionally, the client may be subject to a surrender charge, depending on the contract provisions.

Transfer to an MCA

Another option is to conduct a Section 1035 Tax-Free Exchange, which transfers the non-qualified annuity funds to another contract—in this case, an MCA—without incurring immediate tax consequences. Instead, any gain is taxed as the owner receives payments from the MCA. Like a Trustee-to-Trustee Transfer for an IRA, your client fills out some additional paperwork with the MCA application, and the insurance company obtains the funds directly from the current custodian. However, the exchange does not negate any surrender charges associated with the contract.

Watch this video and more with your free Agent Access account.

Scan the QR code or visit ***thekrauseagency.com/videos*** to watch now!

IMMEDIATE ANNUITIES

An immediate annuity is a contract funded with a lump sum that begins making regular payments immediately. Rather than having a deferral or growth period, immediate annuities are annuitized upon purchase. An immediate annuity may also refer to a tax-deferred annuity that has been annuitized. Many immediate annuities are structured using a lifetime payout option, which means payments are made until the death of the annuitant rather than for a specified term. Immediate annuities typically cannot be surrendered and contain no accessible cash value.

IMMEDIATE ANNUITIES AND CRISIS PLANNING

For Medicaid purposes, if an immediate annuity meets the requirements of the Deficit Reduction Act of 2005 (DRA) and is, therefore, Medicaid compliant, it will be viewed as income to the owner. If the annuity does not meet those requirements, however, it may be considered either a divestment or an asset.

Divestment

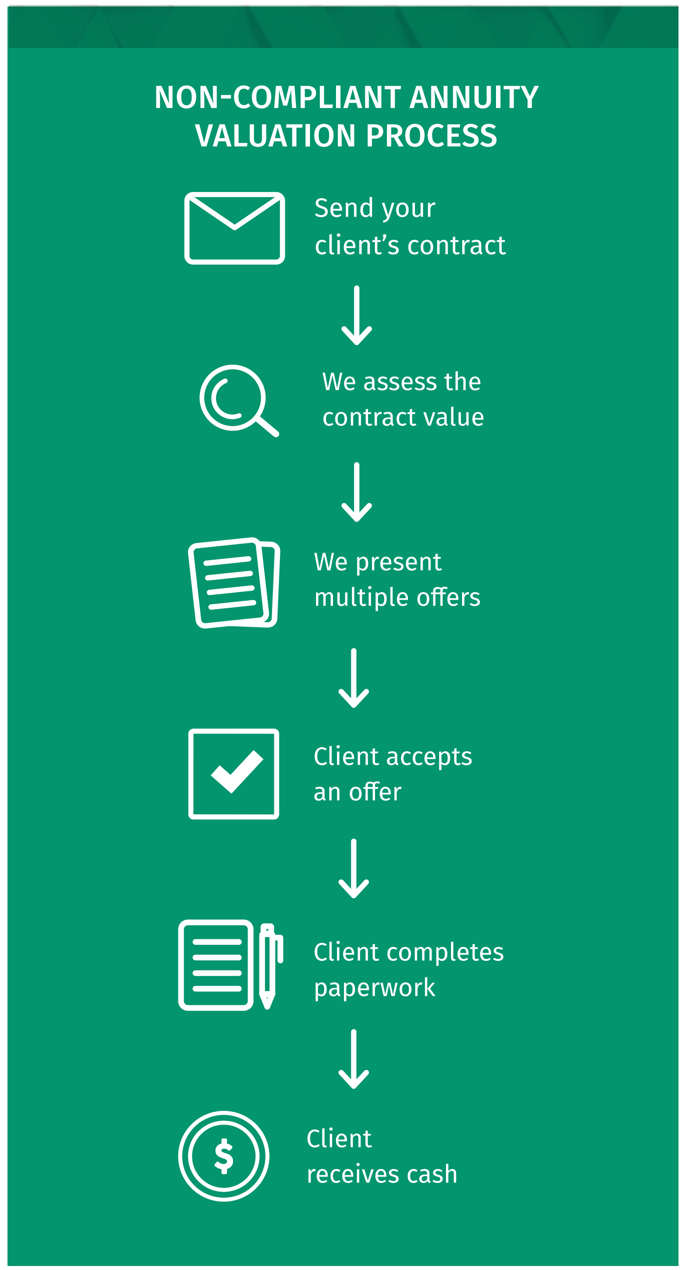
If the annuity is irrevocable and non-assignable, the premium amount will be treated as a divestment, meaning the owner may incur a penalty period of ineligibility.

Asset

If the annuity is revocable and assignable, meaning it can be transferred to another party, it will be considered to have value in most cases. This means the annuity will count as an asset even though the owner doesn't have access to the funds. In these cases, the annuity can typically be sold on the secondary market, and your client can then pursue crisis Medicaid planning options, including the purchase of an MCA.

Valuation of Non-Compliant Annuities

When conducting crisis planning, an existing annuity can spell trouble for your client. At The Krause Agency, we do more than supply Medicaid Compliant Annuities. We also offer complimentary annuity valuation services in the case of a non-compliant immediate annuity that's jeopardizing your client's Medicaid eligibility. If the contract can be sold on the secondary market, we'll get your client competitive offers for their contract so they can pursue Medicaid eligibility.



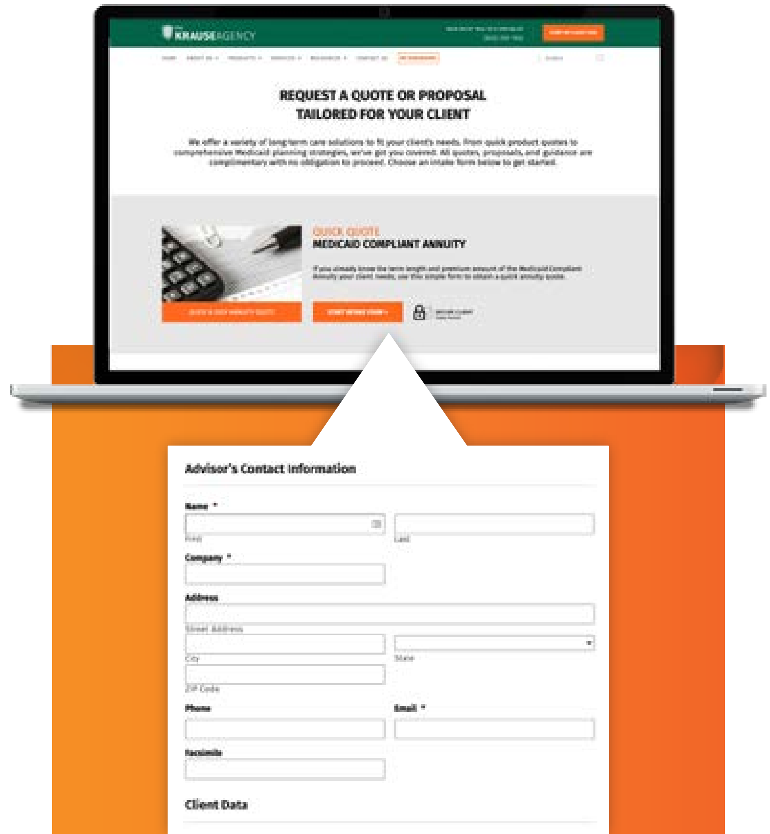
WHEN WE BUY YOUR CLIENT'S NON-COMPLIANT ANNUITY, YOU GET A CUT OF THE SALE!

Agents earn a **commission of 5%** on the referral of a qualifying annuity purchase.

EARN 5% COMMISSION

If you have a client with a non-compliant annuity that has value on the secondary market, not only will we assist with the sale and eliminate the troublesome asset, but we will also give you a cut of the transaction. On non-compliant annuity sales through our office, you can earn a commission of 5% of the sale price. Help accelerate your client's Medicaid eligibility and boost your revenue in the process!

IF YOU'RE NOT SURE HOW TO HANDLE YOUR CLIENT'S ANNUITY, DON'T WORRY. WE CAN HELP. CONTACT US TO HELP FIND A SOLUTION FOR YOUR CLIENT AND GET YOU PAID IN THE PROCESS.



For a complimentary review of your client's annuity contract, contact us directly or complete our online quote request form today!

Scan the QR code or go to ***thekrauseagency.com/quote***

THE ANNUITY VALUATION PROCESS

1 ***Send us your client's annuity.***

When you send us a copy of your client's annuity contract, we'll review it and determine if it can be sold on the secondary market. In order to be sold, it must meet the following requirements:

- Funded with non-qualified, post-tax dollars
- Annuitized and making regular payments
- No cash or surrender value option available
- Not an IRA
- Making payments for a guaranteed period OR include a guaranteed cash benefit payout option upon the contract owner's death

2 ***We assess the contract's value and present multiple offers.***

If the annuity meets these requirements, we'll assess its value on the secondary market. Our office will send the contract details to companies that regularly purchase annuities in exchange for offer letters. To establish the annuity's Fair Market Value and ensure the transaction is not penalized for Medicaid purposes, we typically secure at least three separate offers. Our sister company, Krause Annuity Services, may also bid on the contract. Once the offers are compiled, we'll send them to you to present to your client.

GET QUICK CASH FOR YOUR CLIENT'S ANNUITY CONTRACT.

3 ***Your client accepts an offer and completes the paperwork.***

Your client chooses an offer to accept, and our office assembles the necessary paperwork. After all documentation has been completed and signed and the contract ownership has been transferred, the secondary market company will release the funds to your client, either by wiring the funds or mailing a check. The secondary company then takes over the contract and receives all remaining payments.

4 ***Your client receives the cash.***

Once your client receives the funds from the sale, they can purchase a Medicaid Compliant Annuity or pursue other spend-down strategies to achieve Medicaid eligibility. Although the timing can vary, when you work with us, the typical time frame for the entire process is five to 14 business days.

!

WE ARE COMMITTED TO GETTING YOUR CLIENT PAID AND QUALIFIED FOR BENEFITS AS QUICKLY AS POSSIBLE.

NON-COMPLIANT ANNUITY CHEAT SHEET

! Get a better idea of how your client's existing annuity may be treated and whether it's considered a countable asset, a divestment, or Medicaid compliant.

Can the owner surrender or liquidate their investment?

YES NO

THE ANNUITY IS A COUNTABLE ASSET.
Consider transferring the annuity to an MCA or surrendering the account.

Is the annuity assignable?

NO YES

Does the annuity meet the remaining requirements of the DRA?

YES NO

THE ANNUITY IS NOT MEDICAID COMPLIANT.
Consider selling it on the secondary market or to a family member.

THE ANNUITY IS A MEDICAID COMPLIANT ANNUITY AND IS TREATED AS COUNTABLE INCOME ONLY.

The annuity may be considered a divestment for the premium amount. Contact our office to discuss this case further.

If you have questions about your client's annuity, send us a copy of the contract for a complimentary analysis.

CHAPTER 10

WORKING WITH AN ATTORNEY ON YOUR MCA CASES

As an insurance agent, you are very knowledgeable when it comes to the products and financial aspects of crisis planning. You have a strong understanding of the planning process and are equipped to get your clients access to the products they need. That said, it's important to involve an elder law attorney when handling certain parts of the process – primarily, when using a Medicaid Compliant Annuity (MCA) and applying for Medicaid.

Different Roles: Agent vs. Attorney

While agents are more familiar with the financial side of long-term care planning, elder law attorneys are more well-versed in the rules, regulations, and legalities surrounding Medicaid as well as the intricacies of the products associated with it. Attorneys have a strong grasp on the full scope of MCAs and other Medicaid planning strategies.

AGENTS	ATTORNEYS
Understand insurance products	Knowledgeable about Medicaid rules
Familiar with financial planning	Strong grasp of MCAs and Medicaid planning strategies

Why Work with an Elder Law Attorney in Crisis Planning?

1 TO BENEFIT YOUR CLIENT

Working with an elder law attorney shows your clients you have their best interest in mind. It expresses you're knowledgeable about the industry and understand the importance of including a legal professional.

2 TO HAVE PEACE OF MIND

Although some insurance agents complete Medicaid applications on their own, having an attorney involved ensures all bases are covered from a legal perspective. This is especially important when dealing with the intricacies of a Medicaid Compliant Annuity and avoiding a Medicaid denial.

3 TO GET ACCESS TO THE LATEST INFORMATION

Elder law attorneys are required to stay up to date with any recent legislative changes regarding Medicaid planning and structuring MCAs. Attorneys can also lay out the details of MCAs and how they impact end-of-life and estate planning decisions for each client.

4 TO TAKE CARE OF NECESSITIES

An attorney is required to handle certain legal processes in Medicaid planning. This may include securing an estate plan, drafting a power of attorney, setting up a trust, and undergoing a fair hearing.

How to Find Elder Law Attorneys in Your Area

When looking for an elder law attorney, we recommend limiting your search to attorneys who:

- Specialize in elder law or Medicaid planning
- Belong to organizations like NAELA or ElderCounsel
- Are in good standing with their state bar

We suggest searching the following sources to find an elder law attorney in your area:

- Attorney rating sites (SuperLawyers, Martindale, Avvo, etc.)
- State bar referral sites
- Financial or legal industry publications
- Organizational directories (NAELA, ElderCounsel, etc.)

LOOK FOR AN ATTORNEY WHO SPECIALIZES IN ELDER LAW OR MEDICAID PLANNING.

Tips for Working with an Attorney

When developing a solution for a client, let the attorney take the lead. It is of the upmost importance for the client to receive sound legal advice, and attorneys typically respond best to agents and advisors who support their opinions and choices for the client. Your main priority should be to provide insight on the financial aspects of the plan and details about any insurance products that are involved. When you rely on the attorney to dictate the most beneficial solution, you can rest assured the plan is within the client's best interest.

TO ENSURE YOUR CLIENT IS RECEIVING SOUND LEGAL ADVICE, LET THE ATTORNEY TAKE THE LEAD.

Most attorneys have an analytical approach to problems and often approach professional conversations in a similar way. Here are a few recommendations for meeting with an attorney:

- Research the attorney, their history, and their practice ahead of time to see if you have any common ground.
- Come to the meeting with any information and paperwork you might need, especially if you're discussing a specific case.
- Be polite and straightforward when you interact with the attorney and their staff.
- Discuss the attorney's fee structure and consultation policy.
- Let the conversation develop organically and follow the attorney's lead when it comes to moving on to the next part of the meeting.

WHEN PROPERLY NURTURED, YOUR RELATIONSHIPS WITH ELDER LAW ATTORNEYS WILL BECOME AN INVALUABLE RESOURCE TO YOU.

Interested in learning more about working with attorneys?

Download our helpful white paper to explore this crucial professional relationship in more detail.

Scan the QR code or visit ***thekrauseagency.com/collaborate*** to download.

CHAPTER 11

STRATEGIES USING A MEDICAID COMPLIANT ANNUITY

MCA Strategies for a Married Couple

When purchasing a Medicaid Compliant Annuity for a married couple, the couple has a lot of flexibility in choosing the right spend-down plan and annuity strategy for their specific situation. Here's an overview of the strategies and considerations to keep in mind for your married couple MCA cases.

WHO IS THE MCA OWNER?

First, you must determine who will own the annuity—the community spouse or the institutionalized spouse. The recommended MCA owner and corresponding planning strategy may vary depending on several unique factors, such as the couple's income, health, anticipated longevity, and their preference.

If you're not sure which ownership option is best for your client, let us help!

Call us at (800) 255-1932

COMMUNITY SPOUSE MCA

The first option for married couples is purchasing an MCA in the name of the community spouse. After establishing the snapshot date and conducting other spend-down strategies, any assets above the Community Spouse Resource Allowance (CSRA) can be used to purchase an MCA for the community spouse. They are the owner, annuitant, and payee of the contract. After purchasing the annuity, their excess assets are eliminated, and the institutionalized spouse is immediately eligible for Medicaid benefits.

Once the community spouse purchases the annuity, they will begin receiving monthly income from the MCA. If the community spouse outlives the annuity term, the contract will automatically terminate upon its final payment and no beneficiary will collect against it. If the community spouse predeceases the annuity term, the primary beneficiary is eligible to recover the remaining annuity funds. In almost all cases, the primary beneficiary must be the state Medicaid agency, which can collect up to the amount of funds expended on behalf of the institutionalized spouse.

!

Using a Community Spouse MCA offers more flexibility in choosing an MCA term and a greater likelihood the community spouse will outlive the contract.

To see a case study of a Community Spouse MCA, turn to page 107.

Choosing an Annuity Term

With a Community Spouse MCA, your client has flexibility in choosing the annuity term. The only requirement is the term must be actuarially sound. In almost all states, this means the owner of the annuity must receive the initial investment amount within their Medicaid life expectancy.* Therefore, the annuity term must be equal to or shorter than the owner's Medicaid life expectancy, which is determined using a state-specific table or the life expectancy table published by the Chief Actuary of the Social Security Administration. Other than the actuarially sound requirement, the annuity term can be structured to meet the community spouse's needs or circumstances. If the community spouse requires significant monthly income, the term can be shorter (as short as two months, in most states) in order to increase the monthly payout. On the other hand, if the community spouse may be eligible for an income shift under the MMNA rules, they can use a longer term to minimize the monthly payout. It all depends on the client's goals.

Even though most states allow a two-month term, this should not be a normal practice. We always recommend planning responsibly and choosing a term and monthly payout that is reasonable and justifiable.

**Oregon and Washington have adopted an alternate definition of the actuarially sound requirement and place a limit on how short an MCA term can be.*

WE OFFER MCA TERMS AS LOW AS 2 MONTHS IN MOST STATES.

When to consider using a **SHORTER TERM:**	*When to consider using a* **LONGER TERM:**
The community spouse is in questionable health.	The community spouse is in good health.
The community spouse would not be entitled to a shift under the MMNA rules.	The community spouse has a family history of longevity.
The couple is concerned about estate recovery.	The couple might be eligible for a shift under the MMNA rules.

MEDICAID LIFE EXPECTANCY TABLE

To determine Medicaid life expectancy, most states refer to the Actuarial Life Table published by the Social Security Administration.

Scan the QR code to view the full Social Security Administration Actuarial Life Table.

MALES				FEMALES			
AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD
65	18.09	83	6.91	65	20.70	83	8.09
66	17.37	84	6.44	66	19.59	84	7.56
67	16.67	85	6.00	67	19.10	85	7.05
68	15.97	86	5.57	68	18.31	86	6.56
69	15.28	87	5.17	69	17.52	87	6.10
70	14.59	88	4.80	70	16.75	88	5.67
71	13.91	89	4.45	71	16.00	89	5.26
72	13.25	90	4.12	72	15.25	90	4.88
73	12.59	91	3.82	73	14.52	91	4.52
74	11.95	92	3.54	74	13.80	92	4.20
75	11.32	93	3.29	75	13.10	93	3.90
76	10.71	94	3.06	76	12.41	94	3.63
77	10.11	95	2.86	77	11.74	95	3.39
78	9.54	96	2.69	78	11.08	96	3.17
79	8.97	97	2.54	79	10.45	97	2.98
80	8.43	98	2.40	80	9.83	98	2.81
81	7.90	99	2.28	81	9.23	99	2.65
82	7.39	100	2.16	82	8.65	100	2.49

Find out whether your state uses this table or a state-specific table. View your State Resources from your Attorney Access dashboard at **medicaidannuity.com/start.**

INSTITUTIONALIZED SPOUSE MCA

The second option for married couples is to name the institutionalized spouse as the MCA owner. The main benefit of this strategy is to take advantage of the favorable beneficiary designation rules. Specifically, the community spouse can be named primary beneficiary ahead of the state Medicaid agency. Therefore, the community spouse takes control of the MCA funds in the event the institutionalized spouse predeceases the annuity term.

Beneficiary options vary by insurance carrier but typically include two alternatives. As the beneficiary, the community spouse can either continue receiving the monthly payments, or they can take a lump sum of the remaining amount. Some carriers apply a discount to the lump sum, but the discount does not apply if the beneficiary elects to continue receiving the payments. If they decide to receive the remaining payments, the community spouse can name their own beneficiaries. Therefore, either option removes the state Medicaid agency from making any claim to the contract proceeds. Beyond the benefit of naming the community spouse as primary beneficiary, this strategy can also be used to shift the MCA payments to the community spouse under the Monthly Maintenance Needs Allowance (MMNA) rules. Although a partial shift is advantageous, this strategy provides a near perfect solution when the entirety of the institutionalized spouse's income is diverted to the community spouse. The annuity term should generally be structured using the institutionalized spouse's full Medicaid life expectancy in order to minimize the income produced by the MCA.

!

An Institutionalized Spouse MCA offers favorable beneficiary rules and is ideal when the community spouse has a low enough monthly income to qualify for an income shift under the MMNA rules.

When is this Strategy Appropriate?

Like any MCA strategy, this option has some caveats. The Institutionalized Spouse MCA strategy is dependent upon the anticipated longevity of the institutionalized spouse in relation to the community spouse. If the community spouse passes away first, the state Medicaid agency will move into the primary beneficiary position on the contract. Plus, if the community spouse has income exceeding the MMNA, they won't experience the economic benefit of the MCA payments shifting to the community spouse.

This strategy is most appropriate when:

- The community spouse is in good health.
- The community spouse is expected to outlive the institutionalized spouse.
- The community spouse's monthly income is below the MMNA.

To see a case study of an Instituationalized Spouse MCA, turn to page 110.

DEALING WITH IRAS

If the community spouse owns a large traditional IRA that is countable for Medicaid purposes, they can fund the account into an MCA. The benefit is the community spouse does not have to liquidate the account and face potential economic consequences. The transfer of the funds is not a taxable event, and the funds are taxed in the year each payment is made over the term of the annuity. If they have a small-value IRA, liquidation may be more worthwhile since the tax consequences may be offset by medical expense deductions.

When using a community spouse's IRA to fund an MCA, a longer annuity term is ideal in order to spread out the tax consequences and increase the economic benefit for the client. Non-qualified funds, such as cash from checking and savings accounts, and tax-qualified funds cannot be mixed for MCA purposes, so if the community spouse has to spend down both non-qualified and tax-qualified assets, they can purchase two separate MCAs.

> Non-qualified and tax-qualified funds cannot be combined for a Medicaid Compliant Annuity. If your client has to spend down both types of assets, they can purchase two separate annuities.

If the institutionalized spouse owns an IRA, the couple has a few options. Since ownership of the account cannot be transferred without incurring immediate tax consequences, they can transfer the account to an Institutionalized Spouse MCA with the intention of an income shift to the community spouse under the MMNA rules. However, this option is not ideal if the community spouse has income exceeding the MMNA. That's where the "Name on the Check Rule" comes in.

"NAME ON THE CHECK RULE"

The "Name on the Check Rule" is an MCA strategy that involves a guideline used by Medicaid to determine who income belongs to. If the income is payable to a particular spouse, it is considered available only to that spouse. In other words, the income belongs to the person whose name is on the check. In the context of MCA planning, this guideline can be used when dealing with an IRA owned by the institutionalized spouse. They can annuitize the IRA and make the income payable to the community spouse only. The institutionalized spouse is the owner and annuitant of the contract, and the community spouse is designated as payee.

With this strategy, the institutionalized spouse can avoid the immediate tax consequences of liquidating the tax-qualified account. Plus, naming the community spouse as payee allows the institutionalized spouse to avoid increasing their income and, thus, increasing their Medicaid co-pay. This strategy also allows the couple to take advantage of the favorable beneficiary rules by naming the community spouse as primary beneficiary. Although the community spouse receives the income from the annuity, the tax liability still belongs to the institutionalized spouse, as they are still the owner of the IRA.

> IF THE INSTITUTIONALIZED SPOUSE OWNS A COUNTABLE IRA, THEY MAY USE THE "NAME ON THE CHECK RULE" TO TRANSFER THE IRA TO AN MCA AND DESIGNATE THE COMMUNITY SPOUSE AS PAYEE.

"Name on the Check Rule" Considerations

Full Medicaid life expectancy
Although not required for Medicaid compliance, using the full Medicaid life expectancy as the annuity term is the most conservative approach. We strongly recommend structuring the annuity this way when using the "Name on the Check Rule."

Income shift to the community spouse
If the MMNA rules trigger an income shift from the institutionalized spouse to the community spouse, using the "Name on the Check Rule" may not be necessary. In these cases, the institutionalized spouse may remain payee of their IRA MCA.

Opting to receive paper checks
Paper checks made payable to the community spouse serve as additional evidence to the Medicaid caseworker that the income for the community spouse only, so we recommend foregoing the direct deposit option for MCA payments and choosing paper checks instead.

Value of the IRA
When dealing with a small-value IRA, liquidating the account and transferring the net proceeds to the community spouse may be more practical. The tax consequences of liquidating the funds may be offset by medical expense deductions when filing taxes that year.

MAKE SURE YOU CONSULT A TAX EXPERT BEFORE LIQUIDATING YOUR CLIENT'S IRA OR TRANSFERRING IT TO A MEDICAID COMPLIANT ANNUITY.

!

VARIES BY STATE

While the "Name on the Check Rule" is a great option for most clients, its success varies by state. For the latest information on the viability of this or any MCA strategy in your state, contact our office directly.

To see a case study of the "Name on the Check Rule" strategy, turn to page 113.

MCA Strategies for a Single Person

The Medicaid Compliant Annuity strategies used for a single person are very different from the strategies used for a married couple. Not only is the asset limitation significantly less for a single person, but any income from the MCA is vulnerable to paying the nursing home. Two common strategies used in MCA planning for a single person are the Gift/MCA Plan and the Standalone Plan.

GIFT/MCA PLAN

The Gift/MCA Plan (also known as the Half-a-Loaf Plan) is the most popular planning strategy for a single person. The goal of this strategy is to create a wealth transfer to the client's intended heir(s) in the form of a divestment, triggering a penalty period. The client then uses their remaining assets to purchase an MCA, which will help them privately pay for care during the penalty period. The MCA term is structured to be congruent with the penalty period, so the annuity contract is terminated when the penalty period ends. Meanwhile, the divested funds are protected from recovery by the state Medicaid agency.

THE MCA TERM IS STRUCTURED TO BE THE SAME LENGTH AS THE PENALTY PERIOD.

We use a unique, proprietary formula to determine the maximum possible divestment amount that still leaves enough funds for the annuity and subsequent payments. The divestment amount typically ends up being about half of the spend-down amount, and the MCA is purchased with the remaining funds. If you have a client that may benefit from the Gift/MCA Plan, we will provide these calculations at no charge and with no obligation to proceed.

As with any MCA strategy, using the Gift/MCA Plan has a few caveats. For starters, if the individual predeceases the penalty period and annuity term, they will not have gained any economic benefit, since they will have been privately paying for care during that time. Additionally, some states enforce income restrictions that render the Gift/MCA strategy not viable. In these cases, a single person can utilize the Standalone Plan.

GIFT/MCA PLAN PROCESS

Create a wealth transfer to a loved one.

↓

Fund the remaining spend-down into an MCA.

↓

Apply for Medicaid benefits.

↓

The divestment triggers a penalty period of ineligibility.

↓

Use the MCA payments to privately pay for care during the penalty period.

To see a case study of the Gift/MCA Plan, turn to page 116.

STANDALONE PLAN

If the single person has limited longevity and is expected to pass away in the near future or if the Gift/MCA Plan is not viable in your state, your client may benefit from using the Standalone Plan. Rather than create a divestment and purchase an annuity, the individual funds their entire spend-down amount into an MCA. This quickly eliminates their excess countable assets, thus qualifying them for Medicaid benefits. However, the payments from the annuity will become part of their monthly Medicaid co-pay. In order to minimize these payments, the MCA term should be structured using a their full Medicaid life expectancy.

Once the individual begins receiving benefits, the state Medicaid agency will pay the nursing home its Medicaid Reimbursement Rate, which varies by state and tends to be significantly lower than the private pay rate. When the individual passes away, the state Medicaid agency, as primary beneficiary of the MCA, is entitled to recover funds up to the amount of those expended on behalf of the individual. After the state Medicaid agency has made its claim, any remaining funds will pass to the contingent beneficiary, which is the client's intended heir(s).

STANDALONE PLAN PROCESS

Use the full spend-down amount to purchase an MCA, and structure the term using the full Medicaid life expectancy.

↓

The MCA payments become part of the Medicaid co-pay, and the state Medicaid agency pays the Medicaid Reimbursement Rate to the nursing home.

↓

Upon the individual's death, the state Medicaid agency can recover up to the amount of funds expended on their behalf.

Medicaid Reimbursement Rate - Medicaid Co-Pay = Funds Expended by Medicaid Agency

↓

The remaining annuity funds will then go to the contingent beneficiary, the individual's intended heir(s).

THE LONGER THE INDIVIDUAL LIVES, THE LESS FUNDS ARE AVAILABLE FOR THE CONTINGENT BENEFICIARY.

The economic benefit of the Standalone Plan is dependent on the lifespan of the Medicaid recipient. The longer the individual lives, the fewer residual benefits are available for the contingent beneficiary. As such, the success of this strategy cannot be guaranteed. Therefore, the Gift/MCA Plan is often more appealing, when viable, since the wealth transfer is made up front.

To see a case study of the Standalone Plan, turn to page 119.

CHAPTER 12

IRREVOCABLE FUNERAL EXPENSE TRUSTS

An Irrevocable Funeral Expense Trust (IFET) is a staple in any estate plan. It consists of a small whole life insurance policy that is irrevocably assigned to a funeral trust controlled by an insurance company. It allows seniors to set aside funds for their end-of-life expenses and protects these funds from Medicaid and other potential creditors.

An IFET serves as a simple spend-down tool for clients who are planning for their long-term care, whether in advance or in the midst of a crisis situation. Plus, it provides you a quick sale opportunity with easy commissions, allowing you to help your clients improve their financial security while also boosting your revenue.

Qualified expenses covered under an IFET include:

- Funeral services
- Embalming and preparation for viewing
- Casket or cremation
- Burial services
- Headstone

TURN YOUR CLIENT'S EXCESS COUNTABLE ASSETS INTO AN IRREVOCABLE FUNERAL EXPENSE TRUST.

Benefits of Purchasing an Irrevocable Funeral Expense Trust

An IFET serves as a flexible planning tool that allows your clients to control their choice of a funeral home and burial location as well as the goods and services they receive. There is no age limit to qualify, so this product can be added regardless of where your client is in the planning process. Plus, the funds are immediately available to pay for funeral expenses upon the owner's death.

An IFET serves as a simple spend-down tool for clients who are planning for their long-term care, whether in advance or in the midst of a crisis situation. Plus, it provides you a quick sale opportunity with easy commissions, allowing you to help your clients improve their financial security while also boosting your revenue.

- No fees
- Anyone can qualify
- Proceeds are free from income tax
- Funds can be used at any funeral home provider
- Don't have to choose specific services ahead of time
- Cash available as soon as 24 hours after the death of the insured

What About a Pre-Need Funeral Contract?

When planning for end-of-life expenses, your client may also be considering a pre-need funeral contract, a pre-paid contract with a funeral home for future goods and services. With this option, the client works directly with the funeral home to plan their funeral and pays them in advance to set aside the funds. A pre-need funeral contract may sound appealing to clients since it allows them to work directly with the funeral home staff, and they may be able to make payments in installments rather than a lump sum. However, pre-need funeral contracts have their disadvantages.

With a pre-need contract, the client must typically choose all their funeral services and costs ahead of time, but they may not be ready to make those choices. Additionally, suppose their loved ones use the funds to pay for a service or expense that was not originally included in the contract. In that case, they may be subject to pay that amount to the state Medicaid agency as part of the estate recovery process. Although a pre-need funeral contract is established with a specific funeral home, the funds may be used at a different funeral home in certain situations, but only if the provider signs a release. On the other hand, a Funeral Expense Trust can be used at any funeral home, protecting the individual if they ever move out of the area or if their intended funeral home closes.

AN IRREVOCABLE FUNERAL EXPENSE TRUST IS A MUCH MORE FAVORABLE PRODUCT.

IFETs and Medicaid Planning

Although an IFET can be used in any planning scenario, it serves as a great complement to a Medicaid Complaint Annuity in the Medicaid spend-down process. Both of these products allow your clients to preserve their assets while accelerating their eligibility for benefits. Many states even allow Medicaid applicants to purchase funeral trusts on behalf of their spouses and children.

In order to be exempt for Medicaid purposes, the face value of an Irrevocable Funeral Expense Trust must be $15,000 or below in most states. However, some states have no limitation. Certain states also require a Letter of Goods and Services to accompany the trust. This letter outlines the specific costs of the insured's funeral expenses, such as the casket, burial plot, funeral service, and other elements. We can help you obtain this letter on behalf of your client, if necessary.

!

In most states, an IFET with a face value of **$15,000 or less** is exempt from Medicaid.

Quick Sale and Competitive Commission

Adding this simple product to your portfolio is a great way to increase your earnings and protect your client's finances in the process. An Irrevocable Funeral Expense Trust is an easy add-on tool for both pre-planning and crisis planning cases.

SECURE YOUR CLIENT'S FINANCES WHILE ENHANCING YOUR BUSINESS.

Purchasing an IFET

If your client is looking to purchase an Irrevocable Funeral Expense Trust, the process is simple.

- First, your client must complete a short, two-page application where they choose their desired face value for the trust, which dictates the premium amount.
- Next, send the application paperwork and premium funds to our office, and we'll pass it along to the insurance carrier. There is no processing fee for an IFET.
- If your client would like to transfer an existing life insurance contract to fund an IFET, they can do so using a 1035 Tax-Free Exchange. They just have to complete an additional form with the application, and the insurance company will obtain the funds directly from the old custodian.
- If your state requires a Letter of Goods and Services, this must also be included with the application. We can provide this letter for a small fee.

!

With an Irrevocable Funeral Expense Trust, your clients can set aside funds for their end-of-life expenses while also protecting assets from Medicaid estate recovery and other creditors.

State Funeral Expense Trust Limits

STATE	IFET LIMIT	STATE	IFET LIMIT
ALABAMA	$15,000*	MONTANA	$15,000
ALASKA	$1,500	NEBRASKA	$5,654
ARIZONA	$9,000*	NEVADA	$15,000*
ARKANSAS	$15,000*	NEW HAMPSHIRE	$15,000*
CALIFORNIA	$15,000	NEW JERSEY	$15,000*
COLORADO	$15,000	NEW MEXICO	$15,000
CONNECTICUT	$10,000	NEW YORK	N/A
DELAWARE	$15,000	NORTH CAROLINA	$15,000
DISTRICT OF COLUMBIA	$15,000	NORTH DAKOTA	$6,000
FLORIDA	$15,000	OHIO	$15,000
GEORGIA	$10,000	OKLAHOMA	$10,000
HAWAII	$15,000	OREGON	$15,000
IDAHO	$15,000	PENNSYLVANIA	VARIES BY COUNTY
ILLINOIS	$6,562 WITHOUT G&S $15,000 WITH G&S	RHODE ISLAND	$15,000
INDIANA	$15,000	SOUTH CAROLINA	$15,000
IOWA	$13,125 WITHOUT G&S, $15,000 WITH G&S	SOUTH DAKOTA	$10,000
KANSAS	$10,000*	TENNESSEE	$6,000*
KENTUCKY	$15,000*	TEXAS	$15,000
LOUISIANA	$10,000	UTAH	$7,000
MAINE	$12,000	VERMONT	$10,000
MARYLAND	$15,000	VIRGINA	$15,000
MASSACHUSETTS	$15,000*	WASHINGTON	$15,000
MICHIGAN	N/A	WEST VIRGINIA	$15,000*
MINNESOTA	$15,000*	WISCONSIN	$15,000*
MISSISSIPPI	$15,000	WYOMING	$15,000*
MISSOURI	$9,999*		

*A Letter of Goods and Services may be required.

CHAPTER 13

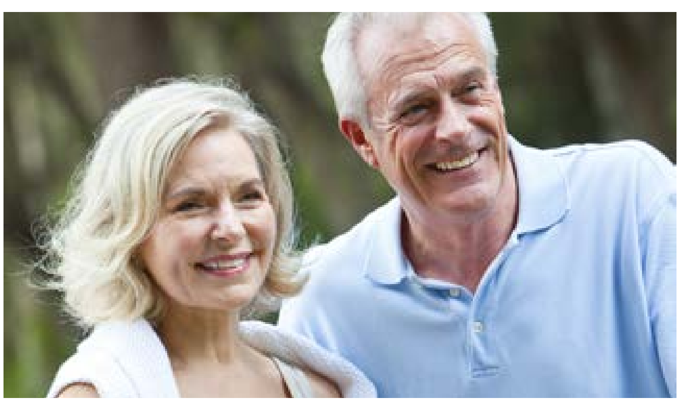
LONG-TERM CARE INSURANCE

Long-Term Care Insurance (LTCI) is the ultimate pre-planning tool. LTCI is an insurance contract that provides a monetary benefit to those experiencing a long-term care event. LTCI is available in either Traditional or Asset-Based policies and covers a variety of facilities, including nursing homes and assisted living communities, as well as at-home care. It provides flexibility in that your clients can choose the type of long-term care they receive and where they receive it. In many cases, LTCI beneficiaries can remain independent for longer and delay a nursing home stay until absolutely necessary. It's an ideal solution for those concerned about their future care.

!

LTCI must be purchased when the individual is healthy before they require long-term care.

So, what's the catch? Well, Long-Term Care Insurance must be purchased when the individual is healthy before they require long-term care. Unfortunately, many people fail to plan ahead. That's why we highly recommend discussing Long-Term Care Insurance with your clients planning for retirement. Medicaid is a great resource for those in need, but LTCI will help your client avoid unnecessary financial stress if they need long-term care in the future. Not to mention, LTCI sales also produce sizeable commissions for our agents. Encourage your clients to plan in advance with LTCI.



PROTECT YOUR CLIENTS AND INCREASE YOUR REVENUE WITH LTCI.

A New Outlook on Retirement and Aging

Although a health crisis can strike at any time, more older adults have come to recognize the growing probability of falling ill and requiring long-term care. In addition to these health concerns, many of your clients may currently be dealing with financial distress as well. This presents a great opportunity for you to discuss Long-Term Care Insurance with them, since it can help alleviate both of these fears. Purchasing an LTCI policy now can give your clients peace of mind as they age. And in the event they require long-term care, they have the funds and flexibility to receive the care they deserve.

Top Five Motivators for Purchasing LTCI

1. Prevent burden on family members
2. Protect savings
3. Increased probability of needed care
4. Qualify for tax deductions
5. Access lower rates when younger

WHO PURCHASES LTCI?

Parents or Married Couples
To avoid burdening their spouse or children

Women
Who recognize they have a longer life expectancy than their spouse

Business Owners
To benefit from tax advantages

High Net Worth Individuals
To protect their legacy

Single Individuals or Those Without Children
Who have limited options for other caregivers

WHAT'S THE BEST AGE FOR THE LTCI CONVERSATION?

When it comes to advising your clients, there is no "best age" to have the LTCI conversation. While many agents think this product is only appropriate to discuss with senior clients, it is important to remember that clients in their 40s and 50s significantly benefit from safeguarding their assets against a long-term care event. So, rather than consider the age of your client, consider their goals instead. If their goal is to protect their assets, then the LTCI conversation is right for them.

Is LTCI Right for Your Client?

Since Long-Term Care Insurance must be purchased when an individual is healthy, it can be challenging to determine if your client is a good candidate. If you're not sure whether Long-Term Care Insurance is the right product for your client, ask them the following questions:

? Have you ever been prescribed a handicap sticker?

? Do you require help with any Activities of Daily Living (ADLs)?

? Have you ever been diagnosed with AIDS, HIV, or ARC disorders?

? Have you ever been diagnosed with or presented symptoms of Alzheimer's disease, dementia, memory loss, multiple sclerosis, muscular dystrophy, ALS (Lou Gehrig's disease), or Parkinson's disease?

? Are you incapable of walking four blocks or climbing two flights of stairs?

If your client answered, "No," to these questions, they may be a good candidate for LTCI.

WE OFFER ANONYMOUS PRE-SCREENING

Don't let the fear of being declined for coverage prevent your client from exploring LTCI. We provide complimentary and anonymous pre-screening to determine whether your client would likely qualify for a policy. If they are a good candidate, they can proceed with confidence through the qualification process. If not, we will advise on this up front and we can provide information about the other options available to save them from the high cost of long-term care.

Traditional Long-Term Care Insurance

Traditional LTCI offers affordable and flexible policy options for your clients who are looking to plan ahead. This type of LTCI functions like a traditional insurance policy where the owner pays regular premiums in exchange for future benefits in the form of financial coverage for a long-term care stay. The policy does not hold any cash value and can be structured to meet the client's anticipated needs.

KEY TAKEAWAYS

- Issued up to age 79
- Cost-effective planning option
- State partnership eligible

BENEFITS OF TRADITIONAL LTCI

Traditional LTCI can be structured to fit the client's specific anticipated needs without breaking their budget. Custom options include the benefit period, daily benefit amount, premium payment structure, and elimination period. Plus, the daily benefit amount can be built around your state's average cost of care, ensuring your client gets the perfect amount of coverage without overpaying for benefits they don't need. Our goal is to design a plan that provides great protection at the right price. Additionally, this product is eligible for the state partnership program.

WHEN SHOULD MY CLIENT PURCHASE TRADITIONAL LTCI?

If you have a client in good health between the ages of 30 and 79, this product can help them safeguard their financial future. Traditional LTCI is best suited for those who do not have a large lump sum to invest into a policy and are looking for a more cost-effective option while still ensuring they are covered in the event of a long-term care stay. Because the policy has no cash value, it may also be appropriate for a healthy community spouse whose partner is seeking Medicaid benefits.

To see a Traditional Long-Term Care Insurance case study, turn to page 123.

Asset-Based Long-Term Care Insurance

Also known as Hybrid LTCI, Asset-Based Long-Term Care Insurance consists of a life insurance or annuity contract with long-term care benefits attached. This type of policy is typically funded with a single premium, and its benefits can be customized to fit your client's anticipated long-term care goals. The main difference between Traditional and Asset-Based LTCI is this policy has cash value that continues to grow, providing a return on investment for the owner.

BENEFITS OF ASSET-BASED LTCI

Asset-Based LTCI policies earn growth on a tax-deferred basis, allowing your clients to receive a return on investment. Then, if they require a long-term care stay, your client can access the proceeds tax-free. Under the Pension Protection Act, this policy can also be funded using an existing deferred annuity. Any gain recognized on the previous policy can be used tax-free in a long-term care situation. In short, this policy continues to earn money while providing tax benefits at the same time.

Additionally, Asset-Based LTCI counteracts the old "use it or lose it" mentality that often accompanies traditional policies. If your client never requires care, rather than losing the premium amount to the insurance company, Asset-Based LTCI provides a guaranteed death benefit for their intended heir(s). This gives your clients peace of mind not only in the event of a long-term care stay, but also in knowing they aren't at risk of losing their investment.

WHEN SHOULD MY CLIENT PURCHASE ASSET-BASED LTCI?

If you have a client in good health under age 86 who is looking to solidify their estate plan, this product is the best choice to protect their financial future. Because Asset-Based LTCI typically requires a lump sum premium amount, it may be more appropriate for higher net worth clients who can afford the upfront investment. Additionally, Asset-Based LTCI contains cash value, so it should not be used in conjunction with a crisis Medicaid plan. However, if your client is in the pre-planning stages of long-term care planning, this product offers financial security as well as the opportunity for growth.

KEY TAKEAWAYS

- Issued up to age 85
- Typically funded with a lump sum
- Guaranteed death benefit

To see an Asset-Based Long-Term Care Insurance case study, turn to page 126.

SPECIALISTS ON YOUR SIDE

We've always offered Long-Term Care Insurance to our agents and their clients, but in 2021, we took our commitment to LTCI to the next level by acquiring LTC Solutions—a nationally licensed LTCI specialty firm based out of Cape Coral, Florida. This means our LTCI services are backed by even more experts in the industry, and we have access to all the top carriers of the product. Simply put, we're better equipped than ever to serve your LTCI needs.

Whether you have a client who is a good fit or you simply want to learn more about how we work together, scan the QR code to schedule a time with one of our experts or visit ***thekrauseagency.com/schedule.***

CHAPTER 14

MEDICARE

Medicare products provide supplemental health coverage for clients in retirement and offer a significant opportunity for your business. Since health costs are one of the main contributors to financial distress, many seniors are seeking a trusted advisor to help them plan for these costs in retirement and obtain coverage for gaps in Medicare.

That's why we offer training, certification, and case guidance for Medicare Supplements, Advantage Plans, Prescription Drug Plans, and other supplemental plans to meet your clients' needs.

ADD THESE PRODUCTS TO YOUR BUSINESS AND BECOME A TRUSTED ADVISOR TO CLIENTS SEEKING SUPPLEMENTAL MEDICARE COVERAGE.

Our Medicare Product Offerings

MEDICARE SUPPLEMENTS

Medicare Supplements, also known as Medigap, are private insurance policies designed to fill gaps in original Medicare coverage. While Medicare pays for a great deal of medical expenses, a Medicare Supplement policy can help cover some remaining costs, such as copayments, coinsurance, and deductibles. Enrollees can choose from a variety of supplemental plans with different benefits and costs.

Medicare Supplement plans are guaranteed renewable as long as the owner is paying premiums. They require underwriting only if enrollment occurs outside of the open enrollment or guaranteed issue period.

ADVANTAGE PLANS

Advantage Plans, also known as Part C or MA plans, are insurance plans provided by a Medicare-approved private company and must follow specific rules set by Medicare. These plans offer an alternative for Medicare Part A and Part B coverage, and many also include drug coverage (Part D). These plans are required to be as good or better than original Medicare and have limits on the out-of-pocket costs.

Medicare Advantage Plans are a one-year contract, and benefits can be changed each year. These plans do not require underwriting and are guaranteed acceptance but can typically only be changed during the annual enrollment period.

PRESCRIPTION DRUG PLANS

Prescription Drug Plans, also known as Part D or PDP plans, provide Medicare drug coverage for prescription drugs as a standalone plan that cannot be paired with a Medicare Advantage Plan. Enrollees can choose from a variety of Prescription Drug Plans with different costs and coverage.

While Medicare drug coverage is optional and is offered to everyone with Medicare, delaying enrollment without creditable coverage can result in a late enrollment penalty. Prescription Drug Plans can be changed annually but typically only during the annual enrollment period. No underwriting is required, and the plans are guaranteed acceptance.

OTHER MEDICARE PLANS

In certain states, retirees can opt for other special Medicare supplemental plans, such as Cost Plans, a Medicare Savings Account, and Select Plans. Even with a supplemental plan, many individuals must seek additional coverage for health costs, including dental, vision, hearing, and hospital copays.

BY ADDING THESE SERVICES TO YOUR ARSENAL, YOU'LL STRENGTHEN YOUR RELATIONSHIP WITH CURRENT CLIENTS AND OPEN NEW DOORS WITH RETIREES WHO COULD BECOME A PART OF YOUR CUSTOMER BOOK.

Why Offer Medicare Supplements?

Offering Medicare supplemental product advisement not only strengthens your relationships with existing clients, but it can also open doors to additional clients. Health costs are one of main contributors to financial depletion, so your clients need a trusted advisor to help them plan for these costs in retirement and cover gaps to avoid financial surprises.

MEDICARE IS COMPLICATED. YOU CAN BE THE BEACON OF LIGHT GUIDING CLIENTS THROUGH THIS MAZE.

That said, learning Medicare and taking the time to become certified might not be for all advisors. If you don't have the bandwidth to add Medicare supplemental products to your business, consider partnering with another advisor or helping a colleague in your office pursue Medicare certification to meet your clients' needs.

Finding the Right Product for Your Client

Each Medicare supplemental product can help clients in different ways and at different stages of retirement. The key is ensuring the plan is suitable for your client's specific needs. We provide training and guidance to assist you in determining suitability for each case, taking into account a variety of factors, including travel, provider preference, health needs, location, and more.

Guidance for Your Medicare Cases

With a background in Medicare and other insurance products, Senior Relationship Manager La Rae Mills is responsible for exploring Medicare business and related areas to identify and strategize new opportunities for our agents.

No matter your level of experience with Medicare, La Rae is your consultant and guide as you explore and strategize Medicare product offerings for your business. She can help you be that trusted advisor to your clients.

Disclaimers

This information is for agent use only and not intended for use by the general public.

Not affiliated with or endorsed by the government or Federal Medicare Program.

Interested in learning more about these products and how they can fit into your business plan? Schedule a call today at ***thekrauseagency.com/schedule***.

CHAPTER 15

MEDICAID COMPLIANT ANNUITY CASE STUDIES

Planning for a Married Couple

Community Spouse MCA Plan

MEET JACK (81) AND MAURA (78)

Jack was recently diagnosed with dementia and must move into a nursing home. His wife Maura worries the nursing home bill will deplete their life savings, so she meets with a local financial professional to find out how Jack can qualify for Medicaid benefits.

CASE FACTS

JACK'S INCOME $2,300	ASSETS $350,000
MAURA'S INCOME $1,800	COST OF CARE $9,000

GOAL

Obtain immediate Medicaid eligibility for Jack while preserving the couple's assets and ensuring Maura has enough income to live comfortably at home.

SOLUTION:

Maura purchases a Medicaid Compliant Annuity to spend down the couple's excess countable assets and accelerate Jack's eligibility for Medicaid benefits. The MCA payments provide Maura a monthly stream of income to maintain her lifestyle in the community.

1 DETERMINE THE SPEND-DOWN AMOUNT

Maura is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $137,400. To avoid the edge of eligibility, she will keep $135,000, and Jack will keep $2,000 as his Individual Resource Allowance. The couple will also purchase Funeral Expense Trusts of $8,000 for each spouse, so they must spend down $197,000.

Countable Assets:	$350,000
Maura's CSRA:	– $135,000
Jack's Allowance:	– $2,000
Funeral Expense Trusts:	– $16,000
Spend-Down Amount:	**$197,000**

2 IMPLEMENT THE ANNUITY PLAN

Maura funds the spend-down amount of $197,000 into a Medicaid Compliant Annuity, which converts their excess assets into an income stream. To ensure she has enough income to cover her high living expenses, Maura utilizes a 36–month annuity term.

Single Premium	**Period Certain**
$197,000	36 Months
Monthly Payout	**Total Payout**
$5,500	$198,000

3 APPLY FOR MEDICAID

After Maura purchases the MCA and eliminates their excess countable assets, Jack is immediately eligible for Medicaid. Maura's total monthly income increases to $7,300. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,435, so she does not receive an income shift from Jack. Jack's monthly Medicaid copay to the nursing home is $2,250, which equals his income of $2,300 minus his Personal Needs Allowance of $50.

Maura's Income:	$1,800
MCA Income:	+ $5,500
Maura's New Income:	**$7,300**
Jack's Income:	$2,300
Personal Needs Allowance:	– $50
Jack's Medicaid Co-Pay:	**$2,250**

[Agent's Commission]

The agent assisting Jack and Maura receives a commission of $3,445 on the MCA sale and $2,580 on the Funeral Expense Trust sales.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

Since Jack's Medicaid co-pay is only $2,250, the couple saves $6,750 per month compared to his original cost of care.

Maura's monthly income increases from $1,800 to $7,300.

Using a short annuity term increases the likelihood Maura will survive the term and reduces the chances the state Medicaid agency can collect 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 about 21 months.

ADDITIONAL CONSIDERATIONS

If Maura predeceases the annuity term, the remaining balance will be subject to recovery by the state Medicaid agency for the amount of benefits paid on behalf of Jack.

If Maura enters a nursing home prior to the end of the MCA contract, the payments will become part of her Medicaid co-pay or may even prevent her from qualifying for benefits if her total income exceeds her cost of care.

PLANNING TIP

When deciding how long the annuity term should be, be sure to factor in the community spouse's health, anticipated longevity, and lifestyle expenses. If they require high monthly income or are in declining health, using a shorter annuity term may make sense.

Planning for a Married Couple

Institutionalized Spouse MCA Plan

MEET HANK (80) AND ANNE (80)

Hank has just entered a nursing home, and his wife Anne is worried the cost of the nursing home will quickly drain their life savings. She meets with a financial advisor in the hopes that Hank can become eligible for Medicaid benefits.

CASE FACTS

HANK'S INCOME $1,700	ASSETS $300,000
ANNE'S INCOME $1,300	COST OF CARE $8,000

GOAL

Obtain immediate Medicaid eligibility for Hank while preserving the couple's assets and ensuring Anne has enough income to live comfortably at home via an income shift from Hank.

SOLUTION:

Hank purchases a Medicaid Compliant Annuity to spend down the couple's excess countable assets and accelerate his eligibility for Medicaid benefits. Anne will receive an income shift from Hank under the MMNA rules to maintain her lifestyle in the community.

1 DETERMINE THE SPEND-DOWN AMOUNT

Anne is allowed to keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $137,400. To avoid the edge of eligibility, she will retain $135,000, and Hank will retain $2,000 as his Individual Resource Allowance. The couple also purchases Funeral Expense Trusts of $7,000 for each spouse, so they must spend down $149,000.

Countable Assets:	$300,000
Anne's CSRA:	– $135,000
Hank's Allowance:	– $2,000
Funeral Expense Trusts:	– $14,000
Spend-Down Amount:	**$149,000**

2 IMPLEMENT THE ANNUITY PLAN

Hank funds the spend-down amount of $149,000 into a Medicaid Compliant Annuity, which converts their excess assets into an income stream. To limit the monthly income produced by the MCA payments, the term is stretched over Hank's full life expectancy. Since Hank is 80 years old, his Medicaid life expectancy is 8.43 years or 101.16 months.

Single Premium	**Period Certain**
$149,000	101 Months
Monthly Payout	**Total Payout**
$1,500	$151,500

3 APPLY FOR MEDICAID

After purchasing the MCA and eliminating the couple's excess countable assets, Hank becomes eligible for Medicaid benefits. Since Anne's income is below her Monthly Maintenance Needs Allowance (MMNA) of $3,435*, she is owed an income shift of $2,135 from Hank. With the MCA payments, Hank's total monthly income equals $3,200. After subtracting the income shift to Anne and his Personal Needs Allowance of $50, Hank's monthly Medicaid co-pay is $1,015.

** This assumes Anne is entitled to the maximum MMNA in her state.*

Anne's MMNA:	$3,435
Anne's Income:	– $1,300
Income Shift from Hank:	**$2,135**
Hank's Income:	$1,700
MCA Income:	+ $1,500
Hank's New Income:	$3,200
Income Shift to Anne:	– $2,135
Personal Needs Allowance:	– $50
Hank's Medicaid Co-Pay:	**$1,015**

[Agent's Commission]

The agent assisting Hank and Anne receives a commission of $7,820 on the MCA sale and $2,260 on the Funeral Expense Trust sales.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

Since Hank's Medicaid co-pay is only $1,015, the couple saves $6,985 per month compared to his original cost of care.

Anne's monthly income increases from $1,300 to $3,435 via the MMNA rules.

Since Hank, the institutionalized spouse, owns the MCA, Anne can be listed as primary beneficiary ahead of the state Medicaid agency and can collect the funds upon his passing.**

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in about 18 months.

ADDITIONAL CONSIDERATIONS

If Anne predeceases the annuity term, the full MCA payment reverts to Hank, thus increasing his Medicaid co-pay.

If Anne predeceases Hank and Hank predeceases the annuity term, the state Medicaid agency can recover the remaining benefits from the MCA as contingent beneficiary.

PLANNING TIP

The economic benefits of this plan rely on the couple's income. Determine the community spouse's Monthly Maintenance Needs Allowance and the institutionalized spouse's potential MCA payments before proceeding with the strategy to ensure the income shifts as intended.

***Beneficiary options vary by carrier and may include a full refund of the remaining balance, a discounted refund of the remaining balance, or a continuation of payments for the remainder of the annuity term.*

Planning for a Married Couple

"Name on the Check Rule"

MEET PAUL (79) AND CAROL (78)

Paul has been diagnosed with Parkinson's and must enter a nursing home. His wife Carol is worried the monthly bill will quickly deplete their life savings, and they may face significant tax consequences if Paul liquidates his $150,000 IRA, so she seeks a financial professional for help.

CASE FACTS

PAUL'S INCOME $2,200	ASSETS $400,000
CAROL'S INCOME $2,000	COST OF CARE $8,500

GOAL

Obtain immediate Medicaid eligibility for Paul while avoiding the large tax consequences of liquidating his IRA and ensuring Carol has enough income to live comfortably at home.

SOLUTION:

Paul and Carol purchase separate Medicaid Compliant Annuities to spend down their excess countable assets and accelerate Paul's eligibility for Medicaid benefits. Using the "Name on the Check Rule," all MCA payments will be made payable to Carol to maintain her lifestyle in the community.

1 DETERMINE THE SPEND-DOWN AMOUNT

Carol can keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $137,400. To avoid the edge of eligibility, she will keep $135,000, and Paul will keep $2,000 as his Individual Resource Allowance. The couple also purchases Funeral Expense Trusts of $10,000 for each spouse, so they must spend down $243,000.

Countable Assets:	$400,000
Carol's CSRA:	– $135,000
Paul's Allowance:	– $2,000
Funeral Expense Trusts:	– $20,000
Spend-Down Amount:	**$243,000**

2 IMPLEMENT THE ANNUITY PLAN

The couple purchases two annuities. First, Paul funds his IRA of $150,000 into a tax-qualified MCA owned by him but made payable to Carol using the "Name on the Check Rule." At age 79, Paul's MCA is structured using his full life expectancy of 8.98 years or 107.76 months. Next, Carol funds the remaining spend-down amount of $93,000 into a non-qualified MCA owned by and made payable to her. Carol utilizes a 60-month term.

	Single Premium	Period Certain	Monthly Payout	Total Payout
PAUL	$150,000	107 Months	$1,420	$151,940
CAROL	$93,000	60 Months	$1,560	$93,600

3 APPLY FOR MEDICAID

After they purchase the MCAs and eliminate their excess countable assets, Paul is immediately eligible for Medicaid. With the MCA payments, Carol's total monthly income increases to $4,980. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,435, so she does not receive an income shift from Paul. Paul's monthly Medicaid co-pay is $2,150, which equals his income of $2,200 minus his Personal Needs Allowance of $50.

Carol's Income:	$2,000
MCA Income:	+ $2,980
Carol's New Income:	**$4,980**
Paul's Income:	$2,200
Personal Needs Allowance:	– $50
Paul's Medicaid Co-Pay:	**$2,150**

[Agent's Commission]

The agent assisting Paul and Carol receives a commission of $12,750 on the MCA sales and $3,230 on the Funeral Expense Trust sales.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

Since Paul's Medicaid co-pay is only $2,150, the couple saves $6,350 per month compared to his original cost of care.

Carol's monthly income increases from $2,000 to $4,980.

Using the "Name on the Check Rule" to make the MCA payments payable to Carol saves Paul from incurring the tax consequences of liquidating his IRA while also preventing the MCA payments from being part of his monthly Medicaid co-pay.

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in about 28 months.

ADDITIONAL CONSIDERATIONS

If Carol predeceases her MCA term, the remaining balance will be subject to recovery by the state Medicaid agency. If she predeceases Paul's MCA, the payments will revert to him, thus increasing his Medicaid co-pay.

If Carol predeceases Paul and Paul predeceases his annuity term, the state Medicaid agency will be eligible to recover the remaining benefits from the MCA as contingent beneficiary.

PLANNING TIP

Plan conservatively when considering the "Name on the Check Rule." Always structure the annuity using the institutionalized spouse's full Medicaid life expectancy. Also, be sure to check with our office on how the strategy has been treated in your state before proceeding with your first case.

Planning for a Single Person

Gift/MCA Plan

MEET NORA (82)

After being diagnosed with dementia, Nora enters a nursing home. In order to avoid losing her life savings paying the nursing home bill, she wants to gift some of her wealth to her children and seek Medicaid benefits. She turns to a local financial advisor for help.

CASE FACTS

NORA'S INCOME $1,875	ASSETS $155,000
DIVESTMENT PENALTY DIVISOR $7,600	COST OF CARE $8,800

GOAL

Obtain Medicaid eligibility for Nora as quickly as possible while preserving her assets and creating a wealth transfer to her intended heirs.

SOLUTION:

Nora gifts a portion of her countable assets to her children and purchases a Medicaid Compliant Annuity with her remaining assets. She uses the MCA payments to help pay for her care during her penalty period, after which she will become eligible for Medicaid benefits.

1 DETERMINE THE SPEND-DOWN AMOUNT

NNora is allowed to keep $2,000 in countable assets as her Individual Resource Allowance, and she decides to purchase an Irrevocable Funeral Expense Trust of $10,000. This leaves $143,000 for her to spend down.

Countable Assets:	$155,000
Nora's Allowance:	– $2,000
Funeral Expense Trust:	– $10,000
Spend-Down Amount:	**$143,000**

2 IMPLEMENT THE ANNUITY PLAN

For the plan to work effectively, Nora's MCA term must run congruently with the penalty period caused by the gift to her children. Using a proprietary formula outlined to the right, start by calculating the burn rate—the amount Nora will burn through during each month of the plan—then, the plan length. The length of the plan is rounded up to the nearest whole number—10 months.

To determine the gift amount, the length of the plan is multiplied by the Divestment Penalty Divisor for a total gift of $76,000. The gift is then subtracted from the spend-down amount to determine the single premium amount funded into the MCA, which is $67,000.

Cost of Care:	$8,800
Nora's Income:	– $1,875
Nora's Shortfall:	$6,925
Divestment Penalty Divisor:	+ $7,600
Burn Rate:	**$14,525**
Spend-Down Amount:	$143,000
Burn Rate:	÷ $14,525
Length of Plan:	9.85 Mo
Round Up:	**10 Mo.**
Length of Plan:	10 Mo.
Divestment Penalty Divisor:	x $7,600
Gift Amount:	**$76,000**

3 APPLY FOR MEDICAID

After making the wealth transfer to her children, Nora purchases the MCA and applies for Medicaid. The MCA will pay Nora $6,710 per month for 10 months, which increases her total monthly income to $8,585. During her 10-month penalty period, Nora uses her increased monthly income to pay the nursing home bill. She will have an income shortfall of $215 per month, which she can pay using either her resource allowance or with some help from her children.

Single Premium	**Period Certain**
$67,000	10 Months
Monthly Payout	**Total Payout**
$6,710	$67,100

[Agent's Commission]

The agent assisting Nora receives a commission of $760 on the Funeral Expense Trust sale. The agent can increase their earnings by charging a separate planning fee through the Agent Advantage program.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

Beginning in month 11, Nora will be eligible for Medicaid benefits.

Her monthly Medicaid co-pay will be $1,825, which equals her income minus her Personal Needs Allowance of $50.

Nora makes a wealth transfer of $76,000 to her children, which is more than 50% of her spend-down amount.

If Nora chose not to proceed with the plan, she would exhaust her entire spend-down amount in about 16 months.

ADDITIONAL CONSIDERATIONS

If Nora predeceases the 10-month plan, she will not have gained any economic benefit.

If Nora's cost of care increases or she has unexpected medical expenses during the penalty period, her children may have to use some of the gifted funds to help pay for her care.

PLANNING TIP

Remember the client's income cannot exceed their cost of care when using this strategy. When structuring the Gift/MCA plan and the Medicaid Compliant Annuity, always leave a shortfall of about $200 to ensure the client is well below their income threshold.

Planning for a Single Person

Standalone Plan

MEET OTTO (82)

Otto's health is quickly deteriorating, so he must enter a nursing home. Rather than lose his life savings paying the monthly bill, Otto wants an opportunity to pass along an inheritance to his children. He turns to a local financial professional for help.

CASE FACTS

OTTO'S INCOME	ASSETS
$1,400	$200,000
MEDICAID RATE	**COST OF CARE**
$6,000	$8,300

GOAL

Obtain immediate Medicaid eligibility for Otto while preserving his assets and creating a wealth transfer to his intended heirs.

SOLUTION:

Otto purchases a Medicaid Compliant Annuity to spend down his excess countable assets and gain immediate Medicaid eligibility. Rather than pay the private pay rate of the care facility, Otto will be responsible for covering the Medicaid Reimbursement Rate, which the state Medicaid agency can recover upon his passing. His remaining assets will then be left for his children.

1 DETERMINE THE SPEND-DOWN AMOUNT

Otto is allowed to keep $2,000 in countable assets as his Individual Resource Allowance, and he opts to purchase a Funeral Expense Trust of $8,000. After subtracting his allowance and trust amount from his total assets of $200,000, Otto must spend down $190,000.

Countable Assets:	$200,000
Otto's Allowance:	– $2,000
Funeral Expense Trust:	– $8,000
Spend-Down Amount:	**$190,000**

2 IMPLEMENT THE ANNUITY PLAN

Otto funds his spend-down amount of $190,000 into a Medicaid Compliant Annuity, converting his excess assets into an income stream. To minimize the monthly payout, the annuity term is structured using Otto's full life expectancy. At 82 years old, his Medicaid life expectancy is 7.4 years, or 88.8 months, rounded down to 88 months.

Single Premium	**Period Certain**
$190,000	88 Months
Monthly Payout	**Total Payout**
$2,180	$191,840

3 APPLY FOR MEDICAID

Otto is immediately eligible for Medicaid benefits, and his total income increases to $3,580. After subtracting his Personal Needs Allowance of $50, his monthly Medicaid co-pay is $3,530. Since the Medicaid Reimbursement Rate at the facility is $6,000, Medicaid is expending the difference of $2,470 on Otto each month. Otto passes away after 12 months. The state Medicaid agency, as primary beneficiary, can recover $29,640, which equals the total amount of benefits paid on Otto's behalf. After subtracting Medicaid's claim and the $26,160 in total annuity payments from the MCA investment, the resulting figure of $134,200 is available for Otto's contingent beneficiaries—his children.

Otto's Income:	$1,400
MCA Income:	+ $2,180
Otto's New Income:	$3,580
Personal Needs Allowance:	– $50
Otto's Medicaid Co-Pay:	**$3,530**
Medicaid Reimbursement Rate:	$6,000
Medicaid Co-Pay:	– $3,530
Monthly Difference: (Paid by Medicaid)	**$2,470**
MCA Investment:	$190,000
Medicaid's Claim: ($2,470 x 12)	– $29,640
MCA Payments Made: ($2,180 x 12)	– $26,160
Residual Balance for Children:	**$134,200**

[Agent's Commission]

The agent assisting Otto receives a commission of $9,975 on the MCA sale and $605 on the Funeral Expense Trust sale.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

After becoming eligible for Medicaid, Otto saves $2,300 per month on care costs. This reflects the difference between the private pay rate of $8,300 and the Medicaid reimbursement rate of $6,000.

After residing in the nursing home for 12 months, Otto makes a wealth transfer of $134,200 upon his passing, which is 70% of his spend-down amount.

If Otto had done nothing, he would have exhausted his entire spend-down amount in less than 23 months.

ADDITIONAL CONSIDERATIONS

If Otto lives longer than 40 months, the state Medicaid agency's claim will exceed any residual balance in the annuity.

If Otto's longevity was questionable, his attorney may have opted to proceed with the Gift/MCA Plan instead, since that strategy creates a guaranteed and immediate wealth transfer.

PLANNING TIP

The economic benefit of the Standalone Plan depends on the individual's lifespan. The longer they live, the more is due to the state Medicaid agency and the fewer residual benefits are available for the contingent beneficiary. Therefore, make sure your client understands the success of this strategy cannot be guaranteed.

CHAPTER 16

LONG-TERM CARE INSURANCE CASE STUDIES

Planning for Modest Net Worth

Traditional long-Term Care Insurance

MEET LINDSAY (60)

Lindsay, a single woman, is in the process of working with her financial advisor to adjust her estate plan. She recently helped her mother as she entered a nursing home and wants to plan for her future by purchasing an LTCI policy while she's still healthy.

CASE FACTS

LINDSAY'S INCOME $4,000	**ASSETS AT RISK** $500,000
LINDSAY'S HEALTH GOOD	**PROJECTED COST OF CARE** $12,000

GOAL

Protect Lindsay's life savings for future generations with a policy that doesn't require a significant upfront investment.

SOLUTION:

Lindsay secures a Traditional LTCI policy with a benefit pool of $150,000 and a monthly benefit of $6,000. She will pay $4,800 per year in premiums until she goes on claim. Her LTCI policy also includes a 3% inflation rider and has state partnership protection.

PRIMARY POLICY FEATURES

Lindsay's Traditional LTCI policy is affordable while still providing her great coverage. The inflation rider will help her monthly benefit grow over time, and the state partnership protection will help her save her remaining assets while accelerating Medicaid eligibility.

IF LINDSAY DOES NOT REQUIRE LONG-TERM CARE:

Lindsay remains healthy enough to care for herself before passing away peacefully in her sleep at age 85. Since she did not require long-term care during her life, Lindsay received no benefit from her LTCI policy. She would have spent $120,000 on her LTCI premiums during this time.

IF LINDSAY NEEDS LONG-TERM CARE:

25 years later, Lindsay goes on claim.
By age 85, Lindsay has been diagnosed with dementia and now requires long-term care. Due to the 3% inflation rider on her LTCI policy, she now has a benefit pool of $300,000 and a monthly benefit of $12,000. In the 25 years since purchasing the policy, Lindsay has paid approximately $120,000 in premiums. The current cost of long-term care is $12,000 per month.

Benefit Pool:	$300,000
Monthly Benefit:	$12,000
Premiums Paid:	$120,000
Death Benefit:	$0
Cost of Care:	$12,000

Roughly 2 years later, Lindsay exhausts her LTCI benefits.
After 25 months on claim, Lindsay has exhausted all $300,000 of her LTCI benefits. Additionally, since her policy had state partnership protection, she can now keep $302,000 in assets, which equals her Individual Resource Allowance plus the total amount of benefits paid on her behalf, and still be eligible for Medicaid.

Benefit Pool:	$300,000
Cost of Care: ($12,000 x 25 months)	- $300,000
Remaining Benefits:	**$0**
State Partnership Protection:	$300,000
Individual Resource Allowance:	+ $2,000
Increased Resource Allowance:	**$302,000**

[Agent's Commission]

The agent assisting Lindsay receives a commission of $3,120 on the LTCI sale in the first year and renewal commissions in the following years as Lindsay continues to pay her annual premium.

(For illustrative purposes only. Actual commissions may vary.)

ADDITIONAL CONSIDERATIONS

If Lindsay's LTCI policy did not have an inflation rider, she would have exhausted her benefits in the same amount of time (25 months), but she would have also paid $144,000 out of pocket.

If Lindsay paid less per month in premiums for an LTCI policy with a lower monthly benefit, she would risk depleting her assets on care costs anyway.

ECONOMIC RESULTS

Lindsay paid $120,000 in premiums but received $300,000 in benefits and $300,000 in state partnership protection without having to pay out of pocket for care, leveraging her money by five times.

Had she not purchased LTCI, Lindsay would have depleted her $300,000 in assets in just 41 months.

PLANNING TIP

In order for a traditional LTCI policy to qualify for a state partnership program, it must be structured with an inflation rider. Be sure to discuss this with your client when exploring LTCI policy options.

Planning for High Net Worth

Asset-Based long-Term Care Insurance

MEET JOHN (55) AND EILEEN (55)

John and Eileen recently moved Eileen's mother into a nursing home, which has prompted them to take steps to ensure they're prepared should they require long-term care in the future. They currently have $2,000,000 in assets and want to purchase an LTCI policy that won't go to waste if they don't end up using it.

CASE FACTS

JOHN'S INCOME $5,000	JOHN'S HEALTH EXCELLENT
EINLEEN'S INCOME $4,000	LINDSAY'S HEALTH EXCELLENT
ASSETS AT RISK $2,000,000	PROJECTED COST OF CARE $12,000

GOAL

Protect the couple's life savings while also ensuring a death benefit if they never need care.

SOLUTION:

In discussions with their financial advisor, the couple has decided on a $300,000 Single Premium Asset-Based LTCI policy that will provide each of them a monthly benefit of $12,000 for an unlimited number of months, or $288,000 per year if both spouses go on claim. Additionally, the policy includes a death benefit of $600,000 if neither spouse requires long-term care. The death benefit is reduced dollar for dollar for claims paid on their behalf.

PRIMARY POLICY FEATURES

John and Eileen's Asset-Based LTCI policy offers them protection from a long-term care stay while ensuring they don't lose their premiums paid. Additionally, the unlimited benefit pool covers the couple for as long as they're living, and the death benefit (minus claims paid) provides an added benefit for their children.

$

Benefit Pool:	Unlimited
Monthly Benefit:	$12,000
Premiums Paid:	$300,000
Death Benefit:	$600,000 (reduced $ for $ for claims paid)

IF NEITHER JOHN NOR EILEEN REQUIRE LONG-TERM CARE:

John and Eileen were able to take care of one another and received a limited amount of in-home care from their children before passing away. Since neither spouse required long-term care, their children received $600,000, which is almost double what the couple paid in premiums.

IF ONE SPOUSE NEEDS CARE

25 years later, one spouse goes on claim.
By age 80, Eileen has been diagnosed with Parkinson's disease and now requires long-term care. Without an inflation rider, the policy benefits are the same as when the couple purchased the LTCI. She enters a facility that costs $12,000 per month, which comes to $144,000 in total benefits used for the year, reducing the death benefit to $456,000.

$

Monthly Benefit:	$12,000
Time in Facility:	x 12 Mo.
Benefits Used:	**$144,000**
Full Death Benefit:	$600,000
Benefits Used Thus Far:	– $144,000
Remaining Death Benefit:	**$456,000**

IF BOTH SPOUSES NEED CARE

One year later, both spouses go on claim.
One year later, John becomes too ill to care for himself and enters the same facility as Eileen. The couple is now using $24,000 per month of their LTCI monthly benefit, which comes to $288,000 for the year, resulting in $432,000 in total benefits used. This reduces John and Eileen's death benefit to $168,000.

Monthly Benefit: ($12,000 x 2 = $24,000)	$24,000
Time in Facility:	x 12 Mo.
Benefits Used:	**$288,000**
Full Death Benefit:	$600,000
Benefits Used Thus Far:	– $432,000
Remaining Death Benefit:	**$168,000**

[Agent's Commission]

The agent assisting John and Eileen receives a commission of $19,200 on the LTCI sale.

(For illustrative purposes only. Actual commissions may vary.)

ECONOMIC RESULTS

In this case, the couple has seven more months until exhausting their full death benefit, but they will continue receiving LTCI benefits for an unlimited number of months.

Since John and Eileen have an unlimited benefit pool, the rest of their assets can be preserved for future generations.

ADDITIONAL CONSIDERATIONS

If their cost of care exceeds their monthly benefit of $12,000, the couple would be responsible for paying the excess care costs.

This type of LTCI policy requires a large lump sum, so it likely won't be appropriate for clients who have a net worth under $1,000,000 at the time of purchase.

PLANNING TIP

Asset-Based LTCI typically requires a large lump sum investment. If your client has limited assets, consider a Traditional LTCI policy instead.

CHAPTER 17
APPENDIX

State Medicaid Planning Figures

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

ALABAMA

Divestment Penalty Divisor	**$6,600 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$30**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$2,177.50**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

ALASKA

Divestment Penalty Divisor	**Varies by Facility**
Swing Bed Rate	**$814.33 Per Day**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$200**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$1,500**

Last updated: January 1, 2022

ARIZONA

Divestment Penalty Divisor	**$8,912.70** Maricopa, Pima and Pinal Counties **$8,138.28** All Other Counties
Income Cap	**$2,523**
QIT Gross Income Cap	**$8,029.46** Maricopa, Pima and Pinal Counties **$7,331.78** All Other Counties
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$126.15**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$288**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$9,000** *a letter of G&S may be required*

Last updated: October 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

ARKANSAS

Divestment Penalty Divisor	**$7,151**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$40**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$281**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

CALIFORNIA

Divestment Penalty Divisor	**$10,933**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$35**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$2,000 Each**
Home Equity Limitation	**No Limit**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

COLORADO

Divestment Penalty Divisor	**$8,609**
Income Trust Gross Income Cap	**$9,500 – Region 1** **$8,627 – Region 2** **$8,166 – Region 3** **$8,145 – Region 4**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$93.17**
Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$493**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

CONNECTICUT

Divestment Penalty Divisor	**$14,060**
Individual Resource Allowance	**$1,600**
Monthly Personal Needs Allowance	**$75**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$783**
Resource Allowance for a Couple	**$1,600 Each**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$10,000**

Last updated: July 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

DELAWARE

Divestment Penalty Divisor	**$354.91 Per Day $10,795 Per Month**
Income Cap	**$2,102.50**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$425**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

DISTRICT OF COLUMBIA

Divestment Penalty Divisor	**$14,175.99**
Individual Resource Allowance	**$4,000**
Monthly Personal Needs Allowance	**$70**
Minimum Community Spouse Resource Allowance	**$26,076**
Maximum Community Spouse Resource Allowance	**$130,380**
Monthly Maintenance Needs Allowance	**$2,177.50**
Resource Allowance for a Couple	**$6,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

FLORIDA

Divestment Penalty Divisor	**$10,809**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$130**
Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$366**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: August 1, 2022

GEORGIA

Divestment Penalty Divisor	**$9,034 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$70**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$10,000**

Last updated: April 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

HAWAII

Divestment Penalty Divisor	**$8,850**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

IDAHO

Divestment Penalty Divisor	**$312 Per Day** **$9,481 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$40**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$361**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$750,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

ILLINOIS

Divestment Penalty Divisor	**Monthly Private Pay Rate**
Supportive Living Penalty Divisor	**$181 Per Day** **$5,430 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$30**
Community Spouse Resource Allowance	**$109,560**
Monthly Maintenance Needs Allowance	**$2,739**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$6,562** w/out G&S **$15,000** w/G&S

Last updated: January 1, 2022

INDIANA

Divestment Penalty Divisor	**$7,167**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$52**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$417**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

! *State Medicaid planning figures may be subject to several updates throughout the year.*

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

IOWA

Divestment Penalty Divisor	**$256.13 Per Day** **$7,786.35 Per Month**
Income Cap	**$2,523**
Quality Income Trust Gross Income Cap	**$9,201.25**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$13,125** w/out G&S **$15,000** w/G&S

Last updated: July 1, 2022

KANSAS

Divestment Penalty Divisor	**$234.27 Per Day**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$62**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$392**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$10,000** *a letter of G&S may be required*

Last updated: July 1, 2022

KENTUCKY

Divestment Penalty Divisor	**$252.43 Per Day**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$40**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$325**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: July 1, 2022

LOUISIANA

Divestment Penalty Divisor	**$164.38 Per Day** **$5,000 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$38**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$10,000**

Last updated: January 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

MAINE

Divestment Penalty Divisor	**$8,476**
Individual Resource Allowance	**$2,000 plus $8,000 in Liquid Resources**
Monthly Personal Needs Allowance	**$40**
Community Spouse Resource Allowance	**$137,480**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$886**
Resource Allowance for a Couple	**$2,000 plus $8,000 in liquid resources each (if separate rooms or facility)** **$3,000 plus $12,000 in liquid resources total (if sharing same room)**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$12,000**

Last updated: July 1, 2022

MARYLAND

Divestment Penalty Divisor	**$350 Per Day** **$10,190 Per Month**
Individual Resource Allowance	**$2,500**
Monthly Personal Needs Allowance	**$84**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$431**
Resource Allowance for a Couple	**$3,000 each for first 6 months** **$2,500 each after 6 months** **$2,500 each** (if separate rooms or facility)
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

MASSACHUSETTS

Divestment Penalty Divisor	**$410.00 Per Day**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$72.80**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$688**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: July 1, 2022

MICHIGAN

Divestment Penalty Divisor	**$9,880**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$60**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$559**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**Product Not Available**

Last updated: July 1, 2022

! *State Medicaid planning figures may be subject to several updates throughout the year.*

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

MINNESOTA

Divestment Penalty Divisor	**$8,781**
Individual Resource Allowance	**$3,000**
Monthly Personal Needs Allowance	**$111**
Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$488**
Resource Allowance for a Couple	**$6,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: July 1, 2022

MISSISSIPPI

Divestment Penalty Divisor	**$233 Per Day** **$7,107 Per Month**
Medically Needy Income Limit	**$2,523**
Individual Resource Allowance	**$4,000**
Monthly Personal Needs Allowance	**$44**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$6,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

MISSOURI

Divestment Penalty Divisor	**$6,894 Per Month**
Individual Resource Allowance	**$5,035**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$415**
Resource Allowance for a Couple	**$10,070**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$9,999** *a letter of G&S may be required*

Last updated: July 1, 2022

MONTANA

Divestment Penalty Divisor	**$271.47 Per Day** **$8,257.21 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$600**
Resource Allowance for a Couple	**$2,000 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

! *State Medicaid planning figures may be subject to several updates throughout the year.*

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

NEBRASKA

Divestment Penalty Divisor	**Monthly Private Pay Rate**
Individual Resource Allowance	**$4,000**
Monthly Personal Needs Allowance	**$60**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$511**
Resource Allowance for a Couple	**$4,000 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$5,654**

Last updated: July 1, 2022

NEVADA

Divestment Penalty Divisor	**$9,059.10**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$35**
Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,177.50**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$284**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: January 1, 2022

NEW HAMPSHIRE

Divestment Penalty Divisor	**$342.80 Per Day** **$10,427.98 Per Month**
Medically Needy Income Limit	**Medicaid Reimbursement Rate**
Individual Resource Allowance	**$2,500**
Monthly Personal Needs Allowance	**$74**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$757**
Resource Allowance for a Couple	**$4,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: July 1, 2022

NEW JERSEY

Divestment Penalty Divisor	**$374.39 Per Day**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$583**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: July 1, 2022

! *State Medicaid planning figures may be subject to several updates throughout the year.*

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

NEW MEXICO

Divestment Penalty Divisor	**$7,811**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$78**
Minimum Community Spouse Resource Allowance	**$31,290**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$385**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

NEW YORK

Divestment Penalty Divisor	**$11,328 – Central** **$14,012 – Long Island** **$13,415 – New York City** **$12,560 – Northeastern** **$13,399 – N. Metropolitan** **$13,376 – Rochester** **$11,884 – Western**
Individual Resource Allowance	**$16,800**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$74,820**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$24,600**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**Product Not Available**

Last updated: January 1, 2022

NORTH CAROLINA

Divestment Penalty Divisor	**$237 Per Day** **$7,110 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$30**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,178**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$550**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

NORTH DAKOTA

Divestment Penalty Divisor	**$352.42 Per Day** **$10,719 Per Month**
Individual Resource Allowance	**$3,000**
Monthly Personal Needs Allowance	**$65**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$2,550**
Resource Allowance for a Couple	**$6,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$6,000**

Last updated: January 1, 2022

! *State Medicaid planning figures may be subject to several updates throughout the year.*

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

OHIO

Divestment Penalty Divisor	**$7,453**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$580**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: September 1, 2022

OREGON

Divestment Penalty Divisor	**$10,342**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$68.77**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$450**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: October 1, 2022

OKLAHOMA

Divestment Penalty Divisor	**$188.21 Per Day**
Quality Income Trust Gross Income Cap	**$5,725**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$75**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$10,000**

Last updated: January 1, 2022

PENNSYLVANIA

Divestment Penalty Divisor	**$482.50 Per Day** **$14,676.04 Per Month**
Individual Resource Allowance	**$2,400**
Monthly Personal Needs Allowance	**$45**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$612**
Resource Allowance for a Couple	**$2,400 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**Varies by County**

Last updated: July 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

RHODE ISLAND

Divestment Penalty Divisor	**$328 Per Day** **$9,961 Per Month**
LTSS – Medically Needy Income Cap	**$9,961**
Individual Resource Allowance	**$4,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$676**
Resource Allowance for a Couple	**$4,000 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

SOUTH DAKOTA

Divestment Penalty Divisor	**$268.21 Per Day** **$8,158.12 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$60**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$784**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: July 1, 2022

SOUTH CAROLINA

Divestment Penalty Divisor	**$274.52 Per Day** **$8,349.98 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$30**
Community Spouse Resource Allowance	**$66,480**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$2,000 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

TENNESSEE

Divestment Penalty Divisor	**$228.41 Per Day** **$6,852.30 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$320**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$6,000**

Last updated: July 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

TEXAS

Divestment Penalty Divisor	**$237.93 Per Day $7,212.00 Per Month**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$60**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

UTAH

Divestment Penalty Divisor	**$6,908**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$45**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$376**
Resource Allowance for a Couple	**$2,000 Each**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$7,000**

Last updated: July 1, 2022

VERMONT

Divestment Penalty Divisor	**$338.28 Per Day $10,148.35 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$72.66**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$875**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$10,000**

Last updated: July 1, 2022

VIRGINIA

Divestment Penalty Divisor	**$9,032 – Alexandria, Fairfox, Falls Church, Loudoun, Manassas, Manassas Park, and Prince William Counties $6,422 – All Others**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$40**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,177.50**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$402**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: January 1, 2022

State Medicaid planning figures may be subject to several updates throughout the year.

FOR THE MOST UP-TO-DATE INFORMATION IN YOUR STATE, GO TO THEKRAUSEAGENCY.COM AND SIGN IN TO YOUR FREE AGENT ACCESS ACCOUNT.

WASHINGTON

Divestment Penalty Divisor	**$367 Per Day** **$11,076 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$72.05**
Minimum Community Spouse Resource Allowance	**$59,890**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$459**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000**

Last updated: October 1, 2022

WEST VIRGINIA

Divestment Penalty Divisor	**$369.48 Per Day** **$11,085 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Minimum Community Spouse Resource Allowance	**$27,480**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,288.75**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$686.63**
Standard Utility Allowance	**$436**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: October 1, 2022

WISCONSIN

Divestment Penalty Divisor	**$307.40 Per Day** **$9,350.08 Per Month**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$45**
Minimum Community Spouse Resource Allowance	**$50,000**
Maximum Community Spouse Resource Allowance	**$137,400**
Minimum Monthly Maintenance Needs Allowance	**$2,903.34**
Maximum Monthly Maintenance Needs Allowance	**$3,435**
Shelter Standard	**$871**
Standard Utility Allowance	**$462**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$955,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: January 1, 2022

WYOMING

Divestment Penalty Divisor	**$8,087**
Income Cap	**$2,523**
Individual Resource Allowance	**$2,000**
Monthly Personal Needs Allowance	**$50**
Community Spouse Resource Allowance	**$137,400**
Monthly Maintenance Needs Allowance	**$3,435**
Resource Allowance for a Couple	**$3,000**
Home Equity Limitation	**$636,000**
Funeral Expense Trust Limitation	**$15,000** *a letter of G&S may be required*

Last updated: January 1, 2022

Additional Resources

FREQUENTLY ASKED QUESTIONS

Scan the QR code to get answers to some of our most frequently asked questions or visit ***thekrauseagency.com/faq***.

GLOSSARY

Scan the QR code to define the most common terms used in long-term care planning or visit ***thekrauseagency.com/glossary***.

The Krause Agency is a limited liability company in the State of Wisconsin. By way of the Agent Guide, The Krause Agency and its agents, are not offering legal advice. It is intended for educational and informational purposes only. This publication may be affected by current and future changes in the law, and for those reasons, the accuracy and completeness of the materials and the opinions of The Krause Agency are not guaranteed. In addition, because of the complexity and interrelationship of various areas of law, including the Internal Revenue Service Code, Medicaid, and the Department of Veterans Affairs, from which there may be certain exceptions or limitations, the strategies, plans, and products discussed in this publication may not be suitable for every individual, in every state. The Krause Agency highly recommends that before utilizing any strategy, plan, or product, its current use and applicability needs to be reconfirmed with the proper authorities, including an elder law attorney who specializes in Medicaid benefits. Furthermore, no inference is to be drawn that any of the insurance products provided by The Krause Agency have been reviewed or approved by any state government office. The Krause Agency makes no guarantee that the purchase of any insurance products will result in eligibility for any financial assistance program.

ARE YOU AN AGENT IN THE SENIOR MARKET?

THIS IS THE GUIDE FOR YOU. The single biggest threat to your client's financial wellbeing is a long-term care event. Despite common misconceptions, we make it easy for agents like you to enter and succeed in this space. By incorporating long-term care planning into your business, you have unlimited opportunity to boost your revenue, retain your senior clients, and experience your best year yet.

START READING TO LEARN MORE.

thekrauseagency.com

info@thekrauseagency.com

p: (800) 255-1932 | ***f:*** (805) 683-6313

1234 Enterprise Drive, De Pere, WI 54115

the KRAUSE AGENCY