2024 Medicaid Compliant Annuity

AGENT GUIDE

It's never too late to develop a plan—even if your client is already facing a long-term care event. Explore the Medicaid Compliant Annuity and how it works in a crisis Medicaid planning scenario, including case studies, product strategies, and more.

the KRAUSE AGENCY

WELCOME TO THE 2024 MCA AGENT GUIDE

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

Have you considered adding Medicaid Compliant Annuities to your business?

Aside from providing an essential service to those in your community, incorporating MCAs and crisis planning into your business will help you:

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

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

E-mail

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

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

Address

Main Office
1234 Enterprise Drive
De Pere, WI 54115

Operating Hours

7:00 a.m. – 5:00 p.m. CT

Phone

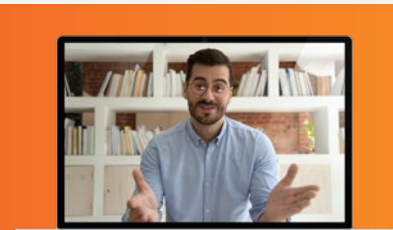
(800) 255-1932

Fax

(805) 683-6313

Chat with Us Live

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



Not sure where to start?
Book a Discovery Call with one of our in-house advisors to learn how we can best serve you.

thekrauseagency.com/schedule

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CHAPTER 1:

About The Krause Agency

Who We Are

We are a national wholesaler of insurance products designed for the senior market. We help agents like you offer meaningful solutions for clients looking to secure their financial future while boosting your revenue in the process. In addition to our products, we provide specialized support and resources to enhance your business and help 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.

How We Got Here

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 financial professionals face: how do I help my clients protect their savings as they age and face a potential long-term care need? His answer was insurance. No matter what stage of the process a client is in, there is an insurance product that can help protect their hard-earned assets.

In January 2015, Dale created The Krause Agency. While the company quickly became a thriving financial services firm, the business was centered around crisis Medicaid planning through the use of

a specialized SPIA product. Through the years, Dale and his team expanded to offer a more well-rounded collection of senior market products.

Although The Krause Agency has always offered long-term care insurance to our agents and their clients, 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. In 2023, we acquired USA-LTC, a California-based brokerage firm that specializes in LTCI, further securing our place as a key player in the long-term care planning industry. Now, our LTCI services are backed by even more experts in the industry, and we have access to all the top LTCI carriers nationwide.

In 2022, we added Medicare products to our ever-growing arsenal as well as a Medicare specialist to provide the training, guidance, and support agents need to offer Medicare products to their clients. Then, in 2023, we added a funeral expense trust and preneed specialist to expand our funeral planning product offerings.

Simply put, we're better equipped than ever to serve your senior market needs.

30+
YEARS OF EXPERIENCE

1,300+
ACTIVE AGENTS

30+
PROFESSIONALS ON STAFF

$500M
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

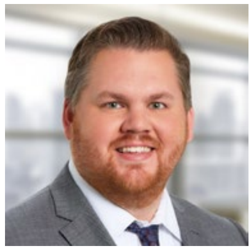
As Vice President, Tom plays a primary role in the growth and development of our company. As a co-creator of the short-term Medicaid Compliant Annuity, his industry knowledge runs deep. Tom has a strong foundation in the elder care industry, which he uses to continually enhance the experience of our 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



Travis Bitters
Benefits Planner

Denise Fessler
Licensing Specialist

Don Levin, J.D., MPA, CLTC
Strategic Relations Director

La Rae Mills
Senior Relationship Manager

Paula Pike
Senior Account Manager

Kayla Puckett
Sales and Licensing Administrator

Richard Rusoff
Relationship Manager

Mary Sizemore

Sales and Admin Coordinator

Ryan Squires

Relationship Manager

Collin Terry, MBA, CLTC

Sales Director

Carolyn Vader

Senior New Business Specialist

Damon Wenig, MBA, CFSP

National FET and Preneed Director

Nate Ziolkowski

Sales Manager

SCHEDULE A DISCOVERY CALL

Not sure where to start? Book a Discovery Call with one of our in-house advisors to learn how we can best serve you. If you're interested in learning more about our products and services and how we can work together, you can connect with a specialist at ***thekrauseagency.com/schedule.***

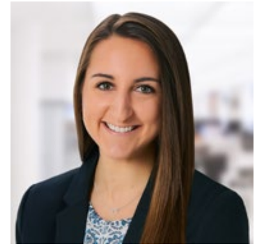
SCAN THE QR CODE TO BOOK YOUR FREE CALL!

Administration & Accounting

Rachael Capek
Administrative Specialist

Andrea Geyer, MBA
Administration Manager

Denise Krause
Accounts Administrator



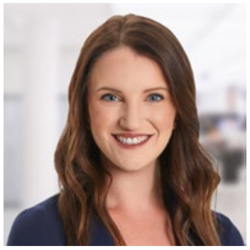
Sarah Lippens
Sales and Administration Coordinator

Cadence Raymond
Administrative Specialist

Ellie VanHorn
Corporate Paralegal

Erin Vertin
Accounting Manager

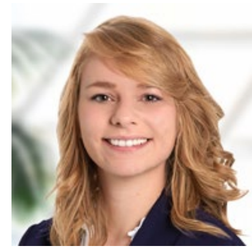
Marketing



Amy Beacham, MBA
Marketing and Communications Director

Katie Camann
Content Marketing Specialist

Brandon Erieau
Senior Web Developer

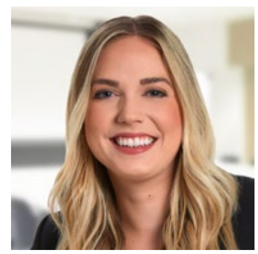


Abby Frank, MBA
Creative Specialist

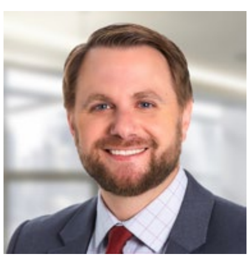
Bri Hemby
Digital Marketing Specialist, CRM Support

Andrew Krause
Digital Marketing Specialist

Trisha Lor
Marketing Associate

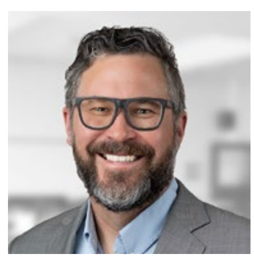


Katie Turner
Education and Events Coordinator



Brian Vogel
Digital Operations Director

Katy Willenbring
Event Marketing Coordinator



Jim Wolverton, J.D.
Director of Legal Education

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

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CHAPTER 2:

Products & Services

Our Products

MEDICAID COMPLIANT ANNUITY

A Medicaid Compliant Annuity (MCA) is a SPIA used in crisis planning that has 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.

LONG-TERM CARE INSURANCE

Long-term care insurance (LTCI) is the ultimate pre-planning tool for healthy clients looking to secure their financial future and set aside funds for a long-term care stay. We offer traditional and asset-based policies that can be structured to meet your client's specific circumstances, budget, and projected care needs. LTCI can be customized with a variety of funding options and may include features such as state partnership protection or a guaranteed death benefit.

MEDICARE PRODUCTS

Medicare products and other health policies provide supplemental health coverage for those who are planning for or in retirement as well as for those under the age of 65 who are eligible for Medicare. We offer consultation, certification, training, and case guidance on Medicare products, including Medicare Supplements, Medicare Advantage Plans, Prescription Drug Plans, Critical Illness and Cancer Plans, Hospital Indemnity, Accident plans, and more.

FUNERAL EXPENSE TRUST

A funeral expense trust (FET) 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.

PRENEED INSURANCE

Preneed insurance consists of a small whole life policy assigned to a specific funeral home used for the policyholder's funeral and related expenses. Changes in assignment can take place before or after death to ensure the transferability of funds to the preferred funeral provider. A growth rate helps to offset inflation and price changes at the time of death.

SHORT-TERM CARE INSURANCE

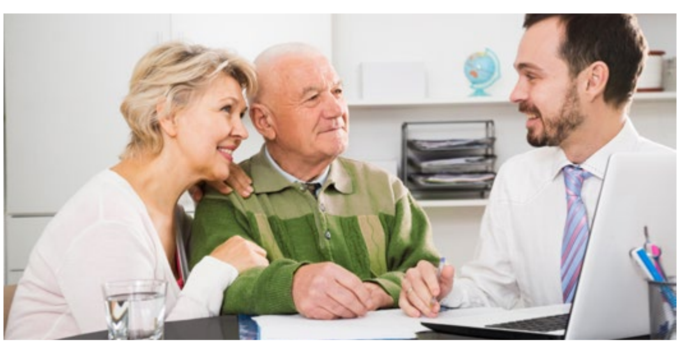
With simplified underwriting, short-term care insurance offers an alternative for clients looking to pre-plan for care costs associated with a chronic illness. Short-term care insurance offers coverage for individuals up to age 89, whereas traditional LTCI usually cuts off applicants at age 79.

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 5-year lookback period.

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, 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 3 to 10 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

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 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.

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.

Our 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.

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.

MEDICARE CONSULTATION

If you're interested in learning more about Medicare products and how they fit into your business, schedule a complimentary Medicare consultation with us. We'll provide guidance on the Medicare products available as well as advice for helping clients choose the right plan for their situation.

MEDICAID PLANNING REFERRAL SERVICE

If you don't have the time to devote to learning crisis Medicaid planning, allow us to help. When you refer a Medicaid planning case to us, we'll pass it along to our strategic partner, and you can rest assured your client is in good hands. Plus, you can decide how involved you want to be AND earn a competitive bonus for the referral.

FAIR HEARING 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.

ANNUITY VALUATION

In crisis planning situations, an existing annuity may impede a client's Medicaid 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 planning options. From valuation to sale, the process can take as little as two weeks. **Plus, agents earn a commission on the sale of the annuity.**

Not Sure Where to Begin?

Whether you're looking to take advantage of one of our services, or you have questions about a specific product, schedule a call with one of our in-house advisors. We look forward to hearing from you!

▶▶▶ **thekrauseagency.com/schedule**

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CHAPTER 3: Resources

Education and Training

eACADEMY WEBINARS

Our eAcademy webinars provide essential information about a variety of topics associated with long-term care planning and the senior market, including real-life case studies that illustrate popular products and 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.

CARRIER WEBINARS

Stay up to date on the products, resources, and services available through our insurance carriers. Throughout the year, we feature a variety of carrier webinars tailored to long-term care planning and the senior market.

▶▶▶ Register for our upcoming webinars at ***thekrauseagency.com/webinar***.

CARRIER ANNOUNCEMENTS

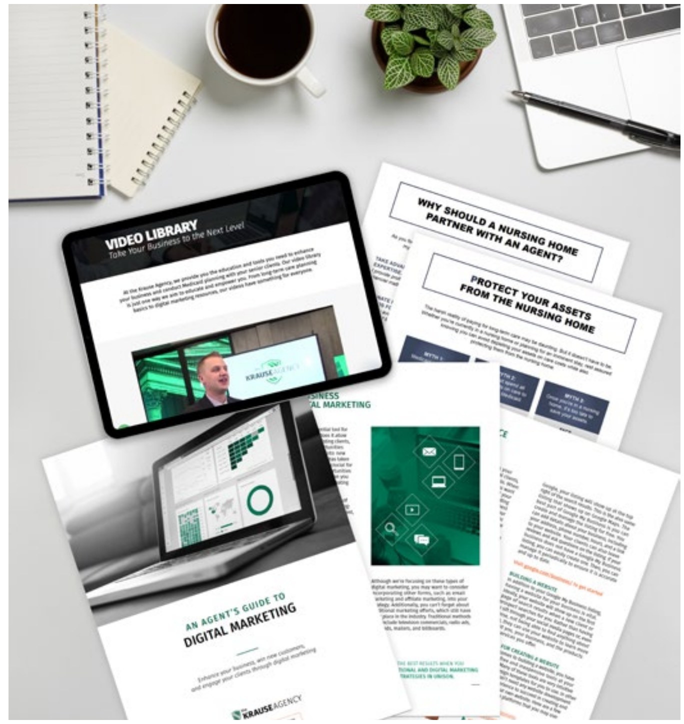
Stay in the know with these important updates from our trusted insurance carriers. In order to get the right information for your business, you can search for a specific carrier or filter announcements by product.

CONSUMER RESOURCES

View flyers, handouts, PowerPoints, and more designed specifically for your target audience. With resources for all our major products, we have the tools you need to explain the value of your offerings to your prospective clients.

VIDEO LIBRARY

Our videos are designed to bolster your growth by breaking down complex topics into straightforward and understandable concepts, providing insight from industry leaders, and taking an in-depth look at marketing strategies for 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.

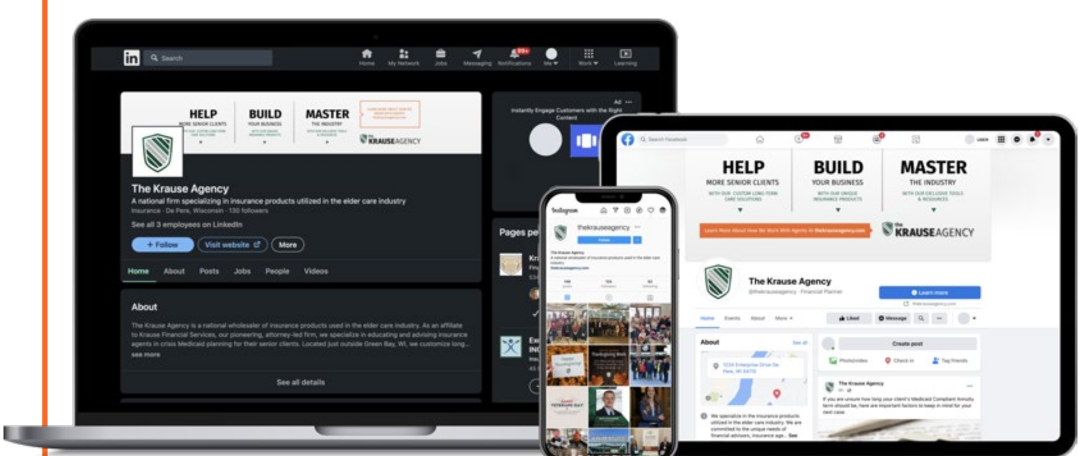
BLOGS

Stay up to date with the latest planning tips, industry updates, and news. Our blogs go in depth on long-term care planning strategies, important issues in the long-term care planning industry, and breaking news relevant to your clients and your business.

SOCIAL MEDIA

Follow The Krause Agency on Facebook, LinkedIn, X, and Instagram for regular updates on the senior market, upcoming 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 providing senior market solutions and long-term care products to their clients.

By creating your free account, you get instant access to:

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 webinars.

MEDICAID RESOURCES

When it comes to crisis planning, it's crucial to stay up to date on Medicaid's rules and regulations. That's why we provide the latest state-specific information, including Medicaid planning figures, your state's Medicaid manual, and relevant legal changes.

LTCI QUOTING TOOLS

Obtain an online quote for your client's traditional or asset-based long-term care insurance policy. Simply provide a few details about your client's case, get a realistic quote, and walk into your next meeting prepared with a proposal.

MEDICARE SEARCH & SAVE

Search & Save is your all-encompassing Medicare quoting and client management system for Medicare Supplements, Advantage Plans, and Prescription Drug Plans. This tool simplifies the selling process and helps keep you compliant.

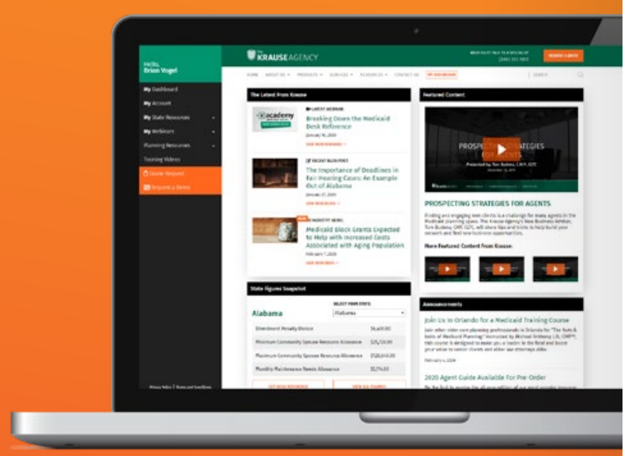
PERSONALIZED DASHBOARD

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 product assistance from one of our in-house advisors.

EXCLUSIVE CONTENT INCLUDES:

- White papers
- Consumer Resources
- Important announcements
- And more!

Visit ***thekrauseagency.com/start*** to create your free account today!



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CHAPTER 4:

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.

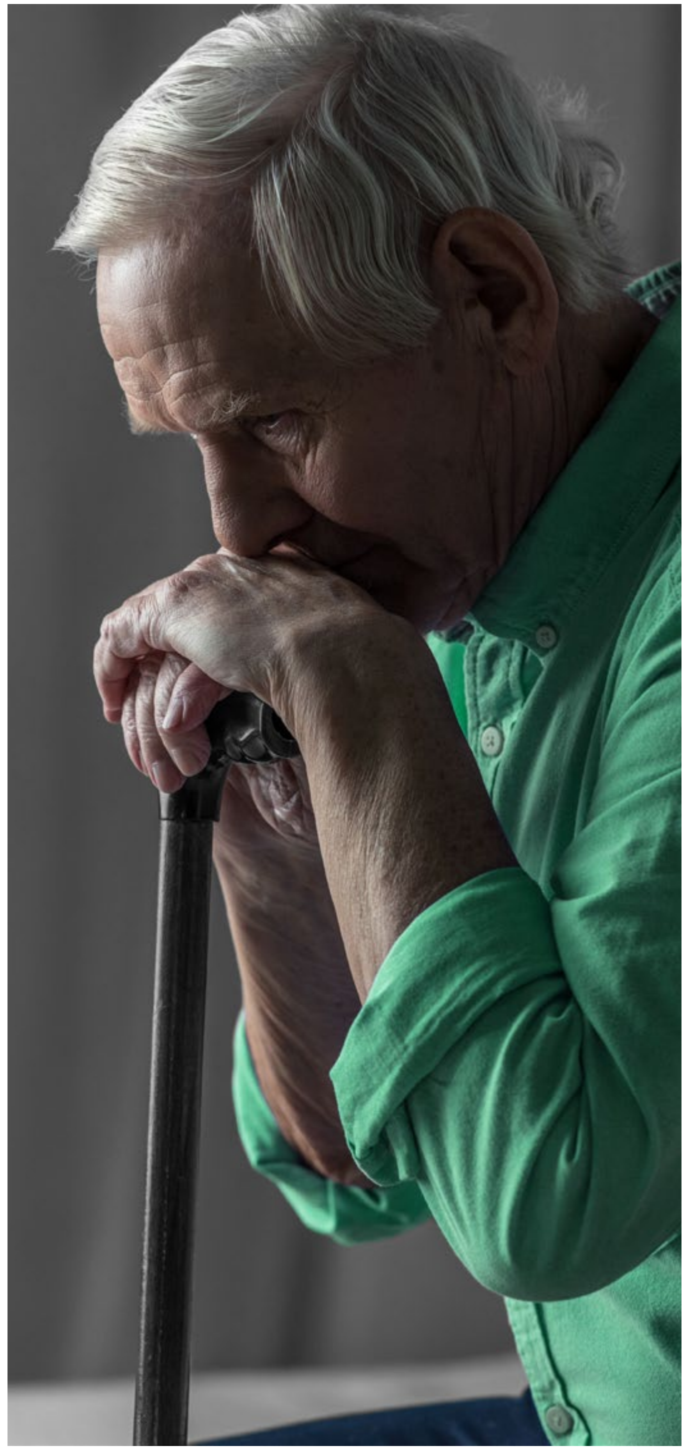
As an increasing number of seniors are faced with this reality, they'll be searching for guidance and looking for someone to help protect their hard-earned assets. That's where you come in. **That's where you come in.**

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

(Centers for Medicare and Medicaid Services)

2.8 Years The average projected length of a long-term care event is 2.8 years.

(U.S. Department of Health and Human Services)



The Cost of Care

IN-HOME CARE
Average Cost: $4,640 per month*
($29/hour, 40 hours/week)

- 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: $5,095 per month* (1 bedroom)

- 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.

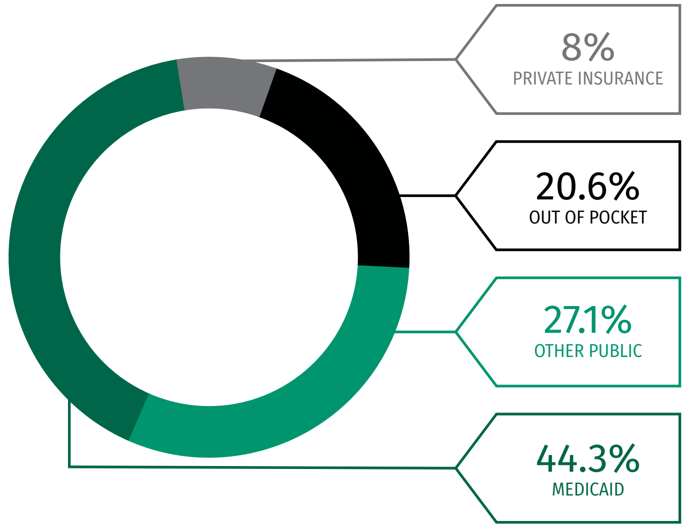
NURSING HOME
Average Cost: $7,908 per month*
(Semi-private room)

- 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.

* *illumifin 2022 Cost of Care Study, March 2023*

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 November 2022.

PRIVATE INSURANCE [8%]
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 seniors must purchase LTCI while they're still healthy.

WHAT ARE ACTIVITIES OF DAILY LIVING?

- Eating
- Bathing
- Dressing
- Toileting
- Transferring
- Continence

OUT OF POCKET [20.6%]

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 [27.1%]

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. This also includes federal COVID-19 pandemic assistance. These public funds are typically not enough to cover the entire bill, requiring many seniors to find additional coverage.

2024 VA Aid & Attendance Monthly Pension Rates	
Single Veteran	**$2,300**
Married Veteran	**$2,727**
Surviving Spouse	**$1,612**
Veteran Married to Veteran	**$3,649**

!

"Other Public" 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.

MEDICAID [44.3%]

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.

Learn more about the Medicaid program on page 25.

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 clients in need, now is the best time to dive into long-term care and the senior market.

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)

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 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 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.

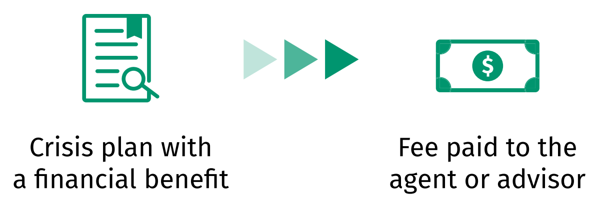
Earn competitive commissions on long-term care insurance, funeral expense trusts, and tax-deferred annuities. Plus, Medicaid Compliant Annuity commissions now start at 12 months!

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 with a necessary service with a favorable economic outcome, they likely view the fees as a small price to pay for a large benefit.

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.

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CHAPTER 5:

Incorporating Long-Term Care Planning Into Your Business

Whether you're new to the senior market or looking to expand your business, long-term care and crisis planning offers an essential opportunity. Not sure where to begin? Let us help!

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 the senior market, 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 videos and interviews, email newsletters, white papers, and blogs covering a wide variety of planning topics.

- Our annual Agent Guides
- Live and on-demand webinars
- Educational videos & interviews
- Email newsletters
- White papers
- Relevant blog posts

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!

Crisis Planning for Long-Term Care

Although more than 50% of seniors will require long-term care at some point, the unfortunate reality is many individuals fail to plan ahead for their care. And many of them believe they have to exhaust their life savings before they can qualify for benefits. With crisis planning, you can provide them with a solution to accelerate their eligibility for benefits while preserving their hard-earned assets.

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

Pre-planning is appropriate for individuals who:

- Are in fairly good health
- 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

PRE-PLANNING VS. CRISIS PLANNING

On the other hand, pre-planning involves developing a long-term care plan and putting asset protection strategies into motion ahead of time—before care is required. In order to take advantage of most pre-planning strategies, clients must be relatively young and healthy and at least five years from requiring long-term care. Pre-planning is the best way to ensure your clients have the resources they need and the flexibility they desire for their long-term care without placing an undue burden on their loved ones.

50% More than 50% of the U.S. population turning 65 today is expected to require long-term care.

(U.S. Department of Health and Human Services)

THE IMPORTANCE OF CRISIS PLANNING

Although pre-planning is ideal, crisis planning is still a vital piece of your business. Simply put, many seniors are unprepared for the high cost of long-term care and are seeking solutions to cover these costs while preserving their nest egg. With crisis planning, you can help them do just that.

WHERE DO WE COME IN?

No matter their situation, we offer solutions to protect your client's 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 senior market agent in your area.

CPAS AND FINANCIAL ADVISORS

Partnering with your peers in the financial space allows you to reach individuals who are already seeking financial guidance. Joining local professional groups and attending industry events can help you connect with likeminded professionals whose clients may benefit from your services.

DOCTORS' OFFICES

A sudden health event or diagnosis can cause anyone to reevaluate their future plans. Reach out to local doctors' offices and let them know about the products and services you offer that may benefit their patients facing financial uncertainty.

PROFESSIONAL ASSOCIATIONS

Joining professional associations opens the door to a world of connections in the financial space. Not to mention, being a part of these groups can indicate an extra level of authority in the industry, meaning clients and prospects may be more likely to trust you.

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.

SENIOR CITIZEN ORGANIZATIONS

One of the best and largest referral sources for agents is simply their target market—aging adults. Get involved with local organizations that are geared toward or specifically for seniors and individuals nearing retirement. 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.

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.

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 individuals 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.

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.

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

The senior market involves both financial and legal matters. 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.

Learn more about working with elder law attorneys on page 55.

WHAT ABOUT LONG-TERM CARE PLANNING RESOURCES FOR ATTORNEYS?

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

06 CHAPTER 6: 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.

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.

IN A NURSING HOME, MEDICAID COVERS:

- Room and board
- Pharmacy
- Incidentals

BATTLING THE MISCONCEPTIONS OF MEDICAID VS. MEDICARE

Unfortunately, many seniors believe Medicare pays for long-term care. In reality, it only covers skilled nursing care in a rehabilitative setting after a qualifying inpatient hospital stay of at least three days, and 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: $204 (for 2024) 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 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.

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 help them accelerate their eligibility while protecting their hard-earned assets in the process.

INCOME

Medicaid's income requirements vary depending on the applicant's marital status. While the institutionalized individual has an income limit, the community spouse is not subject to any income restrictions.

Institutionalized Individual

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 from the private pay rate, such as the facility's Medicaid Reimbursement Rate or a different limit.

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 2024, this limit is $2,829.

Married Couple

In the case of a married couple, the spouse in the nursing home is subject to the rules outlined previously. On the other hand, the spouse living at home, known as the community spouse, is not subject to any income restrictions, meaning they can receive unlimited income and still qualify the institutionalized spouse for benefits. If the couple receives joint income, one-half will be attributed to the institutionalized spouse.

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.

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.

ASSETS

For Medicaid purposes, assets are divided into two categories: exempt and countable. The institutionalized individual and the community spouse have separate allowances of countable resources they can retain.

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*
- 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 48.*

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 42.

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, which is between $713,000 and $1,071,000 in 2024.

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 $30,828 and $154,140 in 2024. 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 $30,828 and $154,140**, depending on their state.

View your state's Medicaid figures by logging in to your Agent Access account.

▶▶▶ ***thekrauseagency.com/start***

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 and allow 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 qualifies for Medicaid benefits.

> The goal is for the spouse at home to maintain their current lifestyle within the community.

SUPPLEMENTAL SECURITY INCOME (SSI)		
	Individual	Couple
SSI Federal Benefit Rate	$943	$1,415
SSI Resource Standard	$2,000	$3,000
Income Cap Limit (300%)	$2,829	N/A

SPOUSAL IMPOVERISHMENT STANDARDS*		
Minimum MMNA	$3,080 $2,835 $2,465	Alaska Hawaii All Other States
Maximum MMNA	$3,853.50	All States
Shelter Standard	$924 $850 $739.50	Alaska Hawaii All Other States
CSRA	$30,828 $154,140	Minimum Maximum
Home Equity Limits	$713,000 $1,071,000	Minimum Maximum

**Spousal impoverishment standards may vary by state.*

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

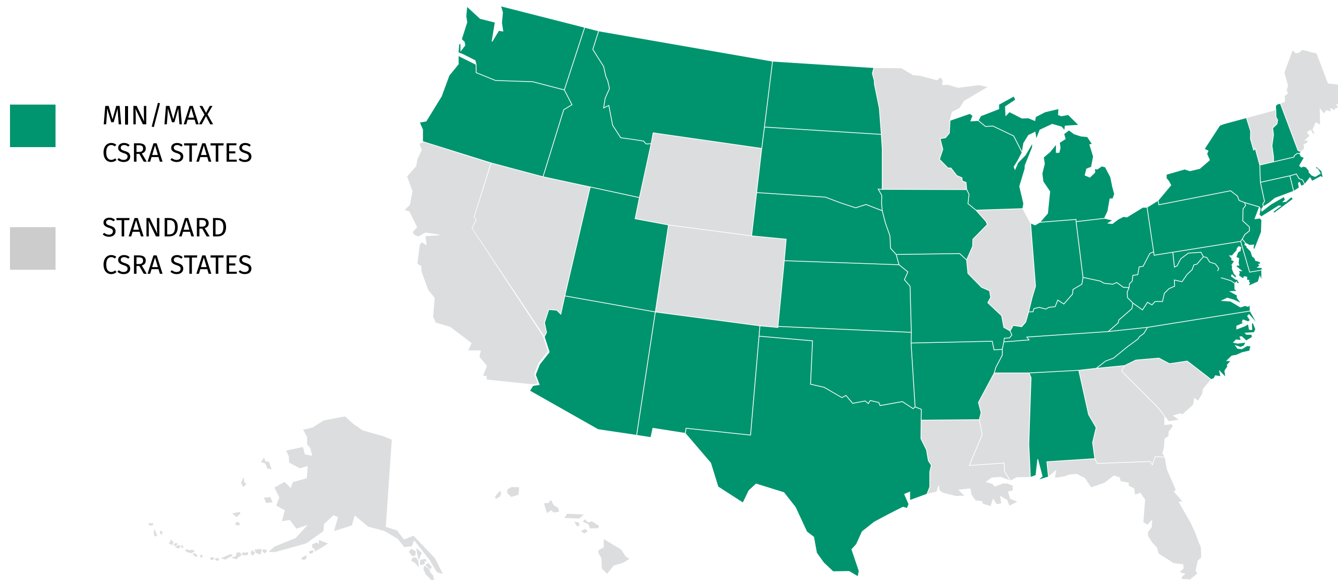
Some states apply a standard CSRA for all cases involving a married couple. In these states, the couple must spend down their excess countable assets to this limit in order to qualify the institutionalized spouse for Medicaid. The allowance varies by state but is generally capped at $154,140 in 2024.

Minimum/Maximum CSRA States

Most states apply a minimum and maximum CSRA. In these states, the community spouse's allowance 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 $30,828 and $154,140 in 2024, 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 that the Medicaid applicant was institutionalized for 30 consecutive days. Then, take the couple's total countable assets on that date and divide it in half.



MEET JOHN AND RUTH

John and Ruth are married, and John enters a nursing home on January 1, 2024. As of that date, the couple's total countable assets were $350,000. 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?

DETERMING THE CSRA

To calculate Ruth's CSRA, first divide the couple's total countable assets in half.

Total Assets as of the Snapshot Date:	$350,000
Divided By:	÷ 2
Resulting Figure:	**$175,000**

Maximum CSRA: $154,140

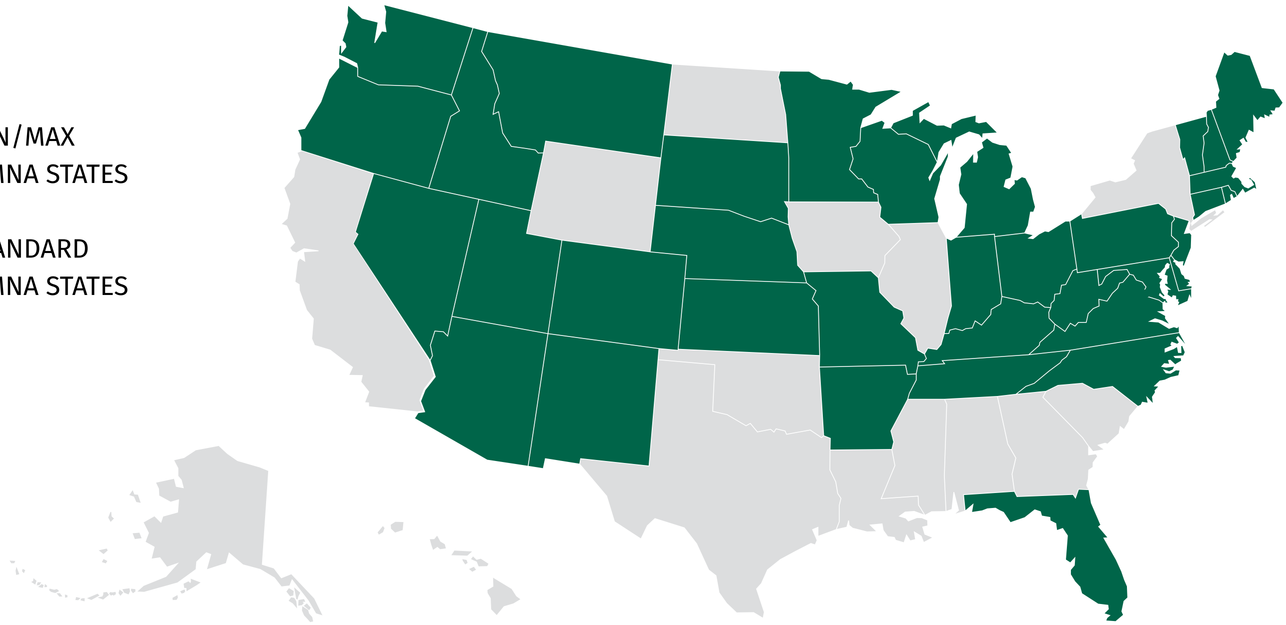
If the resulting figure **exceeds the max CSRA,** the community spouse can **keep the max CSRA.**

If the resulting figure is **between the min and max CSRA**, the community spouse can **keep that amount.**

Minimum CSRA: $30,828

If the resulting figure is **less than the min CSRA,** the community spouse can **keep the min CSRA.**

Since the resulting figure is more than the maximum CSRA, Ruth can keep the maximum CSRA of $154,140.



MONTHLY MAINTENANCE NEEDS ALLOWANCE

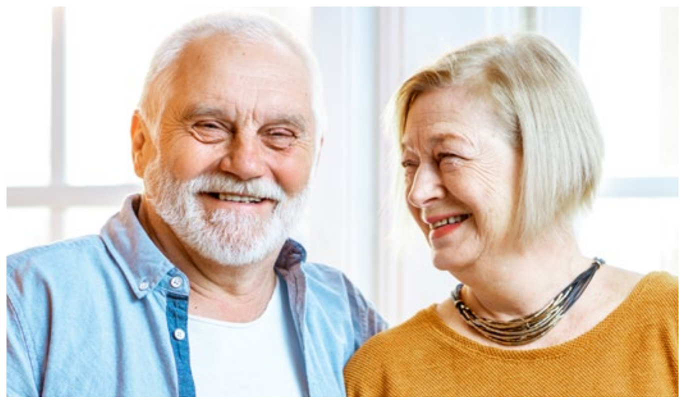
The Monthly Maintenance Needs Allowance (MMNA) is the amount of income the community spouse is entitled to. If the community spouse's income is less than their MMNA, they will receive an income shift of the difference, dollar for dollar, from the institutionalized spouse.

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 $3,853.50 in 2024.

Minimum/Maximum MMNA States

Most states apply a minimum and maximum MMNA. Rather than being entitled to 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 $2,465 and $3,853.50 in 2024, respectively.



CONSIDER JOHN AND RUTH AGAIN

Consider John and Ruth again. They have spent down their excess countable assets, and John becomes eligible for Medicaid. Ruth's monthly income is $2,300. 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:	**$2,465**
Maximum MMNA:	**$3,853.50**
Standard Utility Allowance:	**$450**
Shelter Standard:	**$739.50**

CALCULATING THE MMNA

To calculate Ruth's MMNA, start by adding up her total monthly shelter expenses, including her state-specific Standard Utility Allowance.

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. This allowance varies by state. In this case, Ruth's Standard Utility Allowance is $400.

Mortgage Payment:	$1,200
Real Estate Taxes:	+ $300
Homeowner's Insurance:	+ $100
Standard Utility Allowance:	+ $450
Total Monthly Expenses:	**$2,050**

Next, subtract the Shelter Standard from Ruth's total monthly shelter expense.

The **Shelter Standard** is a base figure for all 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 $739.50 in 2024 in most states.

The resulting figure is the excess expenses Ruth is responsible for each month.

Total Monthly Expenses:	$2,050
Shelter Standard:	- $739.50
Excess Expenses:	**$1,310.50**

Then, add the excess expenses to the minimum MMNA to calculate Ruth's adjusted MMNA.

Excess Expenses:	$1,310.50
Minimum MMNA:	+ $2,465
Ruth's MMNA:	**$3,775.50**

Ruth's MMNA falls below the maximum of $3,853.50, so she is entitled to recieve the resulting figure. To determine Ruth's income shift from John, subtract her monthly income from her MMNA.

Ruth's MMNA:	$3,775.50
Ruth's Income:	- $2,300
Income Shift from John:	**$1,475.50**

RESULTS

Ruth is entitled to receive **$1,475.50** 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.

DIVESTMENT TIMELINE

Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
$15,000	**$15,000**	**$15,000**	**$15,000**	**$15,000**	**$15,000**	**$15,000**

MEET BERNICE

Bernice is residing in a nursing home and seeking Medicaid eligibility. Unaware of Medicaid's rules on divestments, Bernice has been making gifts to her children in the amount of $15,000 each year since 2018. Over the last several years, she has given over $100,000 to her children.

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

Although Bernice 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 Bernice will be penalized for Medicaid purposes.

$

Divestment Penalty Divisor:	**$7,500**
Total Gifted:	**$105,000**
Lookback Period Divestments:	**$75,000**

CALCULATE THE PENALTY PERIOD

To calculate Bernice's penalty period, divide her total divestments during the 5-year lookback period by her state-specific Divestment Penalty Divisor.

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

RESULTS

Bernice 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.

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.

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 resource 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 funeral expense trusts and most 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 upgrade their home or buy 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 a Funeral Expense Trust***
  A 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.

  Learn more about funeral expense trusts on page 82.

- ***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.

  Learn more about Medicaid Compliant Annuities on page 42.

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.

▶▶▶ Learn more about working with an elder law attorney on page 55.

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.

WHAT ABOUT MEDICAID APPLICATION SERVICES?

Medicaid Application Services gather application documents and guide applicants through the entire application process—from start to finish. For a fee, applicants can use these services for help completing the Medicaid application. If you are interested in passing along the application process to another professional, you can take advantage of our Medicaid Planning Referral service. Contact our office to learn more!

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.

Looking to offload the Medicaid application or full Medicaid plan?

Whether you don't have time to devote to Medicaid planning or you have too many cases on your plate, you can take advantage of our Medicaid Planning Referral service! When you refer a case to us, we'll pass it along to our strategic partner, and you can rest assured your client's case is in good hands. Plus, you can decide how involved you'd like to be. Give us a call at **(800) 255-1932** to learn more.

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 support from our in-house legal staff.

!

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

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

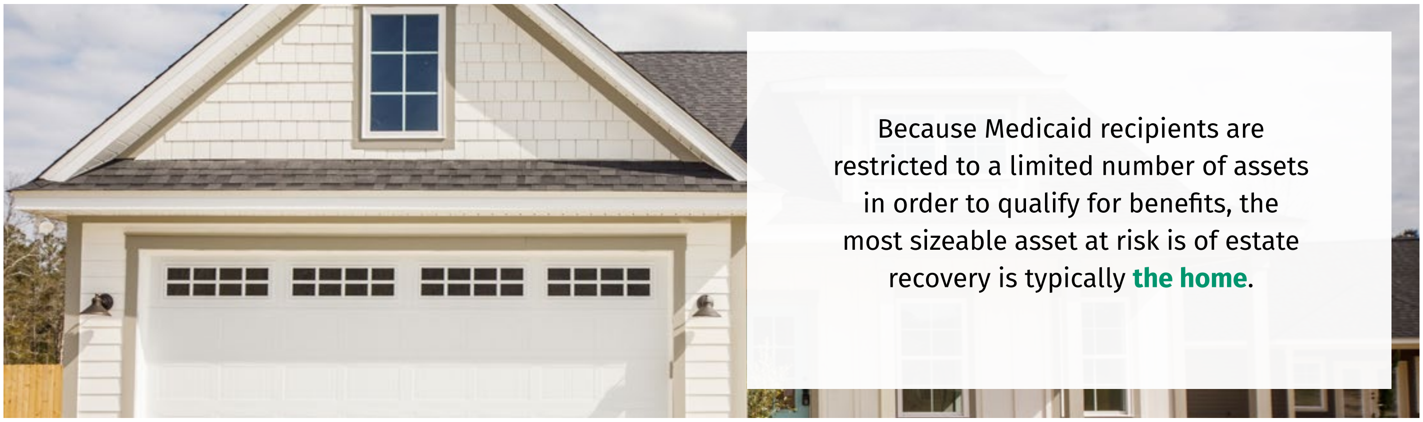
Non-Probate Assets at Risk

- 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.



Because Medicaid recipients are restricted to a limited number of assets in order to qualify for benefits, the most sizeable asset at risk is of estate recovery is typically **the home**.

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.

Learn more about MCAs and their beneficiary rules on page 42.

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!

07 CHAPTER 7: 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 your clients to legally eliminate the excess countable assets preventing them 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.

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.

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 to ensure advisors 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 2-month MCA, an unprecedented achievement that allows seniors to preserve even more of their hard-earned assets.

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 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, 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. When using the Gift/MCA plan for 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 why you should use an MCA instead. In many cases, especially when cash assets are involved, an MCA is simply more practical. Since it's controlled by an 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.

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
- No maximum issue age

PARTIES TO AN MCA

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.

WHEN SHOULD MY CLIENT USE AN MCA?

An MCA 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

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. That's why our exclusive wholesaler relationships provide such a great benefit to your clients in crisis.

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

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.

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:

Commissions

In addition to considering your client's situation, it's also important to understand how choosing a carrier can impact you and your business. Make sure you consider the carrier's MCA commission opportunities when deciding which insurance company you want to work with.

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.

Free-Look Period

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

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.

Scan the QR code or ***visit thekrauseagency.com/contracting*** to get started.

Our MCA Process

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.

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?

Not sure where to begin?

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

thekrauseagency.com/schedule

!

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.

WHAT ABOUT ROTH IRAS?

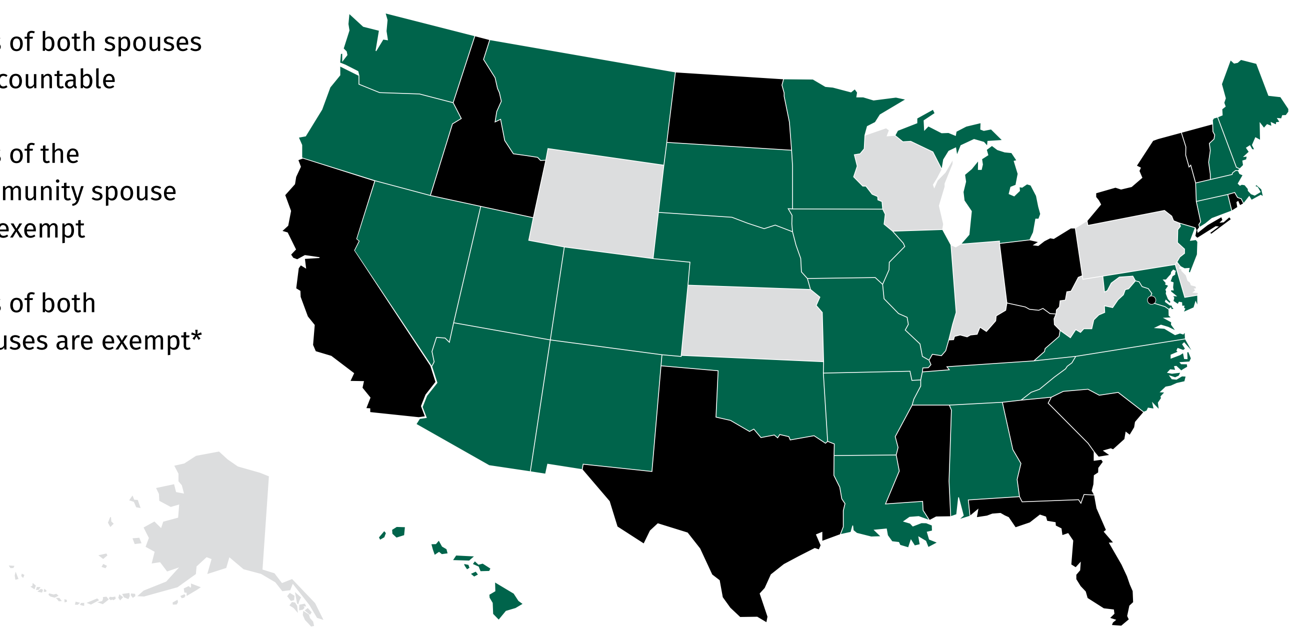
Since Roth IRA contributions are taxed before being deposited, the process of funding this type of IRA into a Medicaid Compliant Annuity typically involves liquidating the account and funding the proceeds into a non-qualified MCA. Roth IRAs can be liquidated tax-free as long as the funds have been in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

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.

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 $206,000, their Medicare Part B and Medicare Part D premiums will increase.

!

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.

!

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 8:
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

If your client has an existing tax-deferred annuity, it will almost always be considered a countable asset for Medicaid purposes. The only exception is if the annuity is also an IRA that is an exempt asset in your state. Your client has two options for dealing with a tax-deferred annuity while seeking Medicaid eligibility. They can either liquidate the contract or transfer it to a Medicaid Compliant Annuity.

Option 1: Liquidate the Account

Liquidation allows the client to access the cash within the annuity, which they can then use to purchase or improve exempt assets during the spend-down process. However, any deferred gain on the annuity is taxable in the year of receipt, so liquidating the contract may result in significant tax consequences. Additionally, the client may owe a surrender charge for liquidating the contract.

Due to immediate tax consequences, liquidation is typically only done for smaller-value annuities.

Option 2: Transfer to an MCA

On the other hand, transferring a tax-deferred annuity to a Medicaid Compliant Annuity allows the client to avoid the immediate tax consequences of liquidating the contract by spreading them out over the term of the MCA while also eliminating the countable resource for Medicaid purposes. However, the client may still owe a surrender charge for transferring the contract.

!

To transfer a tax-deferred annuity to an MCA without incurring immediate tax consequences, your client can do a **Section 1035 Tax-Free Exchange**.

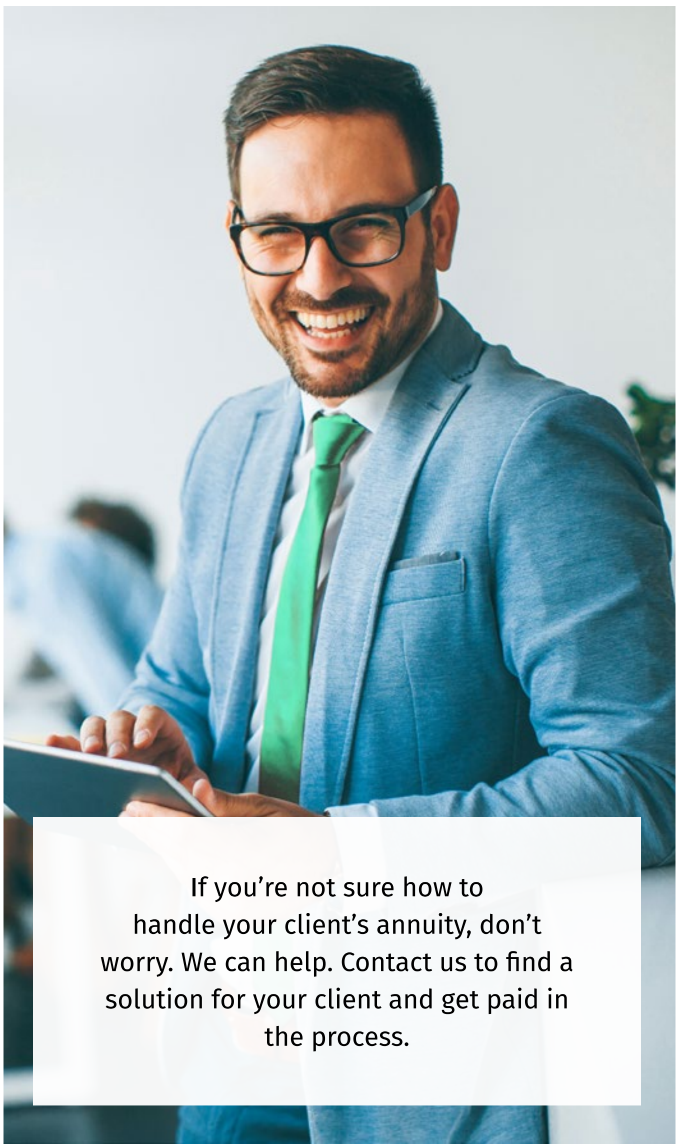
1. When filling out the MCA application, the contract owner will complete additional transfer paperwork.
2. After receiving the application and transfer paperwork, the MCA insurance company will obtain the annuity funds directly from the current custodian.

IMMEDIATE ANNUITIES

An immediate annuity is annuitized upon purchase and begins making regular payments immediately. It is typically funded with a lump sum of cash, and many immediate annuities are structured with a lifetime payout, so payments are made until the death of the annuitant. This type of contract cannot be surrendered and does not contain accessible cash value. The term "immediate annuity" can also refer to a tax-deferred annuity that has been annuitized.

IMMEDIATE ANNUITIES AND CRISIS PLANNING

When it comes to Medicaid planning, an immediate annuity falls into one of three categories: Medicaid compliant, divestment, or asset.



If you're not sure how to handle your client's annuity, don't worry. We can help. Contact us to find a solution for your client and get paid in the process.

Medicaid Compliant

If an immediate annuity meets the requirements of the Deficit Reduction Act of 2005 (DRA), it is Medicaid compliant and considered income only to the payee. The annuity must be irrevocable, non-assignable, and actuarially sound. It must also make equal monthly payments and name the state as primary beneficiary (in most cases).

Divestment

If the annuity is irrevocable and non-assignable but does not meet the other requirements of the DRA, the premium amount will be treated as a divestment for Medicaid purposes. In most cases, the owner will incur a penalty period of ineligibility.

Asset

If your client's immediate annuity is revocable and assignable, it can be transferred to another party. Therefore, it will be considered to have value in most cases, even though the contract owner does not have access to the funds.

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.

Annuity Valuation

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.

NON-COMPLIANT ANNUITY VALUATION PROCESS

Send your client's contract

↓

We assess the contract value

↓

We present multiple offers

↓

Client accepts an offer

↓

Client completes paperwork

↓

Client receives cash

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

No → Is the annuity assignable?

- **Yes** → **THE ANNUITY IS *NOT* MEDICAID COMPLIANT.** *Consider selling it on the secondary market or to a family member.*
- **No** → Does the annuity meet the remaining requirements of the DRA?
  - **Yes** → **THE ANNUITY IS MEDICAID COMPLIANT AND IS TREATED AS COUNTABLE INCOME ONLY.**
  - **No** → 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.

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!

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.

Scan the QR code or go to ***thekrauseagency.com/intake*** for a complimentary review of your client's annuity.

09

CHAPTER 9:

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
- 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, 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.

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CHAPTER 10:

Medicaid Compliant Annuity FAQs

WHAT IS THE MINIMUM PREMIUM AMOUNT TO FUND A MEDICAID COMPLIANT ANNUITY?

Most of our insurance carriers require a minimum premium amount of $5,000. For details on the carrier options and requirements in your state, please contact our office directly.

WHAT IS THE MINIMUM TERM LENGTH FOR A MEDICAID COMPLIANT ANNUITY?

Most of our insurance carriers require a minimum term of two months, though they may also enforce premium maximums for short-term annuities. For details on the carrier options and requirements in your state, please contact our office directly.

HOW DO I BEGIN A CASE WITH YOU?

To get started, simply reach out to us. If you would like to start online, you can fill out our online quote request form or download one of our intake sheets. Both options are available on our website at thekrauseagency.com. If you would prefer to speak with someone directly, you may call our office at (800) 255-1932. If you've worked with us before, you can also email the Benefits Planner you worked with in the past.

WHICH INSURANCE CARRIERS DO YOU WORK WITH?

Only a handful of carriers provide MCAs and other Medicaid compliant products. Our office works with several nationwide carriers that specialize in these products, many of which have an A.M. Best rating of "A" or higher. Additionally, we have exclusive partnerships with many of these companies. For more information on the products and carriers available in your state, contact our office directly.

HOW DO I GET APPOINTED?

We make contracting easy through the SuranceBay SureLC™ contracting platform. Contact us at (800) 255-1932 or go to thekrauseagency.com/contracting to get started.

WHEN CAN I START SUBMITTING BUSINESS? ARE THERE ANY PRODUCTION LIMITS?

As long as all your agent application documents are submitted and approved, you may start writing business immediately. Please note that you may not be assigned an agent code until after you submit your first piece of business. We do not stipulate production limits, but you must submit at least one piece of business every 12 months to stay active with most carriers.

CAN I SEND BUSINESS DIRECTLY TO THE INSURANCE CARRIER?

In most cases, no. You must first send the application paperwork to our office for processing. Please call our office to learn about circumstances in which you may send an application directly to the carrier.

WHEN WILL I RECEIVE MY COMMISSION?

Typically, carriers provide commissions the week following the contract's release. However, specific commission policies are dependent on the respective insurance carrier, and timing may vary based on the circumstances of the case. For more information, please contact our office directly.

WHY IS THERE A FEE INVOLVED?

In the case of a short-term MCA, many carriers require we pay a fee to secure the annuity purchase. In this case, no commission is available, and we collect the fee from the client. Service fees cover the assistance provided by our staff in reviewing application documents and ensuring Medicaid compliance. We also offer complimentary case support in the event of a Medicaid denial.

We never charge a fee if we don't have to. Therefore, all case advisement, proposals, and quotes are complimentary with no obligation to proceed. A fee may only be due if the client chooses to purchase the annuity.

WHAT'S THE DIFFERENCE BETWEEN ACQUIRING A COMPREHENSIVE PROPOSAL AND A QUOTE?

Comprehensive proposals are detailed plans outlining how your client can use a Medicaid Compliant Annuity to accelerate their eligibility for benefits. These proposals include a product recommendation and the projected economic results of the plan. If you already know the desired product, term, and premium amount for your client's case, we can provide a quick quote and any necessary application paperwork.

MY CLIENT IS READY TO PROCEED WITH THE ANNUITY PURCHASE. WHAT'S THE NEXT STEP?

If your client is ready to proceed with purchasing an MCA, please send the annuity application documents as well as the funds to our office for processing. Contact our office for the necessary paperwork and instructions.

HOW LONG DOES IT TAKE TO RETRIEVE THE POLICY?

Once our office receives the application and funds, the insurance carrier will begin the process of issuing the policy the next business day. Once we receive the policy contract back from the carrier, we will email a copy to your office immediately and send the originals via mail upon request. Policies are typically issued within five to seven business days from the time of submission. This timeframe may vary based on the insurance carrier and the method of funding the annuity.

MY CLIENT DIED BEFORE THE ANNUITY TERM ENDED AND THE STATE MEDICAID AGENCY WAS NAMED PRIMARY BENEFICIARY. WHAT HAPPENS NOW?

Once you notify us of the death, we can handle the death claims process. First, we will notify the insurance carrier of the death. Once they receive a death certificate, they can begin the claims process. The insurance carrier will then notify the State of its interest in the MCA and send a claim package the State and the contingent beneficiary. Next, the State must send a reimbursement or release letter to the insurance carrier. Once received, the insurance carrier will settle the State's claim, accept the release, and distribute the subsequent MCA balance (if any) to the contingent beneficiaries.

Do you have more questions?

Scan the QR code or visit ***thekrauseagency.com/schedule*** to schedule a call with one of our advisors.

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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) and Individual Resource Allowance 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, the couple's 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.

See a case study of a Community Spouse MCA on page 67.

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.

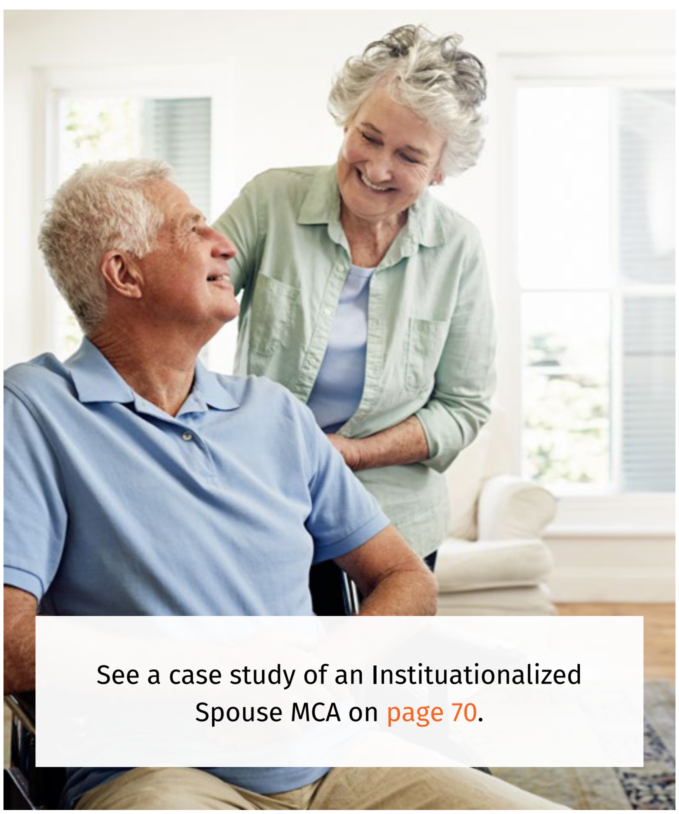
Scan the QR code to view the full Social Security Administration Actuarial Life Table.

MALES				FEMALES			
AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD
65	16.94	83	6.31	65	19.66	83	7.44
66	16.26	84	5.88	66	18.88	84	6.93
67	15.58	85	5.47	67	18.10	85	6.44
68	14.91	86	5.07	68	17.34	86	5.99
69	14.24	87	4.70	69	16.58	87	5.55
70	13.59	88	4.35	70	15.82	88	5.15
71	12.94	89	4.02	71	15.08	89	4.76
72	12.30	90	3.72	72	14.36	90	4.41
73	11.67	91	3.44	73	13.64	91	4.08
74	11.05	92	3.18	74	12.94	92	3.78
75	10.46	93	2.96	75	12.26	93	3.51
76	9.88	94	2.75	76	11.60	94	3.27
77	9.32	95	2.57	77	10.95	95	3.05
78	8.77	96	2.42	78	10.31	96	2.85
79	8.25	97	2.28	79	9.70	97	2.68
80	7.74	98	2.15	80	9.10	98	2.52
81	7.25	99	2.04	81	8.53	99	2.37
82	6.77	100	1.93	82	7.98	100	2.23

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.



See a case study of an Instituationalized Spouse MCA on page 70.

> **!**
>
> 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.

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.

> **!**
>
> 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.

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. 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.

> **!**
>
> **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.

Make sure you consult a tax expert before liquidating your client's IRA or transferring it to a Medicaid Compliant Annuity.

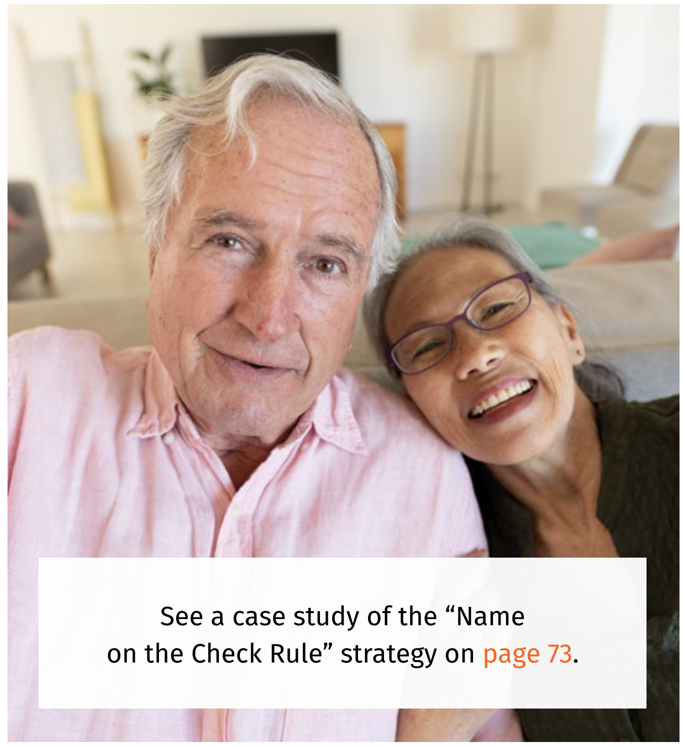
"Name on the Check Rule" Considerations

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.



See a case study of the "Name on the Check Rule" strategy on page 73.

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

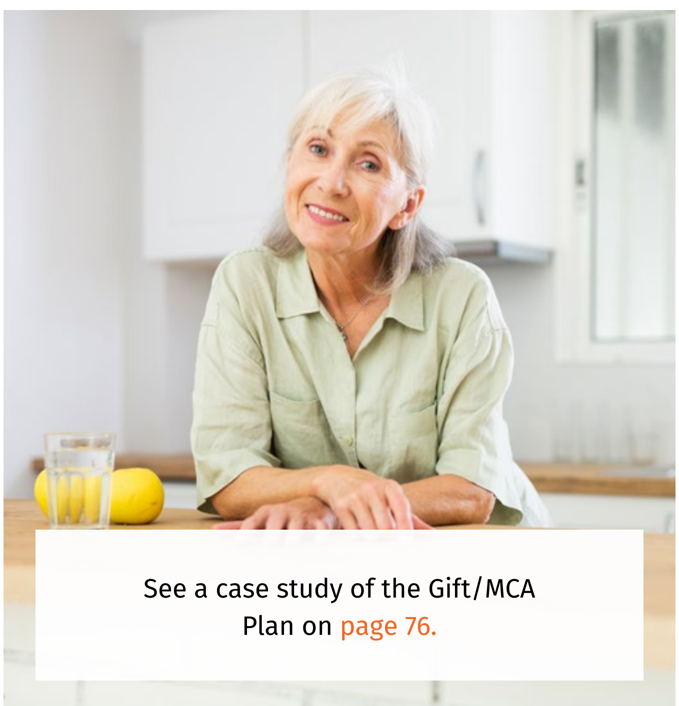
The Gift/MCA Plan (also known as the Half-a-Loaf Plan) is the most popular planning strategy for a single person. The goal of this strategy is to create a wealth transfer to the client's intended heir(s) in the form of a divestment, triggering a penalty period. The client then uses their remaining assets 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.

GIFT/MCA PLAN PROCESS

Create a wealth transfer to a loved one or trust.	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.

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.



See a case study of the Gift/MCA Plan on page 76.

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.

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).

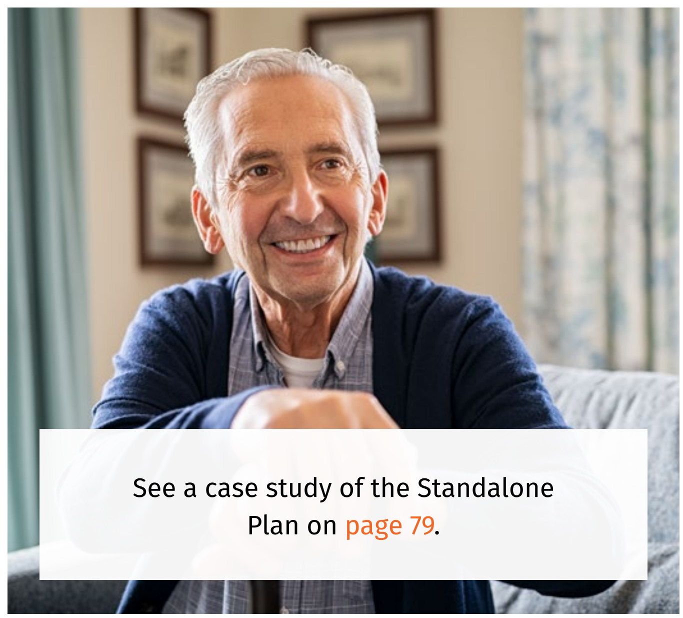
STANDALONE PLAN PROCESS

1. Use the full spend-down amount to purchase an MCA, and structure the term using the full Medicaid life expectancy.
2. The MCA payments become part of the Medicaid co-pay, and the state Medicaid agency pays the Medicaid Reimbursement Rate to the nursing home.
3. 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
4. The remaining annuity funds will then go to the contingent beneficiary, the individual's intended heir(s).

Upon the Medicaid recipient's passing and the state's claim, the residual benefits will pass to their heirs.

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.



See a case study of the Standalone Plan on page 79.

Looking for your state's Medicaid figures?

Log in to your Agent Access account to view crucial Medicaid planning resources for your state.

▶▶▶ ***thekrauseagency.com/start***

Planning for a Married Couple

Community Spouse MCA Plan

MEET ROWEN (81) AND JESSA (78)

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

CASE FACTS

ROWEN'S INCOME $2,700	ASSETS $400,000
JESSA'S INCOME $2,400	COST OF CARE $9,500

GOAL

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

SOLUTION:

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

1 DETERMINE THE SPEND-DOWN AMOUNT

Jessa is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $154,140. To avoid the edge of eligibility, she will keep $150,000, and Rowen will keep $2,000 as his Individual Resource Allowance. The couple also purchases funeral expense trusts of $12,500 for each spouse, so they must spend down $223,000.

Countable Assets:	$400,000
Jessa's CSRA:	– $150,000
Rowen Allowance:	– $2,000
Funeral Expense Trusts:	– $25,000
Spend-Down Amount:	**$223,000**

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2 IMPLEMENT THE ANNUITY PLAN

Jessa funds the spend-down amount of $223,000 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, Jessa and her advisor agree to utilize a 36-month annuity term.

Single Premium	**Period Certain**
$223,000	36 Months
Monthly Payout	**Total Payout**
$6,220	$223,920

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3 APPLY FOR MEDICAID

After Jessa purchases the MCA and eliminates their excess countable assets, Rowen is immediately eligible for Medicaid. Jessa's total monthly income increases to $8,620. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,853.50, so she does not receive an income shift from Rowen. Rowen's monthly Medicaid copay to the nursing home is $2,650, which equals his income of $2,700 minus his Personal Needs Allowance of $50.

Jessa's Income:	$2,400
MCA Income:	+ $6,220
Jessa's New Income:	**$8,620**

Rowen Income:	$2,700
Personal Needs Allowance:	– $50
Rowen Medicaid Co-Pay:	**$2,650**

[Agent's Commission]

The agent assisting Rowen and Jessa receives a commission of $3,790 on the MCA sale and $1,560 on the funeral expense trust sales.

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

ECONOMIC RESULTS

Since Rowen's Medicaid co-pay is only $2,650, the couple saves $6,850 per month compared to his original cost of care.

Jessa's monthly income increases from $2,400 to $8,620.

Using a short annuity term increases the likelihood Jessa 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 23 months.

ADDITIONAL CONSIDERATIONS

If Jessa 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 Rowen.

If Jessa 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 be more beneficial.

Planning for a Married Couple

Institutionalized Spouse MCA Plan

MEET BRUCE (80) AND SARA (80)

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

CASE FACTS

BRUCE'S INCOME $1,800	**ASSETS** $270,000
SARA'S INCOME $1,400	**COST OF CARE** $8,000

GOAL

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

SOLUTION:

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

1 DETERMINE THE SPEND-DOWN AMOUNT

Sara is allowed to keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $154,140, so she can retain $135,000. Bruce will retain $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 $113,000.

Countable Assets:	$270,000
Sara's CSRA:	– $135,000
Bruce's Allowance:	– $2,000
Funeral Expense Trusts:	– $20,000
Spend-Down Amount:	**$113,000**

2 IMPLEMENT THE ANNUITY PLAN

Bruce funds the spend-down amount of $113,000 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 Bruce's full life expectancy. Since Bruce is 80 years old, his Medicaid life expectancy is 7.74 years or 92.88 months.

Single Premium	**Period Certain**
$113,000	92 Months
Monthly Payout	**Total Payout**
$1,240	$114,080

3 APPLY FOR MEDICAID

After purchasing the MCA and eliminating the couple's excess countable assets, Bruce becomes eligible for Medicaid benefits. Since Sara's income is below her Monthly Maintenance Needs Allowance (MMNA) of $3,853.50*, she is owed an income shift of $2,453.50 from Bruce. With the MCA payments, Bruce's total monthly income equals $3,040. After subtracting the income shift to Sara and his Personal Needs Allowance of $50, Bruce's monthly Medicaid co-pay is $536.50.

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

Sara's MMNA:	$3,853.50
Sara's Income:	– $1,400
Income Shift from Hank:	**$2,453.50**
Bruce's Income:	$1,800
MCA Income:	+ $1,240
Bruce's New Income:	$3,040
Income Shift to Anne:	– $2,453.50
Personal Needs Allowance:	– $50
Bruce's Medicaid Co-Pay:	**$536.50**

[Agent's Commission]

The agent assisting Bruce and Sara receives a commission of $6,400 on the MCA sale and $1,700 on the funeral expense trust sales.

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

ECONOMIC RESULTS

Since Bruce's Medicaid co-pay is only $536.50, the couple saves $7,463.50 per month compared to his original cost of care.

Sara's monthly income increases from $1,400 to $3,853.50 via the MMNA rules.

Since Bruce, the institutionalized spouse, owns the MCA, Sara 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 14 months.

ADDITIONAL CONSIDERATIONS

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

If Sara predeceases Bruce and Bruce 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 the 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 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 JEFF (79) AND DEANNE (78)

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

CASE FACTS

JEFF'S INCOME $2,500	ASSETS $446,000
DEANNE'S INCOME $2,000	COST OF CARE $9,000

GOAL

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

SOLUTION:

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

1 DETERMINE THE SPEND-DOWN AMOUNT

Deanne can keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $154,140. To avoid the edge of eligibility, she will keep $150,000, and Jeff will keep $2,000 as his Individual Resource Allowance. The couple also purchases funeral expense trusts of $8,000 for each spouse, so they must spend down $278,000.

Countable Assets:	$446,000
Deanne's CSRA:	– $150,000
Jeff's Allowance:	– $2,000
Funeral Expense Trusts:	– $16,000
Spend-Down Amount:	**$278,000**

2 IMPLEMENT THE ANNUITY PLAN

The couple purchases two annuities. First, Jeff funds his IRA of $150,000 into a tax-qualified MCA owned by him but made payable to Deanne using the "Name on the Check Rule." At age 79, Jeff's IRA-MCA is structured using his full life expectancy of 8.25 years or 99 months. Next, Deanne funds the remaining spend-down amount of $128,000 into a non-qualified MCA owned by and made payable to her. Deanne and her agent agree to utilize a 60-month term.

	Single Premium	Period Certain	Monthly Payout	Total Payout
JEFF	$150,000	99 Months	$1,530	$151,470
DEANNE	$128,000	60 Months	$2,145	$128,700

3 APPLY FOR MEDICAID

After they purchase the MCAs and eliminate their excess countable assets, Jeff is immediately eligible for Medicaid. With the MCA payments, Deanne's total monthly income increases to $5,675. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,853.50, so she does not receive an income shift from Jeff. Jeff's monthly Medicaid co-pay is $2,450, which equals his income of $2,500 minus his Personal Needs Allowance of $50.

Deanne's Income:	$2,000
MCA Income:	+ $3,675
Deanne's New Income:	**$5,675**
Jeff's Income:	$2,500
Personal Needs Allowance:	– $50
Jeff's Medicaid Co-Pay:	**$2,450**

[Agent's Commission]

The agent assisting Jeff and Deanne receives a commission of $11,320 on the MCA sales and $1,360 on the funeral expense trust sales.

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

ECONOMIC RESULTS

Since Jeff's Medicaid co-pay is only $2,450, the couple saves $6,550 per month compared to his original cost of care.

Deanne's monthly income increases from $2,000 to $5,675.

Using the "Name on the Check Rule" to make the MCA payments payable to Deanne saves Jeff 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 30 months.

ADDITIONAL CONSIDERATIONS

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

If Deanne predeceases Jeff and Jeff 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 IRA-MCA 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 RHONDA (82)

After being diagnosed with dementia, Rhonda 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

RHONDA'S INCOME $2,200	**ASSETS** $172,000
DIVESTMENT PENALTY DIVISOR $8,500	**COST OF CARE** $9,700

GOAL

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

SOLUTION:

Rhonda 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

Rhonda is allowed to keep $2,000 in countable assets as her Individual Resource Allowance, and she decides to purchase a funeral expense trust of $12,000. This leaves $158,000 for her to spend down.

Countable Assets:	$172,000
Rhonda's Allowance:	– $2,200
Funeral Expense Trust:	– $12,000
Spend-Down Amount:	**$158,000**

2 IMPLEMENT THE ANNUITY PLAN

For the plan to work effectively, Rhonda'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 Rhonda 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 $85,000. The gift is then subtracted from the spend-down amount to determine the single premium amount funded into the MCA, which is $73,000.

Cost of Care:	$9,700
Rhonda's Income:	– $2,200
Rhonda's Shortfall:	$7,500
Divestment Penalty Divisor:	+ $8,500
Burn Rate:	**$16,000**
Spend-Down Amount:	$158,000
Burn Rate:	÷ $16,000
Length of Plan:	9.88 Mo
Round Up:	**10 Mo.**
Length of Plan:	10 Mo.
Divestment Penalty Divisor:	x $8,500
Gift Amount:	**$85,000**

3 APPLY FOR MEDICAID

After making the wealth transfer to her children, Rhonda purchases the MCA and applies for Medicaid. The MCA will pay Rhonda $7,310 per month for 10 months, which increases her total monthly income to $9,510. During her 10-month penalty period, Rhonda uses her increased monthly income to pay the nursing home bill. She will have an income shortfall of $190 per month, which she can pay using either her resource allowance or with some help from her children.

Single Premium	**Period Certain**
$73,000	10 Months
Monthly Payout	**Total Payout**
$7,310	$73,100

[Agent's Commission]

The agent assisting Rhonda receives a commission of $480 on the funeral expense trust sale.

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

ECONOMIC RESULTS

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

Her monthly Medicaid co-pay will be $2,150, which equals her income minus her Personal Needs Allowance of $50.

Rhonda makes a wealth transfer of $85,000 to her children, which is more than 50% of her spend-down amount.

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

ADDITIONAL CONSIDERATIONS

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

If Rhonda'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, 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 FRANKLIN (82)

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

CASE FACTS

FRANKLIN'S INCOME $1,900	**ASSETS** $238,000
MEDICAID RATE $6,000	**COST OF CARE** $8,500

GOAL

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

SOLUTION:

Franklin 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, Franklin 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

Franklin is allowed to keep $2,000 in countable assets as his Individual Resource Allowance, and he decides to purchase a funeral expense trust of $8,000. After subtracting his allowance and trust amount from his total assets of $238,000, Franklin must spend down $228,000.

Countable Assets:	$238,000
Franklin's Allowance:	– $2,000
Funeral Expense Trust:	– $8,000
Spend-Down Amount:	**$228,000**

2 IMPLEMENT THE ANNUITY PLAN

Franklin funds his spend-down amount of $228,000 into a Medicaid Compliant Annuity, converting his excess assets into an income stream. To minimize the monthly payout, the annuity term is structured using Franklin's full life expectancy. At 82 years old, his Medicaid life expectancy is 6.77 years, or 81.24 months, rounded down to 81 months.

Single Premium	**Period Certain**
$228,000	81 Months
Monthly Payout	**Total Payout**
$2,840	$230,040

3 APPLY FOR MEDICAID

Franklin is immediately eligible for Medicaid benefits, and his total income increases to $4,740. After subtracting his Personal Needs Allowance of $50, his monthly Medicaid co-pay is $4,690. Since the Medicaid Reimbursement Rate at the facility is $6,000, Medicaid is expending the difference of $1,310 on Franklin each month.

Franklin passes away after 12 months. The state Medicaid agency, as primary beneficiary, can recover $15,720, which equals the total amount of benefits paid on Franklin's behalf. After subtracting Medicaid's claim and the $34,080 in total annuity payments from the MCA investment, the resulting figure of $178,200 is available for Franklin's contingent beneficiaries—his children.

Franklin's Income:	$1,900
MCA Income:	+ $2,840
Franklin's New Income:	$4,740
Personal Needs Allowance:	– $50
Franklin's Medicaid Co-Pay:	**$4,690**
Medicaid Reimbursement Rate:	$6,000
Medicaid Co-Pay:	– $4,690
Monthly Difference: (Paid by Medicaid)	**$1,310**
MCA Investment:	$228,000
Medicaid's Claim: ($1,310 x 12)	– $15,720
MCA Payments Made: ($2,840 x 12)	– $34,080
Residual Balance for Children:	**$178,200**

[Agent's Commission]

The agent assisting Franklin receives a commission of $11,850 on the MCA sale and $320 on the funeral expense trust sale.

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

ECONOMIC RESULTS

After becoming eligible for Medicaid, Franklin saves $2,500 per month on care costs. This reflects the difference between the private pay rate of $8,500 and the Medicaid reimbursement rate of $6,000.

After residing in the nursing home for 12 months, Franklin makes a wealth transfer of $178,200 upon his passing, which is more than 75% of his spend-down amount.

If Franklin had done nothing, he would have exhausted his entire spend-down amount in less than 27 months.

ADDITIONAL CONSIDERATIONS

If Franklin lives longer than 55 months, the state Medicaid agency's claim will exceed any residual balance in the annuity.

If Franklin'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 12:
Funeral Expense Trusts

A funeral expense trust (FET) 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 funeral and burial expenses and protects these funds from Medicaid and other potential creditors. An FET serves as a simple add-on for clients who are planning for their long-term care, including those in crisis situations.

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 FET include:

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

Help clients set aside funds for funeral and burial expenses with a funeral expense trust.

BENEFITS OF PURCHASING A FUNERAL EXPENSE TRUST

An FET 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.

FET BENEFITS

- 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?

In addition to funeral expense trusts, funeral planning may include other products, such as pre-need funeral contracts. While discussing these options with clients, it's important to highlight the key advantages and disadvantages. A pre-need contract consists of a pre-paid contract with a funeral home for future goods and services. The client works directly with the funeral home to plan their full funeral and pays in advance in order to set aside the funds. This option may or may not involve an insurance policy.

Since a pre-need funeral contract is established with a specific funeral home, the policyholder may have difficulty transferring the contract to a different funeral home. 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.

A funeral expense trust can offer greater flexibility and ease.

FETS AND MEDICAID PLANNING

Although an FET 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 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.

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

In order to be exempt for Medicaid purposes, the face value of a funeral expense trust must be $15,000 or less 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.

PURCHASING AN FET

If your client is looking to purchase a 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 service fee for an FET.
- If your client would like to transfer an existing life insurance or annuity contract to fund an FET, 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.

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. A funeral expense trust is an easy add-on tool for any client looking to secure their financial future.

Secure your client's finances while enhancing your business.

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With a funeral expense trust, your clients can set aside funds for their funeral and burial expenses while also protecting assets from Medicaid estate recovery and other creditors.

State Funeral Expense Trust Limits

STATE	FET LIMIT	STATE	FET 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.

13 CHAPTER 13: Long-Term Care Insurance

Long-term care insurance (LTCI) is the ultimate pre-planning tool for healthy clients looking to secure their financial future in retirement and set aside funds for a long-term care crisis. LTCI provides coverage in the event a person requires professional care and allows for flexibility in choosing the type of care they receive and where they receive it. LTCI policies may cover home health care (including home modifications, such as wheelchair ramps and grab bars), assisted living, adult day care, memory care, hospice, and a skilled nursing facility.

We offer traditional and asset-based LTCI policies that can be structured to meet your client's specific circumstances, budget, and projected care needs.

BENEFITS OF LTCI

Long-term care insurance remains one of the most affordable pre-planning tools to protect your client against the risk of dependency. In addition to providing coverage in most care settings, most LTCI policies also include a care coordinator provided by the carrier. The care coordinator can advise a plan of care specifically designed for the policyholder's limitations and needs. As licensed Registered Nurses, care coordinators will arrange for and monitor your clients' care periodically to ensure their care needs are being met.

Our policies can be customized with a variety of funding options and may include features such as state partnership protection and a guaranteed death benefit. Other features include benefit dollars for home modifications and medical alert systems. These elements enable the policyholder to remain at home longer rather than moving to a facility.

On top of safeguarding assets from paying out of pocket for care, LTCI also protects the policyholder's loved ones from being full-time caregivers. Their loved ones can manage their care rather than be fully responsible for it. Needless to say, LTCI provides peace of mind for both clients and their loved ones.

Protect your clients and increase your revenue with LTCI.

SO, WHAT'S THE CATCH

Well, LTCI 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 younger clients and encouraging them to plan ahead.

MOTIVATORS FOR PURCHASING LTCI

The primary reasons your clients may be considering long-term care insurance include protecting assets, achieving peace of mind, and avoiding being a burden on their loved ones. More than half of policyholders are motivated to purchase LTCI because they have provided care for someone with a chronic illness or disability, so they understand the emotional, physical, and financial toll of providing long-term care for a loved one.

Traditional Long-Term Care Insurance

Traditional LTCI is a tax-qualified insurance policy that functions like a typical insurance policy where the owner pays regular premiums in exchange for future benefits. Each policy can be tailored to a client's specific premium tolerance and projected needs. Traditional LTCI does not hold cash value, so it may be a viable option for a healthy community spouse whose partner is seeking Medicaid benefits.

Discounts are available for partners or married couples as well as for those with preferred health status. The issue ages for traditional LTCI vary among our carrier partners, but policies are typically available for individuals aged 18 to 79. Since LTCI policies are portable, your client can use their policy anywhere in the U.S. regardless of the state in which they originally purchased it. Certain carriers also offer international LTCI coverage. Traditional LTCI offers state partnership protection in the event the policyholder exhausts their LTCI benefits and pursues Medicaid eligibility.

Asset-Based Long-Term Care Insurance

Asset-based long-term care insurance, also known as hybrid, linked-benefit, or life combination LTCI, consists of a life insurance or annuity contract with long-term care benefits attached. This type of policy can be funded with a single premium or recurring payments. Each policy can be tailored to a client's specific premium tolerance and projected needs. Plus, recurring premiums of asset-based LTCI policies remain level throughout the life of the policy, meaning the insurance carrier will not increase premiums. The main difference between traditional and asset-based LTCI is this policy has cash value that continues to grow.

The issue ages for asset-based LTCI vary among our carrier partners, but policies are typically available for individuals aged 30 to 80. Asset-based LTCI offers tax-deferred growth and a guaranteed death benefit if the policyholder never requires care.

Want to learn more about LTCI?

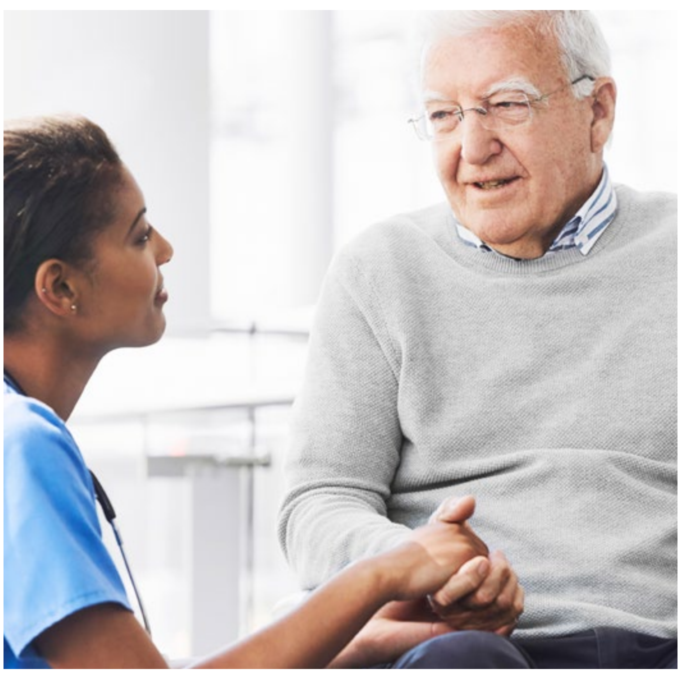
Scan the QR code or visit ***thekrauseagency.com/schedule-ltci*** to schedule a time to explore our long-term care insurance offerings and discover how you can add this vital product to your business.

CHAPTER 14:
Medicare

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

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

> By adding these products to your business, you can be the beacon of light to guide clients through Medicare products and plans.



Our Medicare Products

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.

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.

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.

OTHER PLANS

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

Why Offer Medicare Products?

Offering Medicare 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 and cover gaps to avoid financial surprises.

Finding the Right Product for Your Client

Each Medicare 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.

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.

Medicare is complicated. You can help your clients navigate this maze.

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

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info@thekrauseagency.com
thekrauseagency.com
p: (800) 255-1932 | ***f:*** (805) 683-6313
1234 Enterprise Drive, De Pere, WI 54115