

040210 Considering Applying for Medicaid?
By Gary Case

Fortunately, Medicaid assistance is available to help pay long-term care expenses. Unfortunately, Medicaid coverage does not become available until you meet certain federal and state poverty guidelines. In most cases, individuals deplete all or a great portion of their life's savings before they can qualify for assistance. To further complicate matters, federal and state Medicaid regulations can and do change frequently, so it is difficult to predict with certainty when or if you would be eligible to receive Medicaid assistance.

Additionally, certain transactions may impair Medicaid eligibility. If you or a loved one is planning on applying for Medicaid assistance, you should contact an advisor who is knowledgeable of current Medicaid rules, regulations and laws in your state.

In some situations, the purchase of a Medicaid Compliant single premium immediate annuity (SPIA) may be an effective tool in helping one qualify for Medicaid assistance. Such annuities are usually only available when one spouse intends to apply for Medicaid assistance within the next 90 days. The annuitant would receive a regular stream of periodic payments (monthly, quarterly, semiannually, or annually) in return for a single premium payment. Payments under the SPIA must be received for a fixed period of time greater than two years. The income received from the annuity could either be a fixed amount or an amount that increases by a set percentage each year, a COLA of sorts. Payments stop at the end of the period chosen, and the contract terminates.

In certain states, assets placed in an eligible SPIA may not be considered assets that must be spent down prior to Medicaid eligibility. Restrictions and specific contract language are generally critical for the use of an immediate annuity with Medicaid. These requirements may include the contract being irrevocable, non-transferable and non-assignable. The contract may have no value that can be surrendered, loaned, commuted or withdrawn.

If the annuitant dies before receiving all guaranteed income payments, a joint or contingent annuitant or beneficiary will receive the value of any remaining income. A beneficiary designation may affect Medicaid eligibility; in fact, Medicaid must be named as primary beneficiary to the extent that medical assistance benefits were provided.

While this column is somewhat more technical than I would normally publish, my purpose in presenting it is to make the reader aware of options for handling assets as applying for Medicaid benefits is considered. I strongly urge the reader to seek qualified, knowledgeable advice when considering this option.

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