

Breaking Down the MCA's Beneficiary Requirements

In most states, a Medicaid Compliant Annuity (MCA) must designate the state Medicaid agency as primary beneficiary. This is true whether the annuity is purchased by an institutionalized individual or a community spouse. However, there are some exceptions and considerations to keep in mind when structuring an MCA.

Married Couple:

If the institutionalized spouse of a married couple purchases an MCA, the couple can utilize favorable beneficiary designation rules. In this case, the community spouse can be named primary beneficiary ahead of the state Medicaid agency.

Minor or Disabled Child:

Regardless of whether the MCA is purchased by a community spouse or institutionalized individual, if they have a minor or disabled child at home, the child can be named the primary beneficiary ahead of the state Medicaid agency.

Listing the state Medicaid agency as the primary beneficiary:

Some states may have additional exceptions beyond those listed here; however, in most cases, the state Medicaid agency is required to be primary beneficiary on an MCA. This requirement may deter some individuals from using an MCA as a spenddown tool. However, the savings from accelerating Medicaid eligibility typically outweigh any estate recovery that the state Medicaid agency may collect from the annuity.



Estate Recovery against an MCA:

In many cases, the state Medicaid agency can only recover if the owner predeceases the annuity term and an outstanding balance is owed to the state. The state Medicaid agency can only collect up to the amount of benefits expended on behalf of the institutionalized individual.

Primary Beneficiary vs. Contingent Beneficiary:

Primary Beneficiary: the party that receives the remaining contract payments or a lump sum of the benefits if the MCA owner predeceases the term.

Contingent Beneficiary: the party that receives any remaining contract benefits after the primary beneficiary has made its claim.

If you have questions about how to structure your client's annuity to adhere to the beneficiary requirements, contact our office and speak with one of our skilled Benefits Planners today!



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