

# Planning for a Married Couple

## Community Spouse MCA Plan

### MEET PATRICK (82) AND SALLY (82)

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



### CASE FACTS



Patrick's Income  
\$2,600



Assets  
\$415,000



Sally's Income  
\$2,200



Cost of Care  
\$9,500

### GOAL

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

### SOLUTION:

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

## 1 Determine the Spend-Down Amount

Sally is allowed to keep up to half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of \$162,660. To avoid the edge of eligibility, she will keep \$160,000, and Patrick will keep \$2,000 as his Individual Resource Allowance, so they must spend down \$253,000.

Countable Assets:	\$415,000
Sally's CSRA:	– \$160,000
Patrick's Allowance:	– \$2,000
<b>Spend-Down Amount:</b>	<b>\$253,000</b>

## 2 Implement the Annuity Plan

Sally funds the spend-down amount of \$253,000 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, Sally and her attorney agree to utilize a 48-month annuity term.

<b>Single Premium</b>	<b>Period Certain</b>
\$253,000	48 Months
<b>Monthly Payout</b>	<b>Total Payout</b>
\$5,300	\$254,400

## 3 Apply For Medicaid

After Sally purchases the MCA and eliminates their excess countable assets, Patrick is immediately eligible for Medicaid. Sally's total monthly income increases to \$7,500. This amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of \$4,066.50, so she does not receive an income shift from Patrick. Patrick's monthly Medicaid copay to the nursing home is \$2,525, which equals his income of \$2,600 minus his Personal Needs Allowance of \$75.

Sally's Income:	\$2,200
MCA Income:	+ \$5,300
<b>Sally's New Income:</b>	<b>\$7,500</b>
Patrick's Income:	\$2,600
Personal Needs Allowance:	– \$75
<b>Patrick's Medicaid Co-Pay:</b>	<b>\$2,525</b>

## ECONOMIC RESULTS



Since Patrick's Medicaid co-pay is only \$2,525, the couple saves \$6,975 per month compared to his original cost of care.



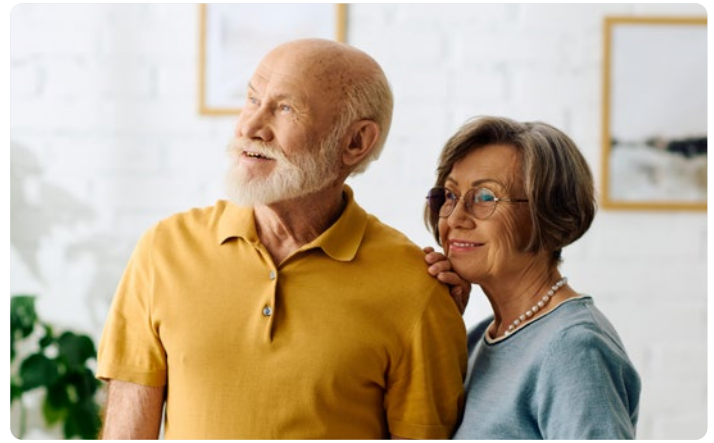
Sally's monthly income increases from \$2,200 to \$7,500.



Using a short annuity term increases the likelihood Sally 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 26 months.



## Additional Considerations

If Sally predeceases the annuity term, the remaining balance will be subject to recovery by the state Medicaid agency to the extent of benefits paid on behalf of Patrick.

If Sally 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 a high monthly income or are in declining health, using a shorter annuity term may be more beneficial.

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