

Planning for a Married Couple Institutionalized Spouse MCA Plan

MEET HARRISON (81) AND LENA (80)

Harrison has just entered a nursing home, and his wife Lena is worried the cost of the nursing home will quickly drain their life savings. She meets with an elder law attorney in the hopes that Harrison can become eligible for Medicaid benefits.



CASE FACTS



Harrison's Income
\$2,200



Assets
\$260,000



Lena's Income
\$1,600



Cost of Care
\$10,000

GOAL

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

SOLUTION:

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

1 Determine the Spend-Down Amount

Lena is allowed to keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of \$162,660, so she can retain \$130,000. Harrison will retain \$2,000 as his Individual Resource Allowance, so the couple must spend down \$128,000.

Countable Assets:	\$260,000
Lena's CSRA:	– \$130,000
Harrison's Allowance:	– \$2,000
Spend-Down Amount:	\$128,000

2 Implement the Annuity Plan

Harrison funds the spend-down amount of \$128,000 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 Harrison's full life expectancy. Since Harrison is 81 years old, his Medicaid life expectancy is 7.6 years or 91.2 months.

Single Premium	Period Certain
\$128,000	91 Months
Monthly Payout	Total Payout
\$1,420	\$129,220

3 Apply For Medicaid

After purchasing the MCA and eliminating the couple's excess countable assets, Harrison becomes eligible for Medicaid benefits. Since Lena's income is below her Monthly Maintenance Needs Allowance (MMNA) of \$4,066.50*, she is owed an income shift of \$2,466.50 from Harrison. With the MCA payments, Harrison's total monthly income equals \$3,620. After subtracting the income shift to Lena and his Personal Needs Allowance of \$75, Harrison's monthly Medicaid co-pay is \$1,078.50.

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

Lena's MMNA:	\$4,066.50
Lena's Income:	– \$1,600
Income Shift from Harrison:	\$2,466.50
Harrison's Income:	\$2,200
MCA Income:	+ \$1,420
Harrison's New Income:	\$3,620
Income Shift to Lena:	– \$2,466.50
Personal Needs Allowance:	– \$75
Harrison's Medicaid Co-Pay:	\$1,078.50

ECONOMIC RESULTS



Since Harrison's Medicaid co-pay is only \$1,078.50, the couple saves \$8,921.50 per month compared to his original cost of care.



Lena's monthly income increases from \$1,600 to \$4,066.50 via the MMNA rules.



Since Harrison, the institutionalized spouse, owns the MCA, Lena 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 12 months.



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.*

Additional Considerations

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

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

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