SYNERGY

MEDICARE SET ASIDE SERVICES

Medicare Set Aside FAQs

What Is a Medicare Set Aside?

A Medicare set aside (hereinafter MSA) is a tool that allows a workers' compensation claimant to preserve Medicare benefits by setting aside a portion of the settlement money in a segregated account to pay for future Medicare covered expenses. However, the funds in the set aside can only be used for Medicare covered expenses for your work related injury. Once the set aside account is exhausted, you get full Medicare coverage without Medicare ever looking to your remaining settlement dollars to provide for any Medicare covered health care. Medicare approves the amount to be set aside in writing and agrees to be responsible for all future expenses once the set aside funds are depleted.

Who Needs an MSA and Why Do You Need One?

If you are currently a Medicare beneficiary and you settle your workers' compensation case you will need an MSA. If you have a "reasonable expectation" of Medicare enrollment within 30 months of the settlement date and the total settlement amount exceeds the amount set by the Centers for Medicare and Medicaid Services (hereinafter CMS) then you will need an MSA. Assuming you fall into one of these two categories, you need to establish an MSA because if you do not you could lose Medicare eligibility for your work related injuries.

If I Am Not Yet Eligible For Medicare, Can I Use the MSA Funds?

For claimants who are not yet Medicare beneficiaries and for whom CMS has reviewed a workers' compensation Medicare set-aside arrangement, the MSA may be used prior to becoming a beneficiary because the amount of the set aside was based on the date of the expected settlement. Use of the MSA is limited to services that are related to the workers' compensation claim or settlement and that would be covered by Medicare if the claimant were a Medicare beneficiary.

Who Determines the Amount Set Aside?

A professional who specializes in “allocations” examines the settlement and makes recommendations based on the amount of care that is covered by Medicare. The company hired to perform the allocation determines how much of your future medical care is covered by Medicare and then multiplies that by your remaining life expectancy to determine the suggested amount of the set aside. Medicare does not necessarily simply accept the allocation recommendation. Medicare could require more to be set aside than the amount suggested in the MSA allocation.

How Is the Set Aside Funded?

The set aside can be funded with a single lump sum out of the settlement proceeds or with future periodic payments using a structured settlement. A single lump sum funding makes the set aside easier to administer but means more must be set aside than using a periodic payment arrangement. Funding with future periodic payments via a structured settlement makes the administration of the set aside harder but it is a much less expensive way of funding the set aside. When a set aside is funded with a lump sum, as soon as the account is exhausted Medicare begins to pay for work injury related health care. However, when a set aside is funded with periodic payments via a structured settlement annuity it functions much like a yearly insurance deductible. Each year, the structure payment would flow into the set aside, and when the funds are exhausted in that year, Medicare would begin paying for services related to the work injury. If the funds are not all spent in the year the periodic payment is made, they carry over to the next year. Thus, Medicare only pays once all funds for any given year have been exhausted.

Why Is a Rated Age With a Structured Settlement So Important to My MSA?

Age ratings can save on the cost of the structured settlement annuity and reduce the amount of the set aside. A rated age is a life expectancy adjusted age used to calculate the cost of a structured settlement.

If you receive a rated age it means that the life insurance company has decided that your life expectancy is less than normal due to your medical conditions and accordingly allows the annuity to be priced as if you were older. Shortened life expectancy translates into a lower structured settlement cost when compared to a structured settlement priced with normal life expectancy. Additionally, CMS considers a reduction in life expectancy when determining how much must be set aside. As evidence of reduction of life expectancy, CMS will look at the highest age rating issued by the life insurance companies issuing age ratings. Therefore, not only does it cost less to fund a set aside with a structure but it also reduces how much must be set aside in the first place.

Why Should I Fund My MSA With a Structured Settlement Annuity?

There is a cost savings by purchasing a stream of benefits today that will provide benefits tomorrow especially if there is a rated age. What this means is that less money must be set aside when a structure is used to fund the set aside. In addition, interest earned on the funds in the structured settlement is not taxable. The structure becomes a tax free, cost free investment to fund the set aside. CMS routinely approves set asides being funded with structured settlement annuities and mentions their use in their memo.

Will the MSA Also Protect My Medicaid Eligibility?

No. An MSA only protects future Medicare eligibility. If you receive Medicaid in addition to Medicare, a special needs trust (hereinafter SNT) might be necessary to preserve Medicaid eligibility. If it is necessary, a hybrid MSA/SNT can be created to deal with this issue.

If I Am No Longer Entitled to Medicare Can I Withdraw Funds From the MSA?

No. You are not entitled to release of the MSA funds if you lose your Medicare entitlement. However, the funds in the MSA may be expended for medical expenses specified in the MSA agreement until Medicare entitlement is re-established or the MSA is exhausted.

What Happens to the Funds in the MSA Should I Pass Away?

The MSA funds, either in lump sum or structured settlement (if guaranteed), would go to your beneficiaries under the MSA agreement. Medicare only requires the funds to be used for your future Medicare covered work injury related expenses. Therefore, once you pass away those funds can flow to your family or named beneficiary. If a structured settlement is set up and you want money to go to your family or named beneficiary, you should request that the annuity be "guaranteed" instead of life only.

SYNERGY

MEDICARE SET ASIDE SERVICES

4025 Edgewater Drive
Orlando, Florida 32804
Toll Free 877.349.6901
Fax 877.349.6980
www.synergyMSA.com