

Medicare Set-Aside Allocations and Structured Settlements

A disabled individual may become qualified for Medicare before age 65 if they have received Social Security Disability income (SSDI) for 24 consecutive months. Claimants involved in Workers' Compensation or liability claims who receive (or are expected to receive) Medicare may benefit from a special account called a Medicare Set-Aside, or MSA.

By Federal law, Medicare does not pay for an individual's injury-related medical services and prescription drugs when the individual receives a settlement, judgment or award that includes funds for future medical and prescription drug expenses. To retain rights to Medicare coverage, it is in the best interest of the individual to consider Medicare's interests at the time of settlement. For this reason, The Centers for Medicare and Medicaid Services (CMS) recommend that parties to a settlement utilize an MSA.

An MSA holds funds to pay for a claimant's future medical treatment and prescription drugs that would otherwise be covered by Medicare. Depending on the type of claim involved, these accounts are known as Workers' Compensation Medicare Set-Aside Arrangements (WCMSAs), No-Fault Liability Medicare Set-Aside Arrangements (NFMSAs) or Liability Medicare Set-Aside Arrangements (LMSAs). In essence, an MSA effectively acts as primary payor for injury-related treatment post-settlement. If the MSA funds are exhausted, Medicare then acts as the secondary payor of the claimant's additional medical expenses.

Considering Medicare's interest involves:

- Establishing an adequate amount in a set-aside account or trust, and;
- Establishing an acceptable administration mechanism. Accounts can be either professionally- or self-administered.

WCMSAs

CMS advises that a Medicare Set-Aside allocation should be considered in the settlement agreement on any Workers' Compensation case in which the claimant is already on Medicare and the total settlement is \$25,000 or greater, or the anticipated total settlement amount for future medical expenses and disability/lost wages is expected to be greater than \$250,000.

NFMSAs and LMSAs

Currently there are no Medicare guidelines for NFMSAs. However, CMS considers allocations a viable method to protect their interest and act in good faith.

STRUCTURED SETTLEMENTS TO FUND MSA ALLOCATIONS

While a conventional injury settlement consists of a one-time sum of money, a structured settlement usually includes cash at the time of settlement to cover immediate expenses, plus guaranteed periodic payments customized to meet the needs of injured people and their families for years into the future. CMS recognizes structured settlements as a useful way to fund MSAs, since periodic payments preserve the integrity of the account. If the injured party exhausts the MSA funds and incurs additional medical expenses in a given year, Medicare will pay the additional medical expenses until the next structured settlement annuity payment is received.

REDUCED COSTS - A STUDY OF 500 MSA SETTLEMENTS

Cost of funding MSAs using all-cash settlements	\$28,071,892.57
Cost of funding MSAs using structured settlements	\$17,667,889.71
Cost reduction using structured settlements	\$10,402,992.86
Percentage cost reduction	37.06%

(Reference - study of 500 MSA settlements between 2007 and 2016 conducted by Arcadia's Medicare Practices team)

At Arcadia, we help resolve conflicts, reduce litigation expenses and create long-term financial security for people involved in injury claims through our settlement consulting services.

We have a rich history as the oldest structured settlement firm in the world. In our more than 45 years in business, we have used our expertise and knowledge, innovative products and unparalleled service to help settle over 325,000 claims involving structured settlement funding of over \$40 billion. We have positively impacted hundreds of thousands of lives by providing security and closure. You can find us nearby, with more than 160 experienced settlement professionals across 50 offices in the United States and Canada.

At Arcadia, our passion for helping and empowering people is at the heart of everything we do. Thanks to proprietary training programs and state-of-the-art resources, we are the leading experts in the industry. Our expert team helps people navigate the complexities of cases involving MSA allocations with experience, well-proven strategies, compassion and innovation. To better serve our clients, we've launched a trademarked certification course entitled Certified Medicare Settlement Specialist (CMSS™) which trains our consultants on the complexities and legal requirements of CMS and enables them to bring full closure to claims in an efficient and timely manner.

Actual rates are based on current market conditions. Structured settlement rates will be provided by Arcadia. The information or materials presented herein by Arcadia Settlements Group, Inc. and its affiliates and subsidiaries are provided solely for informational purposes as a convenience. Neither Arcadia nor its professionals are licensed to sell variable or securities products, nor do we provide legal, tax, accounting or investment advice. Please consult your legal, financial and tax advisors for specific recommendations or comments regarding this material as individual circumstances may vary.

Contact your Arcadia consultant today for assistance with a structured settlement, or visit teamarcadia.com



Arcadia Settlements Group

5613 DTC Parkway, Suite 700
Greenwood Village, CO 80111

o: 303.337.0400 **t:** 800.354.4098

TEAMARCADIA.COM