



It's important to understand the Medicare Set Aside mistakes that can affect future Medicare coverage and benefits. In this blog, we will cover:

- *What a Medicare set aside is*
- *How the allocations get determined*
- *What the common Medicare set aside mistakes are*

Be thankful that "*Medicare Set Aside*" is not familiar terminology because it means you avoided a worker's compensation or personal liability settlement due to an injury that can last a lifetime. But if you have, we're going to cover the basics of what you need to know. **Would you mind subscribing to our weekly newsletter in which we talk about how to preserve and grow your wealth?**

What is a Medicare Set Aside?

A Medicare set aside (MSA) is simply an account or trust that holds settlement proceeds. Medicare recipients who receive greater than \$25,000 for a personal injury settlement or reasonably expect to enroll in Medicare within 30 months of a settlement of more than \$250,000 need to consider Medicare Set Aside. Most likely, in the latter instance, an injured party will receive [Social Security Disability Insurance](#) benefits or Supplemental Disability Income after a 24-month waiting period. The 1980 legislation was to protect Medicare Trust Funds from several types of ongoing medical and liability claims. It also deemed Medicare the *secondary* insurance payer in those cases. The action was to shift costs from Medicare to private sources of payment. Consequently, money received due to a settlement gets segregated and spent for ongoing medical issues related to the liability. Medicare becomes the primary insurance payer once the segregated funds become exhausted. A workers' compensation insurance company may partner with Medicare to request approval for the amount placed in the Set Aside Account. However, this union is not as copacetic as it sounds.



Two broad types of MSAs

Commonly, MSAs get established for Workers' Compensation claims (WCMSA). In addition, they are used for personal liability settlements (LMSA). The sources of the liabilities may differ, but accounts get established to ensure Medicare is the secondary payer of future claims. Again, the requirement of MSAs is only for Medicare recipients or those eligible after a 30-month waiting period. In addition, recipients reimburse the federal government for medical expenses paid by Medicare before a settlement.

How are MSA Allocations determined?

The crucial first step is to hire a qualified attorney for representation in a Workers' Comp or personal liability claim. A personal injury professional with a track record in Medicare Set-Asides and secondary payer compliance is an absolute necessity. As a first step, one can look to the

[Special Needs Alliance](#). The SNA is a national organization of law professionals with significant experience in disability and elder law. Trying to do this without proper legal support is where Medicare set aside mistakes occur. An MSA expert may be part of the team because there are many moving parts to consider, including the difficulty of extrapolating future medical costs from current records. Per [Synergy Settlement Services](#), a company that specializes as analyst and connection to Centers for Medicare and Medicaid Services:

The professional hired to perform the allocation determines how much of the injury victim's future medical care is covered by Medicare and then multiplies that by the remaining life expectancy to determine the suggested amount of the set-aside.

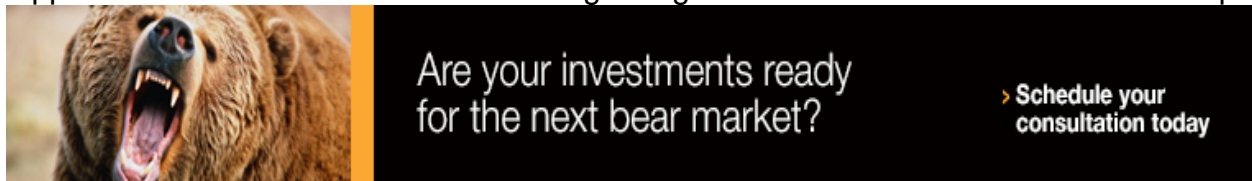
Medicare does not necessarily accept the allocation recommendation. If an MSA gets submitted to CMS for review/approval, Medicare could require more or less to be set aside than the amount suggested in the MSA allocation.

What about for Workers Comp?

CMS maintains specific standards for creation and adherence to WCMSA guidelines and provides copious [guides and instructions](#). However, as an administrator (could be self-administered) for allocated funds, whether lump sum or paid in an annuity structure, ongoing compliance is an ominous task. We'll discuss this more later in the blog.

What about personal injury or liabilities?

CMS does not provide clear-cut guidelines, nor is there anything codified into law regarding personal injury or liabilities (LMSAs), making them more challenging to navigate. Attorneys and administrators may start with Workers' Compensation rules. However, there's increasing confusion in the application and more art than science regarding the assessment of future benefits required.



Medicare set aside mistakes to avoid

Here are the most common Medicare set aside mistakes we have seen people make.

1. *Don't go it alone. Find an elder-law attorney specializing in MSAs, especially LMSAs, due to the level of complexity and lack of formal rules (although CMS' Workers' Compensation tenets act as a guideline).*
2. *Is there a need for a professional administrator? Most likely, an administrator gets hired to project future medical costs and the proper long-term allocation of funds. Keep in mind, if CMS rejects a proposed allocation, there is no system in place for appeal. Allocation services costs are usually a flat rate anywhere from \$1,800 to \$3,000 on average. In my opinion, it's worth the expense. Unfortunately, it will take time and due diligence to find the right one, especially in a personal liability case. Perhaps, your attorney is an excellent place to start.*
3. *The settlement is just the beginning of the journey. Ongoing management until funds are exhausted another long-term responsibility. CMS offers guidelines for [the self-administration of WCMSAs](#). However, one needs to consider how time-consuming self-administration can be. In addition, mistakes can lead to running out of money prematurely or the risk to the future entitlement of Medicare benefits.*

4. *Compliance can be a demanding task: annual filings, immaculate recordkeeping of expenses, adherence to Medicare's pricing schedule for medications.*
5. *You can hire a professional administrator for ongoing responsibilities for a flat fee. They'll establish the FDIC-insured account to hold the segregated funds and file reports with CMS as fiduciaries. Most importantly, they'll help you avoid Medicare benefits mistakes.*

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Medicare Set Aside mistakes and benefits can be navigated through partnership with professional administration and qualified legal representation.

Stay on top of your financial health - not just Medicare benefits!

Avoiding Medicare set aside mistakes and optimizing your Medicare benefits are a few aspects of your overall financial health. The ins and outs of Medicare overall can be a challenge to grasp. The [greatest Medicare mistake](#) is to let annual enrollment go ignored. Healthcare insurance and coverage require ongoing due diligence by older Americans significantly as costs increase every year and seniors can't afford to leave benefits on the table. Could you benefit from speaking with someone who is an expert in Medicare and other financial topics that may impact your wealth? Set up a time to [talk with us](#) if so.

Make an appointment.

Ready to get started? [Click here.](#)

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