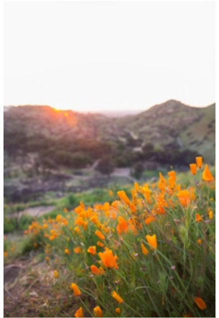

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SETTLEMENTS GROUP

Medicare Set-Asides and Structured Settlements

Protecting future Medicare eligibility with a guaranteed plan

WHAT IS A MEDICARE SET-ASIDE?

A Medicare Set-Aside (MSA) is a portion of a workers' compensation or liability settlement earmarked exclusively for future injury-related medical expenses that Medicare would otherwise cover. Its purpose is to keep Medicare as the secondary payer: the settlement funds, not Medicare, pay for future injury-related Medicare-covered care until the set-aside is properly exhausted, which protects the claimant's future Medicare coverage from being delayed or denied. Established properly, the injured person's ongoing eligibility for Medicare can provide a critical means of addressing unexpected or unexpectedly expensive future care.

HOW A STRUCTURED SETTLEMENT ENHANCES AN MSA

- The Centers for Medicare and Medicaid Services (CMS) has an established structured-funding methodology: an initial "seed" payment covers the first years of care (often the first procedure plus roughly two years), followed by guaranteed annual payments for the rest of life expectancy
- Guaranteed annual funding replenishes the account on schedule, instead of requiring the injured person to invest and manage a full lump sum correctly for decades
- Reduces the risk of exhausting the MSA too early, which can jeopardize Medicare coverage, or of a lump sum being mismanaged
- Unused annual amounts can typically accumulate within the MSA account, adding flexibility for future years
- Applies to both workers' compensation MSAs (WCMSAs) and liability MSAs (LMSAs), though liability guidance is less formalized

Example

An injured worker's MSA is set at $180,000. Rather than a single deposit, the plan uses a $30,000 seed payment (covering year one plus an anticipated procedure), followed by structured annual payments of $6,000 for the remainder of the claimant's life expectancy. The structured cost is lower than the lump sum, allowing greater efficiency of settlement funds.

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