

Funeral Expenses and Medicaid

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Whenever I talk to a family whose loved one is close to spending down the required amount of assets to qualify for Medicaid (MassHealth in Massachusetts), the topic of funeral and burial expenses comes up. Most people are aware that Medicaid permits setting aside funds to cover arrangements, but many are a bit unclear on the details, so here I will present some of the basics.

Burial Plots

Medicaid permits the purchase of a burial plot for the applicant and their spouse.

Burial Accounts

Medicaid permits an application to set aside \$1,500 for burial expenses for the applicant and the applicant's spouse so long as such funds are specifically designated for burial and not commingled with other assets. If this is done properly, these burial accounts do not count toward the \$2,000 (or \$130,380 for married couples) asset limit.

Prepaid Funeral Contract

For many individuals, this \$1,500 account is insufficient to cover the complete costs of burial or cremation in Massachusetts. Instead, a prepaid funeral contract is used and is permitted under Medicaid rules. This contract is an agreement in which the purchaser pays for a funeral in advance

that the funeral home agrees to provide. The contract must be irrevocable (meaning it cannot be cancelled and the funds returned).

Because of the requirement by Medicaid that an applicant spenddown to below \$2,000 (or \$130,380 for married couples) in assets, to achieve eligibility, a prepaid contract is often an early and important spenddown option. Typically, the family meets with a funeral home of their choice to review their personal wishes and create this contract. It is important to review with the funeral home what happens to these prepaid funds under certain circumstances, including: until your passing, to the interest income on the money, if the funeral home goes out of business, and if you move out of state or die while away?

With a prepaid funeral contract, you pay for all of your own funeral and burial or cremation expenses in advance. When you pass away, your family notifies the provider, and they then handle everything.

The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional. Rather, this article is simply intended to provide a basic understanding of why estate planning is important for everybody and a basic understanding of some of the more common estate planning tools. This article does not constitute legal advice.