

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

EA

**ACTION REFERRAL**

TO <i>Hutto</i>	DATE <i>7-29-14</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000034</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
<i>* Let me know if Beth would like to respond.</i>	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
<i>1. No response needed.</i>			
<i>2.</i>			
<i>3.</i>			
<i>4.</i>			

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2.			
3.			
4.			



# KRAUSE FINANCIAL SERVICES

1234 ENTERPRISE DRIVE DE PERE, WI 54115 TELEPHONE 866.605.7437 FACSIMILE 866.605.7438 INFO@MEDICAIDANNUITY.COM

July 25, 2014

**RECEIVED**

JUL 29 2014

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

**Tony Keck**  
South Carolina Dept. of Health & Human Services  
PO Box 8206  
Columbia, SC 29201-8206

**RE: Reducing State Medicaid Spending on LTC**

Dear Mr. Keck,

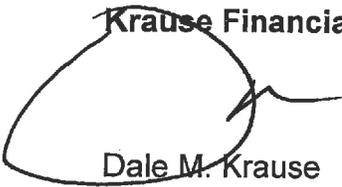
I recently read the Government Accountability Office's ("GAO") report from May of 2014, entitled, "Financial Characteristics of approved Applicants and Methods Used to Reduce Assets to Qualify for Nursing Home Coverage." I found it interesting that intra-family promissory notes were used more frequently than commercial annuities. It appears that the note has one distinct advantage over the annuity.

So what is the advantage? Unlike the annuity, which requires that the State be named as the primary beneficiary – creating a contractual relationship for the insurance company, the note simply comes to an end. Even though the Deficit Reduction Act of 2005 mandated that a note could not be self-cancelling – forcing the residual payments into a probate – which is the forum for estate recovery, families simply disregard the requirement. In short, the account that was established to fund the note is divided between the surviving family members – children. Until States begin to implement a tracking and audit system for intra-family promissory notes, families will continue to exploit this loophole.

If the loophole is ever closed, it is my opinion that families will turn to commercial annuities to service their Medicaid needs, resulting in States receiving the residual payments that they are entitled to. If you would like to discuss this matter in more detail, please feel free to contact me.

Sincerely,

**Krause Financial Services**

  
Dale M. Krause  
DMK/stf





DALE M. KRAUSE, J.D., LL.M.  
1234 ENTERPRISE DRIVE  
DE PERE, WI 54115

**RECEIVED**

JUN 29 2014

Department of Health & Human Services  
**OFFICE OF THE DIRECTOR**

Tony Keck  
South Carolina Dept. of Health & Human Services  
PO Box 8206  
Columbia, SC 29201-8206



29202820606



Log #34

**Brenda James**

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**From:** Libby Powers  
**Sent:** Friday, August 01, 2014 4:14 PM  
**To:** Brenda James  
**Subject:** Log Letter responses 000007, 000025  
**Attachments:** Log Letter Response 000007 7-31-14.pdf; Log Letter Response 000025 7-31-14.pdf

Brenda,

I have attached the responses for these log letters.

Also, log letter 000034 had no necessary action, Beth will not be responding.

Thanks.

---

**Libby Powers**  
*Administrative Coordinator*  
[Powersl@scdhhs.gov](mailto:Powersl@scdhhs.gov)  
803.898.1035  
1801 Main Street  
Columbia , SC - 29201  
[www.scdhhs.gov](http://www.scdhhs.gov)



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