

Supplemental Needs Trusts

Supplemental-needs trusts (SNTs) have become widely used planning tools for persons with disabilities. Such trusts, also referred to as special-needs trusts, are intended to enhance the lives of disabled individuals without jeopardizing their eligibility for Medicaid and Supplemental Security Income (SSI).

The SNT will pay for the personal needs of beneficiaries, including luxuries and necessities. The trust assets may include cash, stocks and bonds, and a home, a condominium or cooperative residence. The following examples illustrate situations in which the SNT may be used:

- A parent, family member or friend may establish a supplemental-needs trust for a disabled person of any age without risking that person's eligibility for public benefits. In such a case, Medicaid has no right to recover against assets remaining in the trust upon the death of the beneficiary. Such assets may be distributed according to instructions included in the trust agreement by the individual who funded the trust.
- A disabled person of any age may transfer his assets to the SNT for another disabled person under the age of sixty-five without disqualifying himself for Medicaid home care or nursing-home care.
- A SNT trust may be established for the benefit of a disabled person under the age of sixty five using that person's own funds – without incurring a penalty period for Medicaid and SSI eligibility. Designated a 'first-party trust,' upon the death of the disabled beneficiary the State has a right to recover against the remaining funds in this, a 'first-party trust,' for whatever Medicaid charges were incurred by the individual. The law provides, however, that there are no limits on the amount of trust income or principal that may be spent on behalf of the disabled person during his lifetime.
- Disabled persons of any age receiving community Medicaid services, including home care, adult-day care and prescription drugs, are now able to use virtually all of their income to pay for their living expenses by participating in a special SNT, a pooled-income trust, managed by a non-profit agency. It is no longer necessary for consumers to contribute their "excess" income to the Medicaid system as a "spend-down." The pooled-income trust is proving to be a popular planning tool for persons in need of long-term health-care services for whom the excess-income option did not work because it would not allow them a sufficient amount of money to live in the community and qualify for Medicaid.