Kansas
Department of Health and Environment
Division of Health Care Finance

Policy Memo	
KDHE-DHCF POLICY NO: 2012-09-02	**From: Russell Nittler** **Senior Manager – Medicaid Eligibility**
Date: September 14, 2012	**KEESM Reference: 5430(15)**
RE: Assignment of Life Insurance Policies in Order to Qualify for Medical Assistance	**Program(s): All Medicaid Programs**

The purpose of this memo is to provide eligibility staff guidance concerning a policy change allowing the assignment of otherwise resource disqualifying life insurance policies to the state of Kansas in order to qualify for medical assistance. This change is effective with the issuance of this memo.

This change will be incorporated in the Kansas Economic and Employment Services Manual (KEESM) during the next revision scheduled for October 1, 2012.

A. Background – Under current Kansas Medicaid policy, the cash surrender value of certain non-exempt life insurance policies is a countable resource in determining eligibility for assistance. Many applicants chose to liquidate the policy and spend down the cash proceeds in order to qualify for assistance.

Kansas H.B. 2697, enacted effective 7-1-2012, requires the establishment of a process to allow irrevocable collateral assignment of otherwise resource disqualifying life insurance policies to the state in order to qualify for medical assistance. This gives the applicant an alternative to liquidating the policy in order to qualify for medical assistance.

B. Application of Policy – The following processes and procedures apply to implementation of this policy.

1. **Otherwise Disqualifying Policy –** The countable resource value of the life insurance policy must exceed the allowable resource limit for the medical assistance program. This policy does not apply to insurance that is exempt or where the resource value is less than the resource limit.

   Example 1: An applicant for HCBS coverage owns three life insurance policies – two term policies and one whole life policy. The whole life policy has a face value of $1,000 and a cash surrender value of $2,200. Under current policy, all three policies are exempt as a resource and therefore this assignment provision would not be applicable.

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Example 2: A married applicant for Medically Needy (MN) coverage owns two small whole life insurance policies – one policy has a 2,000 face value with a cash surrender value of $500 and the other policy has a $3,000 face value with a cash surrender value of $700. There are no other countable resources. Since the total resource value of these two policies is less than the applicable resource limit ($3,000), the assignment provision would not apply.

Example 3: Same situation as Example 2 above, except the applicant's spouse owns a savings account with a countable balance of $2,400. Since total countable resources now exceed the $3,000 Medically Needy (MN) limit, the applicant has the option of assigning the $3,000 face value policy to the state in order to exempt it as a resource.

Example 4: An unmarried applicant for nursing home coverage owns a whole life insurance policy with a face value of $25,000 and a cash surrender value of $15,000. Since the countable value of this policy exceeds the allowable resource limit ($2,000), the policy may be assigned in order to become an exempt resource.

Example 5: A married applicant for HCBS coverage owns a whole life insurance policy with a face value of $10,000 and a cash surrender value of $5,000. Countable resources attributed to the HCBS spouse after application of the community spouse resource allowance equals $4,000. The policy may be assigned in order to reduce countable resources below the allowable limit ($2,000).

2. **Assignment Requirements –** The assignment of the otherwise disqualifying policy must meet the following conditions in order to be exempt as a resource.

   a. **Irrevocable –** The assignment of the policy must be irrevocable. A policy that has not been irrevocably collaterally assigned to the state Medicaid program shall continue to be a countable resource.

   b. **No Access –** Upon assignment, the policy owner shall no longer have:

      i. The right to collect the death benefit;

      ii. Access to the cash surrender value of the policy;

      iii. The right to borrow against the policy;

      iv. The right to designate someone other than the state as the primary beneficiary.

   c. **Assignment Document –** Documentation of the assignment shall be accomplished by either:

      i. Completion of the new **ES-3171** assignment form created specifically for this purpose. As indicated in section (3) below, the assignment is not considered complete until the insurance company has accepted and recorded the assignment, or

      ii. Completion of an alternative form that has been submitted to and approved by KDHE-DHCF. The insurance company may require use of their own form.

Whatever form used, it must contain the elements listed in **ES-3171** in order to exempt the policy from being counted as an available resource.

Note: The assignment shall be for an amount not to exceed the total of benefits paid under the medical assistance coverage provided for the individual. Any amount in excess of the state Medicaid claim shall be forwarded to either the designated secondary beneficiary or to the individual's estate.

3. **Timing of Assignment –** The date of assignment shall determine when the policy becomes an exempt resource for medical assistance purposes. The otherwise countable policy shall not become an exempt resource until the month that the irrevocable assignment has been accepted and recorded by the insurance company that issued the policy.

4. **Policy Premiums –** The policy owner continues to be responsible for any premiums or charges to the policy. The state has no obligation to pay premiums or charges of any insurance policy assigned to it under this provision.

C. Funeral Agreements – This new provision is separate and distinct from the existing rules governing the assignment of life insurance proceeds to fund an exempt funeral agreement. See EES Policy No. 02-10-02 (Prepaid Funeral Agreements). This new provision simply gives an applicant for medical assistance another option to convert a countable life insurance policy into an exempt resource.

<u>Example 1</u>: An unmarried applicant applying for nursing home coverage owns a whole life insurance policy with a $10,000 face value and a cash surrender value of $8,500. If the applicant has no funeral plan, he/she could choose to purchase a plan funded with an irrevocable assignment of the policy to the funeral home. He/she could also choose instead to irrevocably collaterally assign the policy to the state in order to exempt it as a resource.

<u>Example 2</u>: A married couple applying for Medically Needy (MN) coverage each own a whole life insurance policy with a $5,000 face value and a cash surrender value of $3,500. The husband also owns a whole life insurance policy with a $25,000 face value and a $12,000 cash surrender value. If they so choose, the two $5,000 policies could be irrevocably assigned to a funeral home to fund a funeral agreement for each spouse, and the $25,000 policy could be separately irrevocably collaterally assigned to the state to become an exempt resource.

If you have any questions or concerns about the information in this memo, please contact:

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