

# MISSISSIPPI DIVISION OF MEDICAID

## Eligibility Policy and Procedures Manual

### 302.06 PERSONAL PROPERTY

Personal property, discussed in this section, includes automobiles, life insurance, household goods and personal effects and burial funds.

#### 302.06.01 AUTOMOBILES

An automobile is any registered or unregistered vehicle used for transportation. Vehicles used for transportation can be motorized, animal drawn or even an animal. A vehicle not used for transportation is not an automobile, but may be a countable resource. A temporarily inoperable vehicle normally used for transportation meets the definition of an automobile.

If an exclusion cannot be developed for a vehicle, verify the current market value. The CMV is the average price an automobile of that particular year, make and model and condition would sell for on the open market (to a private individual) in the particular geographic area involved. Use the most recent NADA Official Car Guide or Older Car Guide to determine the average trade-in value. If there is debt on the vehicle, determine the equity value.

If the client states the CMV is not representative of the value of the vehicle, he must be given the opportunity to provide a value rebuttal from another knowledgeable source, such as a used car/truck dealer, automobile insurance company, classic car appraiser, etc.

#### Examples of Automobiles

- Car or truck
- Boat
- Motorcycle
- All terrain vehicle
- Horse-drawn carriage
- Horse

The following are not vehicles for purposes of this exclusion:

- Permanently inoperable (junk) vehicle
- Vehicle used exclusively for recreation, such as boats, motorcycles, RVs, dirt bikes, golf carts, etc.

Leased vehicles are not considered in the resource determination, as the individual does not own the vehicle.

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### **Automobiles (Continued)**

#### Procedure

#### **Treatment of Vehicles Under SSI Resource Policy**

Effective April 2005, one automobile may be excluded, regardless of value, if is used for transportation of the individual, spouse and/or a household member. Unless there is evidence to the contrary, assume the vehicle is used for transportation.

#### **If multiple vehicles are involved:**

- Apply the exclusion in a way that is most advantageous to the applicant/recipient. That is, apply the exclusion to the vehicle with the greater equity value.
- For any vehicle that cannot be excluded wholly under this provision or another provision (e.g., property essential to self-support, etc.), the equity value is countable toward the resource limit.

The equity value of junk cars and vehicles used only for recreation is a resource. The personal effects exclusion does not apply to such vehicles.

#### **Treatment of Vehicles Under Liberalized Resource Policy**

Two vehicles may be excluded, regardless of value, if used for transportation of the individual, spouse and/or a household member. Unless there is evidence to the contrary, assume the vehicles are used for transportation.

#### **If multiple vehicles are involved:**

- Apply the exclusions in a way that is most advantageous to the applicant or recipient. That is, apply the exclusions to the vehicles with the greater equity value.
- For any vehicle that cannot be excluded wholly under this provision or another provision (e.g., property essential to self-support, etc.), the equity value is countable toward the resource limit.

Any car that is permanently inoperable (junk car) can be totally excluded as a resource. Recreational vehicles are treated as personal property. The personal effects exclusion does not apply to such vehicles.

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**Automobiles** (Continued)

AUTOMOBILE CHART	
SSI POLICY	LIBERALIZED POLICY
Exclude one vehicle regardless of value that is used for transportation	Exclude two vehicles regardless of value that are used for transportation
<b>Additional Vehicles</b> - count the equity value of other vehicles which do not meet a resource exclusion	<b>Additional Vehicles</b> - count the equity value of other vehicles which do not meet a resource exclusion

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### 302.06.02 LIFE INSURANCE

A life insurance policy is a contract. The purchaser (owner) pays premiums to the company (insurer). In return, the insurer agrees to pay a specified sum to a designated person(s), known as a beneficiary, upon the death of the insured individual. The owner and the insured may or may not be the same person. The policy should state the owner's name, if different from the insured. Below are some common terms associated with life insurance:

TERM	DEFINITION
<b>Face Value</b>	<p><b>Face value (FV)</b> is the amount of basic death benefit contracted for at the time the policy is purchased. The face page of the policy may show it as such or as the "amount of insurance", "the amount of this policy", "the sum insured", etc. A policy's FV does <u>not</u> include:</p> <ul style="list-style-type: none"> <li>• The FV of any dividend addition, which is added after the policy is issued;</li> <li>• Additional sums payable in the event of accidental death or because of other special provisions; or</li> <li>• The amount(s) of term insurance, when a policy provides whole life coverage for one family member and term coverage for others.</li> </ul>
<b>Cash Surrender Value</b>	<p>An insurance policy's <b>cash surrender value (CSV)</b> is a form of equity value that it acquires over time. The owner of the policy can obtain its CSV only by turning the policy in for cancellation before it matures or the insured dies. A loan against a policy reduces its CSV.</p>
<b>Dividends</b>	<p><b>Dividends</b> are shares of any surplus insurance company earnings, which can be applied to premiums due or paid by check or by an addition or accumulation to an existing policy.</p>
<b>Dividend Additions</b>	<p><b>Dividend additions</b> are the amount of insurance purchased with dividends added to the policy, increasing its death benefit and CSV. The table of CSVs that comes with a policy does not reflect the added CSV of any dividends.</p>

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### Life Insurance (Continued)

TERM	DEFINITION
<b>Dividend Accumulations</b>	<b>Dividend accumulations</b> are dividends that the policy owner has constructively received, but left in the custody of the insurer to accumulate at interest. They are not a value of the policy; the policy owner can obtain them without affecting FV or CSV. Dividend accumulations cannot be excluded from resources under the life insurance exclusion, even if the policy that pays the accumulations is excluded from resources. Unless they can be excluded under another provision( e.g., as set aside for burial), they are a countable resource.

### Verification of Life Insurance

Obtain documentary evidence to verify the value of life insurance when the client/spouse reports ownership of whole life insurance(s) on any individual with a total FV exceeding the appropriate program exclusion limit: \$1500 (SSI) or \$10,000 (Liberalized). The individual or authorized representative must provide a copy of all the life insurance policies and the most recent dividend statement for each one. The items should verify the following:

- Face Value
- Owner
- Insured
- Beneficiary(ies)
- Whether any dividends are paid, whether they are accumulations, additions, applied to premiums or paid to the owner
- Current amount of accumulations, if any
- Whether the policy generates cash surrender value and if so, the current CSV (including the CSV of any dividend additions and any loans on the policy which reduce the CSV.)

If the policy does not reveal all needed information, use DOM-331, Request for Information Concerning Insurance, signed by the applicant to obtain information from the insurance company. After exclusions are developed, any remaining cash value must be considered in the eligibility determination. The cash surrender value of any policy that cannot be excluded is countable toward the resource limit.

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## Eligibility Policy and Procedures Manual

### Life Insurance (Continued)

#### Types of Life Insurance

Generally, the types of life insurance policies are:

<b>Term Life Insurance</b>	Usually in effect for a specific length of time such as 20 years or length of employment; Does not accrue cash value
<b>Whole Life Insurance</b>	Remains in effect unless the premiums are not paid or the policy matures; Accrues cash value
<b>Burial Insurance</b>	The terms of the contract prevent the proceeds from being used for anything other than the burial expenses of the insured

#### 302.06.02A OWNER VS BENEFICIARY OF LIFE INSURANCE

There is a distinct difference between being the owner of the policy and the beneficiary:

<b>Owner</b>	<p>The owner is the one who has control of the policy. An individual may own life insurance on himself or another person. The owner may take such actions as:</p> <ul style="list-style-type: none"> <li>• Cash in a policy</li> <li>• Take a loan against the cash value</li> <li>• Change ownership to another person</li> <li>• Change the beneficiary</li> </ul> <p>The value of life insurance policies <u>owned</u> by an individual must be considered in the eligibility determination process.</p>
<b>Beneficiary</b>	<p>The beneficiary is the individual(s) who receive the proceeds of the policy at the insured individual's death. One person may be both the owner and the beneficiary.</p> <p><b>Example:</b> Jim Jones purchases a \$10,000 life insurance policy on his mother, Jane Williams, and is the beneficiary upon her death.</p>

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## Eligibility Policy and Procedures Manual

### Life Insurance (Continued)

#### **302.06.02B TREATMENT OF LIFE INSURANCE UNDER SSI RESOURCE POLICY**

Procedure
<p><b><u>Under SSI Resource Policy:</u></b></p> <ul style="list-style-type: none"><li>• Term life insurance policies do not have cash value and are excluded</li><li>• Burial policies are excluded</li><li>• For all other policies determine the total Face Value (FV) of the policies owned by the individual</li></ul> <p><b>NOTE:</b> Do not include the Face Value of any dividend additions in determining whether a policy is a countable or excluded resource.</p> <ul style="list-style-type: none"><li>• A life insurance policy is excluded if its Face Value <u>and</u> the FV of any other life insurance policies the individual owns on the <u>same insured person</u> total 1,500.00 or less.<ul style="list-style-type: none"><li>○ Even if a policy is excluded, any accumulated dividends are countable toward the resource limit unless they are excluded under another provision such as set aside for burial</li></ul></li><li>• If the policy is a countable resource, the cash surrender values (CSV, dividend additions, dividend accumulations, outstanding loan amounts reducing the CSV) of the policies must be verified and considered in the eligibility determination.<ul style="list-style-type: none"><li>○ The countable cash surrender values of the policies and accumulations are countable toward the resource limit unless they can be excluded as burial assets.</li></ul></li><li>• Refer to the income section for treatment of life insurance policy dividends.</li></ul> <p><b>Example:</b> Lyn Reno is the owner of four life insurance policies. Two have Face Values of \$500 and two have Face Values of \$250. The total of all FVs is \$1500 so the policies are excluded.</p> <p><b>Example:</b> Jerry Mann is the owner of three life insurance policies insuring his spouse. The Face Value of each one is \$750. The total Face Value is \$2,250. The specialist must determine the cash values of the policies and count them toward the resource limit unless a burial exclusion is developed.</p> <p><b>Example:</b> Roger West is the owner of two life insurance policies on his spouse. One is whole life with a Face Value of \$1,200 and the other is term life with a Face Value of \$10,000. The term life policy has no cash value and is excluded. The whole life policy is excluded because the Face Value is less than \$1,500.</p>

# MISSISSIPPI DIVISION OF MEDICAID

## Eligibility Policy and Procedures Manual

### Life Insurance (Continued)

#### 302.06.02C TREATMENT OF LIFE INSURANCE UNDER LIBERALIZED RESOURCE POLICY

##### Procedure

#### Under Liberalized Resource Policy:

- Term life insurance policies do not have cash value and are excluded
- Burial policies are excluded
- For all other policies determine the total Face Value (FV) of the policies owned by the individual

**NOTE:** Do not include the Face Value of any dividend additions in determining whether a policy is a countable or excluded resource.

- A life insurance policy is excluded if its Face Value and the FV of any other life insurance policies the individual owns on the same insured person total \$10,000 or less.
  - Even if a policy is excluded, any accumulated dividends are countable toward the resource limit unless they are excluded under another provision such as set aside for burial.
- If the policy is a countable resource, the cash surrender values (CSV, dividend additions, dividend accumulations, outstanding loan amounts reducing the CSV) of the policies must be verified and considered in the eligibility determination.
  - The countable cash surrender values of the policies and accumulations are countable toward the resource limit unless they can be excluded as a burial asset.
- Refer to the income section for treatment of life insurance policy dividends.

**Example:** Lane Ryan is the owner of four life insurance policies. Two have Face Values of \$1,500 and two have Face Values of \$750. The total Face Value is \$4,500 so the policies are excluded.

**Example:** Jennifer Madison is the owner of three life insurance policies on her spouse, with Face Values of \$750, \$2,500 and \$12,000. The total Face Values are \$15,250. The specialist must determine the cash surrender values of the policies and count them toward the resource limit unless a burial exclusion is developed.



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### Treatment of Life Insurance under Liberalized Resource Policy (Continued)

Procedure
<p><b>Example:</b> Roberta Warren is the owner of two life insurance policies on her spouse. One is whole life with a Face Value of \$8,500 and the other is term life with a Face Value of \$25,000. The term life policy has no cash surrender value and is excluded. The whole life policy is excluded because the Face Value is less than \$10,000.</p>

### **302.06.02D     ACCELERATED LIFE INSURANCE PAYMENTS**

Accelerated life insurance payments are proceeds paid to a policyholder before death. Plans vary from company to company; however, all involve early payout of some or all of the proceeds of the policy. Most of the plans fall into three basic types depending on the circumstances that cause the payments to be accelerated:

<b>Long Term Care Model</b>	Allows payments if the policyholder requires an extended stay in a care facility or, in some instances, healthcare services at home.
<b>Dread Disease or Catastrophic Illness Model</b>	Allows payments if the policyholder suffers from a specified covered disease or illness such as cancer or AIDS.
<b>Terminal Illness Model</b>	Allows payments following the diagnosis of a terminal illness where death is likely to occur within a specified timeframe.

Some companies call these payments “living needs” or “accelerated death” payments. Depending on the plan, the receipt of payments may reduce the FV of the policy by the amount of the payments and may reduce the CSV in a proportionate manner. In other cases, a lien may be attached to the policy in the amount of the payments that results in a proportionate reduction in the CSV.

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## Eligibility Policy and Procedures Manual

### Life Insurance (Continued)

Procedure
<p><b><u>Treatment of Accelerated Life Insurance Payments Under SSI and Liberalized Policy</u></b></p> <p>If an individual has a life insurance policy that allows them to receive their death benefit while living and the individual meets the requirements set by the insurance company to receive such proceeds, they are <u>not</u> required to file for the proceeds.</p> <p>If the individual does file and receives the benefits, the payment will be considered as follows:</p> <ul style="list-style-type: none"><li>• <b>Month of receipt</b> – consider as income</li><li>• <b>Following Month</b> - Any money remaining the following month is considered a resource.</li></ul>

### 302.06.02E **LIFE INSURANCE ENDOWMENT POLICIES**

A life insurance policy's primary function is to pay out upon the death of the insured. A life insurance endowment policy does not do that; rather it serves as an investment medium with a maturity date or date certain payout, i.e., 5 years from purchase, at which time a benefit is paid to a designated beneficiary. The possible death of the "insured" individual before the maturity date is a secondary consideration. These policies should be treated as annuities.

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### 302.06.03 HOUSEHOLD GOODS AND PERSONAL EFFECTS

Household goods are personal property found in the home and used in connection with normal maintenance, use and residency of a home. They include:

- Furniture
- Appliances
- Television sets
- Carpets
- Cooking and eating utensils
- Dishes

Personal effects are personal property that is worn or carried by an individual or that have an intimate relation to him or her. They include:

- Clothing
- Jewelry
- Personal care items
- Prosthetic devices
- Educational or recreational items
  - Books
  - Musical instruments

### 302.06.03A OTHER PERSONAL PROPERTY

Personal property which cannot be excluded as household goods or personal effects must be considered as a resource under either SSI or liberalized resource policy, as discussed in the following sections.

### 302.06.03B TREATMENT UNDER SSI RESOURCE POLICY

#### Household Goods and Personal Effects

Household goods and personal effects, as defined above, are excluded in resource determinations, regardless of their dollar value.

Prior to April 2005, a general exclusion of up to \$2,000 applies to the total equity value of household goods and personal effects, other than those excluded regardless of value: one wedding ring, one engagement ring and prosthetic devices, wheelchairs, hospital beds, dialysis machines and other items required by a person's physical condition.

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### Treatment Under SSI Resource Policy (Continued)

#### Property Acquired for its Value or as an Investment

Personal property that an individual acquires or holds because of its value or as an investment:

- Is a countable resource;
- Is not considered as household goods or personal effects for purposes of exclusion

#### Other Personal Property

When ownership of other personal property is alleged and the property is not excludable as household goods or personal effects:

- Verify the Current Market Value (CMV) of the item using any reliable evidence such as a recent sales slip, an appraisal of the item or an estimate from a knowledgeable source. Be aware that insurance appraisals and amounts of insurance often reflect replacement value rather than CMV.
- Determine the Equity Value (CMV less payoff) when there is an encumbrance on the item to arrive at the amount of countable resources.

**Example:** A recreational vehicle (RV) used for vacations and other recreational activities is classified as personal property. The RV does not meet criteria to be an automobile, nor does it meet the definition of household goods or personal effects for exclusion. If the CMV of the RV is \$10,000 and the payoff is \$5,000, under SSI resource policy the equity value of \$5,000 is counted as a resource.

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## Eligibility Policy and Procedures Manual

### 302.06.03B TREATMENT UNDER LIBERALIZED RESOURCE POLICY

#### Household Goods and Personal Effects

Under liberalized policy, household goods and personal effects, as defined above, are excluded in resource determinations regardless of their dollar value.

#### Property Acquired for its Value or as an Investment

Personal property that an individual acquires or holds because of its value or as an investment:

- Is a countable resource when its equity value exceeds \$5,000;
- Is not considered to be household goods or personal effects for purposes of exclusion.

#### Other Personal Property

When ownership of other personal property is alleged and the property is not excludable as household goods or personal effects, under liberalized resource policy:

- Up to \$5,000 in EV is excluded for other personal property.
  - Verify the Current Market Value (CMV) of the item using any reliable evidence such as a recent sales slip, an appraisal of the item or an estimate from a knowledgeable source. Be aware that insurance appraisals and amounts of insurance often reflect replacement value rather than CMV.
  - Determine the Equity Value (CMV less payoff) if there is an encumbrance on the item
  - Exclude the item if the EV is \$5,000 or less.

**Example:** A recreational vehicle (RV) used for vacations and other recreational activities is classified as personal property. The RV does not meet criteria to be an automobile, nor does it meet the definition of household goods or personal effects for exclusion. If the CMV of the RV is \$12,000 and the payoff is \$7,500, the RV can be excluded as a resource under liberalized policy since its equity value is \$5,000 or less.

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### 302.06.04 DEATH BENEFITS FOR LAST ILLNESS AND BURIAL EXPENSES

Death benefits are received because of another person's death. Examples include:

- Life insurance proceeds
- Social Security death benefits
- Burial benefits from the Railroad or Veterans Administration
- Inheritances
- Gifts from relatives, friends or the community to help with expenses

**NOTE:** Recurring survivor benefits from a pension or retirement plan or the Social Security Administration are not death benefits.

Last illness and burial expenses include: related hospital and medical expenses; funeral, burial plot and interment expenses; and other related expenses.

Death benefits provided to an individual are income to the extent that the total amount exceeds the expenses of the deceased's last illness and burial expenses paid by the individual. Death benefits which are not income are also not a resource for one month following the month of receipt. If retained, the second month following receipt, death benefits are resources.

### 302.06.04A TREATMENT UNDER SSI AND LIBERALIZED RESOURCE POLICY

Procedure
<p><b>Death Benefits</b></p> <p>If death benefits are not considered income, then:</p> <ul style="list-style-type: none"><li>• Month of receipt – excluded</li><li>• Month after receipt – excluded</li><li>• Second Month following receipt – countable resource, if retained</li></ul> <p><b>Exception:</b> If the death benefits are repayment for expenses already paid, they are considered resources the month after receipt, if retained.</p>

# MISSISSIPPI DIVISION OF MEDICAID

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### Death Benefits for Last Illness and Burial Expenses(Continued)

#### Procedure

#### Treatment Under SSI and Liberalized Resource Policy

**Example:** When her uncle passed away, Beth Smith received \$4,000 as beneficiary of his life insurance policy. She received it in July and anticipates spending the entire amount on his last illness and burial expenses. She has already received bills totaling \$900 that she paid. On August 1, she received a funeral bill for \$2,900 and a few days later received a cash gift of \$500 which she also intends to apply toward last illness and burial expenses. She pays the \$2,900 funeral bill in August and intends to use the remainder of the life insurance to pay some hospital expenses.

**Treatment:** Neither the \$4,000 received in July nor the \$500 received in August is unearned income since it is all expected to be used for burial or last illness expenses. She used \$900 of the \$4,000 in July. As of August 1, she had \$3,100 that is not a resource for August. During August she paid the \$2,900 bill and then had \$200 left. However, the \$500 she receives in August gives her \$700 to use for hospital expenses. She must spend \$200 in August for burial or last illness expenses; otherwise, the \$200 will count as a resource September 1. Any portion of the \$500 remaining as of October 1 will be counted as a resource.

**Example:** Jane Smith has total countable resources of \$1,980 consisting of a \$1,000 savings account and \$980 in checking. Her brother died in late October. In November she receives \$3,000 as beneficiary of her brother's life insurance. She has last illness and burial expenses of \$2,750 to pay. There are no other bills.

**Treatment:** Of the \$3,000 Ms. Smith received, \$250 is unearned income in November because the last illness and burial expenses are only \$2,750. The \$2,750 is not considered unearned income and will not be a resource until January 1, if she still has it at that time. Any of the \$250 remaining will be a resource for December.

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### 302.06.05 **BURIAL-RELATED RESOURCES**

There are two different types of burial-related resources: burial spaces and burial funds. This section will discuss the distinction between the two and treatment under SSI and liberalized resource policy.

#### 302.06.05A **BURIAL SPACES**

Burial spaces are spaces or items that are use to contain the remains of a deceased person. These include:

- Cemetery plots, crypts, mausoleums, cremation niches
- Caskets, urns
- Headstones or other grave markers
- Burial containers (burial vaults or grave liners)
- Expenses related to the opening and closing of the grave site
- Perpetual care expenses

#### 302.06.05A1 **TREATMENT OF BURIAL SPACES UNDER SSI AND LIBERALIZED RESOURCE POLICY**

Procedure
<p><b><u>Burial Spaces – SSI And Liberalized Resource Policy</u></b></p> <p>A burial space or an agreement which represents the purchase of a burial space held for the burial of the individual, his or her spouse, or a member of his or her immediate family is an excluded resource, regardless of value. The burial space exclusion is in addition to, and has no effect on, the burial funds exclusion.</p> <p><b><u>SSI Exclusion:</u></b></p> <p>Burial spaces may be excluded if intended for use of :</p> <ul style="list-style-type: none"><li>• Individual</li><li>• Spouse</li><li>• Immediate family<ul style="list-style-type: none"><li>○ Parents – biological or adoptive</li><li>○ Children – biological, adoptive or step</li><li>○ Siblings – biological, half or step</li><li>○ Spouses of the above, if currently married. Divorce negates the relationship.</li></ul></li></ul>



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### Treatment of Burial Spaces under SSI and Liberalized Resource Policy (Continued)

#### Procedure

##### Liberalized Exclusion:

Liberalized policy includes all of the relatives in the SSI definition above and extends to family members of any degree of relationship.

##### **Notes:**

- To be "held for" the burial of an individual, the item must be paid for in full - if not paid for in full, the amount paid is considered a **burial fund** rather than a burial space
- Only one item serving the same purpose may be excluded per person. For example, exclude a casket and vault for the same person, but not a casket and an urn
- No limit exists on the value that may be excluded
- Taxes paid on burial spaces are also excluded
- If a burial space is being held by a funeral provider in accordance with a burial agreement, whether revocable or irrevocable, then the value of the burial space(s) is excluded under the burial space exclusion

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### 302.06.05B **BURIALFUNDS**

Burial funds are items clearly designated for an individual's burial. They include:

- Revocable burial contracts
- Revocable burial trusts
- Other revocable burial arrangements (Including installment sales contracts for burial spaces)
- Cash
- Financial accounts such as checking, saving or CDs
- Stocks or bonds
- Life insurance cash value

Burial funds must be clearly designated for the eligible individual's burial, cremation or other burial-related expenses, i.e., flowers, clothing, transportation, etc.

Property other than that listed above will not be considered burial funds and may not be excluded under the burial funds provision. For example, a car, real property, livestock, etc., are not burial funds.

#### **Designation of Burial Funds**

Burial funds may be designated by:

- An indication on the burial funds document, such as a revocable burial contract or the title on a bank account. Whenever burial funds are already clearly set aside as burial funds, no separate signed statement or further designation is required.
- Completion of DOM-321B, Designation of Burial Funds, provides the information required to document a burial fund, i.e., owner, value and form of funds, date set aside for burial, etc.

Once a fund is designated, it remains a burial fund until eligibility terminates or the individual uses the funds for another purpose, in which case a penalty may apply. See discussion of Misuse of Burial Funds later in this section.

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### Documentation of Burial Exclusion

DOM-321A, Burial Assets Exclusion Worksheet, is used to document the case record when the burial asset exclusion is applied. A separate worksheet is required for each person eligible to receive an exclusion, which includes:

- Eligible individual,
- Eligible or ineligible spouse,
- Eligible child
- Eligible or ineligible parent(s)

### Effective Date

The burial fund may be excluded retroactively to the date the individual originally designated the funds for burial. Accept the individual's allegation of the date the funds were first considered set aside for burial (even prior to application) unless there is evidence the funds were used and replaced after that date.

**Example:** Mr. Hoover applies on May 1 and signs DOM-321B designating a CD for burial. He set the account up two years ago for his burial. He is seeking coverage for February, March and April. The exclusion may be given for those months.

### Commingled Funds

Burial funds cannot be commingled with other resources which are not intended for burial. The burial fund exclusion applies only if funds set aside for burial expenses are kept separate from non-burial funds. If excluded burial funds are mixed with resources not intended for burial, the exclusion will not apply to any portion of the funds.

It is possible to have excluded and non-excluded funds commingled provided all funds are intended for burial. It is not permissible, however, to have burial and non-burial funds commingled.

**Example:** Mr. Brennan has a bank account with a balance of \$2,000. He plans to use \$1,500 for burial and the remaining \$500 for other non-burial expenses. The burial exclusion may not be applied to this bank account. Mr. Brennan may want to consider opening another account for the \$500. If he does so, he must provide verification and DOM-321B must be completed to document the burial exclusion.

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### **Burial Funds (Continued)**

#### **Designated Burial Funds vs Excluded Funds**

Any amount may be designated for burial; however, only the amount up to the applicable maximum exclusion may be excluded. Once the amount of the designated burial funds equals the applicable maximum, the only additions to it that can be excluded are appreciation and interest.

However, until the maximum has been reached, additional amounts can be excluded if the individual designates them for burial expenses. Interest is not included in determining if the maximum has been reached.

#### **302.06.05B1 EXCLUSION OF BURIAL FUNDS UNDER SSI POLICY**

SSI policy allows up to \$1,500 in funds set aside for the burial of the individual and up to an additional \$1,500 in funds set aside for burial of the individual's eligible or ineligible spouse.

**Example:** Mr. Brown designates \$1,500 in a bank account for burial. The entire amount may be excluded.

**Example:** Mr. Brown designates an account with a \$2,000 balance for burial. Since \$1,500 is the maximum exclusion, the remaining designated funds are not excluded and count toward the resource limit.

#### **302.06.05B2 EXCLUSION OF BURIAL FUNDS UNDER LIBERALIZED POLICY**

Under liberalized policy, the maximum that can be excluded for burial of the individual is \$6,000. In addition, up to \$6,000 is allowed for burial of the eligible or ineligible spouse.

#### **302.06.05B3 TREATMENT OF BURIAL FUNDS UNDER SSI AND LIBERALIZED POLICY**

##### **Reductions in Maximum Exclusions**

The \$1,500 or \$6,000 maximum exclusion is reduced by:

- Any amount held in an irrevocable trust or burial contract or other revocable arrangement for the individual or spouse, if applicable, except to the extent it represents excludable burial spaces.

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## Eligibility Policy and Procedures Manual

### **Treatment of Burial Funds under SSI and Liberalized Policy(Continued)**

- Face Value of any excluded life insurance policy on the individual or spouse, if applicable

**Example (SSI):** Greta Mann has a savings account designated for burial. It has a balance of \$2,000. She also has an irrevocable burial contract with Hartfield Funeral Home that represents burial space items worth \$2,500 and burial funds of \$1,500. The burial fund portion of the burial contract totally offsets the \$1,500 SSI burial exclusion:  $\$1,500 - \$1,500 = 0$ ; therefore, the entire \$2,000 balance in the savings account is not excluded and counts toward the resource limit.

### **Example (Liberalized)**

Greta Mann has an excluded life insurance policy with a Face Value of \$5,000. She also has a savings account with a balance of \$4,000 that she designates for burial. The \$6,000 burial exclusion is partially offset by the Face Value of her policy:  $\$6,000 - \$5,000 = \$1,000$ . Therefore, \$1,000 of her savings may be excluded and the remaining \$3,000 in non-excluded burial funds is a countable resource.

### **Irrevocable Burial Arrangements**

Irrevocable burial arrangements are not resources and are not subject to the \$1,500 or \$6,000 maximums; however, as indicated above, they do reduce the amount of the burial fund exclusion allowed. Burial insurance is considered an irrevocable arrangement.

### **Value of Burial Arrangements Equal to Value of Pre-Payment**

The value of the irrevocable burial arrangements purchased by the individual must be equal to the value of the funding source used to make the purchase, e.g., cash prepayment, life insurance or annuity irrevocably assigned to the funeral home.

If the value of the burial arrangement is not equal to the value of the prepayment, a penalty may be assessed under the transfer of assets provision for institutionalized clients.

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### **Treatment of Burial Funds under SSI and Liberalized Policy (Continued)**

#### **Changes in Burial Exclusion Amounts**

The maximum amount that can be excluded when a burial fund is initially designated is \$1,500 under SSI resource rules or \$6,000 under liberalized policy. Interest earned on excluded burial funds and appreciation in the value of excluded burial arrangements are excluded as income and resources if left to accumulate and become part of the separate burial fund.

Changes in the individual's circumstances may raise or lower the amount that can be excluded for burial, such as:

- The purchase of additional life insurance with cash surrender value may change the allowable exclusion. In addition, cashing in life insurance may raise or lower the allowable exclusion.
- The face amount of life insurance may change, thereby changing the allowable exclusion.
- An irrevocable burial contract may be purchased, thereby reducing the allowable burial exclusion.
- Deposits made to bank accounts designated for burial will change the allowable exclusion.
- If the amount designated is less than the maximum exclusion, the individual may add additional funds to the burial fund to bring up the original amount to the maximum exclusion amount.

**NOTE:** A decrease in the value of any excluded burial funds will be subject to a penalty for misuse, which is discussed later in this section.

#### **Reevaluation of Burial Funds**

The burial fund exclusion once applied must be reevaluated whenever a change becomes known that would affect the exclusion amount or at each redetermination. It is not necessary for the client to sign a new DOM-321B unless there is a new or revised designation of funds. If there is a change in the amount of the exclusion, a new DOM-321A, Burial Assets Exclusion Worksheet, must be prepared. Otherwise, the most recent DOM-321A should be updated.

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## Eligibility Policy and Procedures Manual

### **Treatment of Burial Funds under SSI and Liberalized Policy** (Continued)

At each redetermination:

- Verify the requirements for exclusion are still being met
- Verify the current value of the fund
- Determine if increased value is interest or another type of addition
- If the fund contains both excluded and non-excluded amounts, use the formula below to determine the excludable portion:

Original exclusion amount ÷ Original fund amount × Present fund amount = Excluded Portion

**Example:** An individual, subject to SSI rules, designated \$2000 (original fund amount) as a burial fund, \$1500 (original exclusion amount) was excluded and \$500 is non-excluded. At the most recent review, the account had grown to \$2200 (present fund amount) due to accumulated interest.

The excluded amount is \$1650.  $(1500 \div 2000 \times 2200 = 1650)$

### **Misuse of Burial Funds**

If funds, including interest, that were excluded under the burial fund exclusion are used for any purpose other than burial expenses for the designated individual, a penalty for misuse is imposed only if the client would have excess resources without the burial exclusion.

Upon discovery of the misuse of excluded burial funds, the specialist will obtain verification (which may be in the form of a statement from the client or representative) that all or a portion of the funds have been used for another purpose other than burial. The specialist will then determine the effect the misuse will have on eligibility.

### **Penalty for Misuse**

If the client would have excess resources without the burial fund exclusion, the amount used inappropriately is counted as income the next possible month after the month in which the misuse is discovered. The misused funds will be included as income in the eligibility computation; however, misused burial funds are not counted as income in the Medicaid Income computation for the institutionalized individual unless the funds are available to the recipient.

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### Treatment of Burial Funds under SSI and Liberalized Policy (Continued)

If the misused funds include non-excluded burial funds, assume the funds were used in this order:

- Non-excluded interest
- Non-excluded designated amount
- Excluded interest
- Excluded designated amount

The penalty only applies to excluded interest and designated amounts.

If ineligibility results, the case will be closed in accordance with ongoing policy, i.e., advance notice issued, etc. If the misuse of burial funds does not result in excess income because the client's resources would not exceed limit even if the burial funds were not excluded or if applicable, the funds are not available to the client to include in the Medicaid Income computation, no action is required other than documenting the case record.

DOM-321B is required to redesignate funds when there is a change in the amount of funds originally designated, not including accumulated interest or appreciation. If eligibility is lost, the burial fund exclusion must be developed if the individual reapplies later.

**Example:** Jennifer Shows originally designated \$1,500 as a burial fund. Interest accumulated and the account grew to \$1,750. In May, she withdrew \$500 to repair her car. If her other resources plus the \$1750 burial fund, which is now non-excluded, exceed the program resource limit, the penalty applies.

In addition, she must redesignate the amount of funds for burial because the amount in the account (\$1,250) is now below the original amount designated. In the alternative, she could add \$250 to the account and the original designation would be accurate; however, any penalty would still apply.



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### **302.06.05C PRE-NEED BURIAL CONTRACTS**

A pre-need burial contract is an agreement between an individual and a funeral home where the buyer pays in advance for his or another person's burial arrangements. If an applicant's resources exceed the allowable limit, he is allowed to establish a pre-need contract to reduce his resources below the limit.

#### **Pre-Need Burial Contracts Including Burial Spaces and Burial Funds**

Many pre-need contracts include both burial space and burial fund items. Expenses related to the burial space include: casket, vault, opening/closing costs at the cemetery. Expenses related to the burial fund include: embalming, clothing, visitation room, transportation, flowers.

There are two types of pre-need burial contracts: revocable and irrevocable. Each is described below, as well as, how they are treated in the eligibility determination. Payment for a contract has taken place when an applicant/recipient transfers a liquid resource to the funeral provider or when specific life insurance policies have been designated on the pre-need burial contract.

A liquid resource designated, but not transferred to the funeral provider as payment for a contract, is counted as an available resource. A resource cannot be designated for future payment of a pre-need contract and that resource be excluded as a resource.

#### **302.06.05C1 REVOCABLE PRE-NEED BURIAL CONTRACTS**

Revocable contracts may be sold or the money may be refunded. They are considered resources; however, a full or partial exclusion may be developed:

##### **Revocable Contracts That Are Paid in Full**

If the value of all the items is provided, both the burial space and the burial fund exclusion may be developed. If the value of the burial space items is not provided, only the burial fund exclusion may be developed.

##### **Revocable Contracts That Are Not Paid in Full**

Only the burial fund exclusion may be developed unless the contract verifies the burial space items are paid for and the burial funds items are being paid on.

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### Revocable Pre-Need Burial Contracts (Continued)

#### Procedure

#### Revocable Pre-Need Contracts - SSI and Liberalized Resource Policy

##### Verification

- Copy of contract
- Statement from provider of service

##### Treatment

- Revocable pre-need burial contracts are considered a resource. A burial exclusion may be developed. DOM-321B must be completed and signed
- **If the contract is paid in full:**
  - Any portion of the contract clearly representing burial spaces may be excluded entirely, regardless of value
  - Up to \$1,500 (SSI) or \$6,000 (Liberalized) of the remaining portion of the contract may be excluded as a burial fund
- If the contract is not paid in full, it should be treated as a burial fund unless it is verified that the burial spaces themselves are paid in full and considered "held for" the individual

**Example:** Mr. Allen applies for Medicaid. He has just purchased a revocable contract at Land of Lakes Funeral Home. The contract verifies it is paid in full and includes the following:

\$1,500	Casket
\$1,000	Vault
\$1,000	Headstone
\$500	Opening/closing costs
\$200	Embalming
\$300	Visitation Room
\$1,000	Funeral service

Because the contract is paid in full, the first four items, which are burial space items, may be excluded under the burial space exclusion. The remaining \$1,500 may be excluded under the burial fund exclusion.

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**302.06.05C2 IRREVOCABLE PRE-NEED BURIAL CONTRACTS**

Procedure
<p><b><u>Irrevocable Pre-Need Contracts - SSI and Liberalized Resource Policy</u></b></p> <p>Irrevocable contracts are not a resource since the money cannot be refunded or the contract sold without significant hardship.</p> <p><b><u>Verification</u></b></p> <ul style="list-style-type: none"><li>• Copy of contract</li><li>• Contact with service provider</li></ul> <p><b><u>Treatment</u></b></p> <p>If the contract is irrevocable:</p> <ul style="list-style-type: none"><li>• It is not a resource to the individual</li><li>• It is not considered a resource retroactive to the date it was purchased</li><li>• The portion that represents burial funds offsets the burial fund exclusion amount (\$1,500 SSI/ \$6,000 liberalized)</li><li>• If the contract is not paid in full, the portion paid represents burial funds and is excluded up to the maximum</li></ul> <p><b>Example:</b> Mrs. Appleton applies for Medicaid. She has a savings account worth \$5,500 and a life insurance policy with a Face Value of \$20,000 and Cash Surrender Value of \$800 that she had designated for her burial. Since her resources exceed the limit, she uses \$4,500 of her savings to purchase an irrevocable pre-need burial contract. A copy of the contract verifies she paid \$1,500 for the casket, \$1,000 for the vault, \$500 for the opening/closing of the grave and \$1,500 for the funeral. Since the contract is irrevocable, it is not a resource and not countable.</p> <p><b>Treatment of Example under SSI Rules</b></p> <p>The \$1,500 in the contract for the funeral totally offsets the \$1,500 burial fund maximum. The \$800 CSV of life insurance the client designated for burial becomes a countable resource. Her countable resources are: savings - \$1,000, CSV of life insurance - \$800 = \$1,800 countable resources.</p> <p><b>Treatment of Example under Liberalized Rules</b></p> <p>The \$1,500 in the contract for the funeral plus \$800 CSV from the life insurance policy the client designated for burial totals \$2,300 in designated burial funds. Her countable resources are: savings - \$1,000.</p>

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### 302.06.05D LIFE INSURANCE FUNDED BURIAL CONTRACTS

A life insurance funded burial contract involves an individual purchasing a life insurance policy on his own and then assigning, revocably or irrevocably, either the proceeds or ownership of the policy to a funeral provider. The purpose of the assignment is to fund a burial contract. Life insurance funded burial contracts are not considered burial insurance.

#### Effect of the Assignment of Ownership on Burial Exclusion

- **Revocable Assignment**
  - The burial space exclusion does not apply because the items are not paid for until the death of the individual and therefore are not being “held for” the individual
  - The burial fund exclusion may apply. The resource value of the burial contract is equal to the Cash Surrender Value of the life insurance, subject to the maximum burial funds exclusion amount.
  
- **Irrevocable Assignment**
  - The burial space exclusion may apply if the values of the items are provided.
  - The life insurance policy is not a resource because the individual no longer owns it
  - The contract is not a resource because the individual no longer owns it
  - The value of the burial fund items offsets the value of any other burial funds items up to the allowable maximum

#### Effect of the Assignment of Proceeds on Burial Exclusion

When life insurance proceeds are assigned, the burial space exclusion does not apply because the provider will not be paid until the death of the individual and spaces are not being “held for” the individual. The resource value of the contract is the cash surrender value of the life insurance policy.

If the Face Value of all life insurance policies for the individual total \$1,500/\$6,000 or less, exclude the CSV under the life insurance exclusion. If the FVs total more the \$1,500/\$6,000, verify and count the CSV toward the resource limit. The burial fund exclusion may apply.