

MISSISSIPPI DIVISION OF MEDICAID
Eligibility Policy and Procedures Manual

308.01 ENCUMBRANCE OF A LIQUID RESOURCE

An encumbrance is defined as a legal obligation to pay a debt. If an applicant/recipient's combined resources exceed the resource limit, the specialist must deduct the amount of any encumbrances from the Current Market Value (CMV) to determine the equity value of a resource. The equity value is countable toward the resource limit.

308.01.01 ENCUMBRANCE OF A LIQUID RESOURCE (SSI POLICY)

An encumbrance may occur when the applicant/recipient in an SSI-related coverage group has alleged a check has been written from a bank account, and it has not yet cleared the bank.

Procedure
<p>If the individual has alleged a check has been written from a bank account and it has not cleared, the specialist must</p> <ul style="list-style-type: none">• Examine evidence that the check was written, therefore legally obligating the funds from the bank account. <p>Verification must be obtained before allowing a reduced equity value of the bank account. Once verification, is received, the equity value of the bank account can be established by deducting the amount of the check written.</p> <p>Verifications needed:</p> <ul style="list-style-type: none">• Paid receipt, cancelled check, etc. <p>Example: Mr. Timmons' bank statement shows a checking account balance of \$1,250 as of May 1, which combined with other countable resources, exceeds \$2000 as of the first day of the month. Mr. Timmons alleges that the balance includes his rent check of \$500 which he wrote and gave to the landlord on April 25, but his landlord has not yet cashed the check.</p> <p>The specialist examines Mr. Timmons' check register and finds an annotation for check number 1345 written on 4/25 for \$500. He also notes that check 1346 has already cleared the bank and has been deducted from his account according to the bank statement. Next the specialist notes Mr. Timmons has written a \$500 check to his landlord for rent on or around the 25th of each month for the last six months.</p>

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Encumbrance of a Liquid Resource (SSI Policy) (Continued)

Procedure

Example (Continued)

Since there is evidence that Mr. Timmons has written the check and legally obligated those funds in his account, **and** his records provide a complete and consistent picture of the account, the specialist can deduct the amount of the uncashed check from the 5/1 first of the month balance.

The uncashed check can be deducted because SSI equity value rules state that in determining equity value, we deduct encumbrances from the CMV. The new balance of \$850 permits eligibility on resources.