

# 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"><li>• Examine evidence that the check was written, therefore legally obligating the funds from the bank account.</li></ul> <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"><li>• Paid receipt, cancelled check, etc.</li></ul> <p><b>Example:</b> 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 25<sup>th</sup> of each month for the last six months.</p>

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

Procedure
<p data-bbox="203 472 487 504"><b>Example (Continued)</b></p> <p data-bbox="349 556 1347 745">Since there is evidence that Mr. Timmons has written the check and legally obligated those funds in his account, <b>and</b> 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.</p> <p data-bbox="349 787 1347 903">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.</p>

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CHAPTER 300 - Resources

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### 308.01.02 ENCUMBRANCE OF A LIQUID RESOURCE (LIBERALIZED POLICY)

Under liberalized resource policy, an encumbrance may occur when the applicant/recipient has alleged a check has been written from a bank account, and it has not yet cleared the bank.

#### Procedure

##### **Alleged Check has not Cleared the Bank**

If the individual has alleged a check has been written from a bank account and it has not cleared, the specialist must

- Examine evidence that the check was written, therefore legally obligating the funds from the bank account.

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.

Verifications needed:

- Paid receipt, cancelled check, etc.

**Example:** Mr. Jon Doe applied for Medicaid on January 4. As of January 31, Mr. Doe's bank statement shows a checking account balance of \$2,350, which combined with other countable resources, exceeds \$4000. Mr. Doe alleges that the balance includes his rent check of \$500 which he wrote and gave to the landlord on January 22, but his landlord has not yet cashed the check.

The specialist examines Mr. Doe's check register and finds an annotation for check number 1345 written on January 22 for \$500. Since there is evidence Mr. Doe has written the check from the account, the specialist can deduct the amount of the uncashed check since it is an encumbrance.

In determining equity value of the bank account, the encumbrance of \$500 is deducted from the \$2,350 in the bank account. Eligibility can be established for Mr. Doe for January if he is otherwise eligible.

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### 308.01.03 RESOURCE SPENDDOWN (LIBERALIZED POLICY)

For cases subject to liberalized resource policy, effective October 1, 1989, eligibility can exist for an entire month when an individual or couple meets the resource test during the month. This allows an applicant to “spenddown” resources in a month to become eligible for that month.

Under the liberalized spenddown provisions, resources can be reduced within the applicable limit and as long as resources remain within the limit for that month, eligibility can be established.

The following are considered in making the determination:

- Do not allow payment of expenses that will be returned, refunded or reimbursed as legitimate spenddown expenses when calculating resources for a given month. Client-owned resources spent for reimbursable expenses count as an available resource in the month paid.
- Allow outstanding checks/payments as an expense if proof is provided that the payment was authorized during the spenddown month and the expense is non-reimbursable.
- The spenddown provision implies that an individual spends down to the resource limit and remains at or below the limit for the remainder of the month. When determining eligibility for a prior period and reviewing the resource situation for a full month, the individual or couple must have depleted resources to acceptable level and remained eligible for that month for a true spenddown to have occurred.

**Example:** An individual had \$5,000 in a bank account on the first of the month and spent \$3,000 on a pre-paid burial contract on the 5<sup>th</sup> of the month. However, on the 20<sup>th</sup>, he sold his car, which was excluded as a resource for \$2,500. The \$2,500 then becomes a resource (conversion of a resource) in the same month and unless the individual spends the excess \$2,500 by the end of the month, eligibility cannot be established for that month.

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### Resource Spenddown (Liberalized Policy) (Continued)

#### Resources Earmarked for Private Pay of LTC

Under liberalized resource policy, if excess liquid resources are earmarked for payment of private pay expenses for month(s) prior to a month of Medicaid eligibility, these excess resources can be excluded as a resource for any potential Medicaid months since the funds are obligated.

If Medicaid will cover any months that have been paid as private pay by the client, the amount subject to reimbursement is a resource in the month paid.

**Example:** A LTC applicant enters a nursing home in June and applies for Medicaid in August. The applicant's bank account is \$6,000, but \$4,500 is earmarked for private pay for June/July. Medicaid is needed for August 1. Since the \$4,500 is obligated for months prior to Medicaid eligibility, it can be excluded as a resource in determining eligibility for August forward, provided the earmarked funds are used to pay for the intended private pay expenses.

#### Accumulated Income Earmarked as Medicaid Income

Under liberalized resource policy, income that accumulates while a Medicaid application is in process and that is obligated for payment of Medicaid income for months that will be covered by Medicaid can be excluded as a resource if excess resources result from accumulating income.

**Example:** A LTC applicant enters a nursing home in August and applies for Medicaid in October requesting benefits retroactive to August. The client's income is \$1,200 per month. In November when the case is being worked up, the bank balance is \$5,000. Medicaid Income for September and October would be \$2,312 ( $\$1,200 - \$44 = \$1,156 \times 2$ ). November's income of \$1,200 can be backed out of the balance plus the \$2,312 obligated for September and October Medicaid Income, thus leaving \$1,488 as a countable resource for November.