

# Operations Memorandum - Medicaid

## OPS050904

**SUBJECT:** Purchase of an Irrevocable Burial Reserve and Medicaid Eligibility  
**TO:** Executive Directors  
**FROM:** Kathy Yorkieivitz, Deputy Secretary for Income Maintenance

### **Purpose**

The purpose of this operations memorandum is to provide you with the policy and procedure changes to help you to determine the effective date of Medicaid eligibility when an individual that has applied for Medicaid purchases an Irrevocable Burial Reserve. These procedures will take effect immediately.

### **Background/Discussion**

Excess resources are often the reason why an individual is denied eligibility for Medicaid. Excess resources include but are not limited to bank accounts, savings bonds, life insurance and Individual Retirement Accounts (IRA's). The individual may not currently own an irrevocable burial reserve or may wish to increase the amount in an existing one. The individual may use these excess resources to establish or increase an irrevocable burial reserve. The process of converting these excess resources to cash and then purchasing an irrevocable burial reserve can take several weeks. The applicant has no control over the time it takes the financial institution to release the funds. The effective date of eligibility for Medicaid when excess resources have been spent on an irrevocable burial reserve currently differs among County Assistance Offices (CAOs). To establish consistency throughout the state, all CAOs must adhere to the policy outlined in this memorandum.

### ***Old policy***

<b>If</b>	<b>Then</b>
An individual uses excess resources to purchase or add to an irrevocable burial reserve	The individual is eligible for Medicaid as of the date that the resources are reduced to within the resource limit.

### ***New policy***

<b>If</b>	<b>Then</b>
An individual uses excess resources to purchase or add to an irrevocable burial reserve	The individual may be Medicaid eligible as far back as the first day of the third month prior to the application date.

Specific steps to ensure consistency are as follows:

### **New Application**

Step 1: **Review** the application for Medicaid eligibility.

Step 2: If the applicant's resources exceed the limit to qualify for Medicaid:

- **Inform** the applicant verbally (if feasible) and in writing ([Attachment 1](#)) that resources exceed the Medicaid limit;

**NOTE:** A verbal contact via the telephone or during the application interview for Medicaid is encouraged and should be documented in the case record.

- **Inform** the applicant that the purchase of an irrevocable burial reserve is permissible to reduce excess resources and to qualify for Medicaid;

**NOTE:** The amount of the irrevocable burial reserve cannot exceed the established average cost of burial that has been determined for your county by more than 25%.

**(Example:** Average cost of burial = \$10,000. Irrevocable burial reserve cannot exceed  $\$10,000 \times 125\% = \$12,500$ .

- **Inform** the applicant that he must inform the CAO worker that the excess resources have been used to purchase or add to an existing irrevocable burial reserve; **and**
- **Inform** the applicant that the verification of the purchase or increase in an irrevocable burial reserve must be received by the CAO within 45 calendar days from the mailing date of the written notification. (See Attachment)

**NOTE:** The 45 days provided to the applicant is not intended to eliminate (or extend) the CAO's responsibility for a timely disposition of an application. CAO staff are encouraged to review an application and inform the applicant of this option upon receipt of an application for Medicaid.

Step 3: **Authorize** Medicaid eligibility or retroactive Medicaid eligibility if requested verification has been received by the due date. Proof that the excess resources have been converted to an irrevocable burial reserve must have been received within the specified time frames (45 calendar days of written notification of the option to convert excess resources).

Step 4: **Deny** eligibility for Medicaid due to excess resources if the verification that the excess resources have been converted to an irrevocable burial reserve is not received within 45 calendar days.

### **New Application after a Denial**

If an individual reapplies after a denial due to excess resources and has provided verification that the excess resources have been converted to an irrevocable burial

reserve and has met all other Medicaid eligibility requirements, use the following procedure:

**STEP 1:** If the requested date of coverage is after the date the irrevocable burial reserve was purchased **and within** the retroactive period based on the new application then authorize Medicaid the date the coverage is requested.

**STEP 2:** If the requested date of coverage is after the date the irrevocable burial reserve was purchased **but prior to** the retroactive period based on the new application then authorize Medicaid the first day of the allowable retroactive period.

Below are some examples to show you how to apply these procedures.

### **Example 1 - LTC FACILITY APPLICANT**

#### Case Situation

Mary Jones is a 70 year old widow.

She entered the Pleasant View LTC facility on September 1 st.

The CAO received an application for Medicaid/LTC services on September 8 th signed by Mary on September 1 st.

Mary has income of \$1,500 per month

Mary has 3 bank accounts with a total balance of \$13,000 and a life insurance with face value of \$500.

#### Processing of Application

Mary's application was reviewed by the CAO on September 30 th and a face to face interview was held on October 8 th.

The CAO worker explained to Mary's daughter at the interview that her mother's resources exceed the Medicaid limits by \$5,000.

\$13,000	Total resources
<u>- \$6,000</u>	NMP resource disregard
\$7,000	
<u>- \$2,000</u>	Medicaid NMP resource limit
\$5,000	Excess resources

The CAO worker explained to Mary's daughter that the excess resources can be used to purchase an irrevocable burial reserve.

The CAO worker mailed written notice (Attachment 1) on October 9 th advising that the excess resources can be converted and still qualify for Medicaid/LTC services.

Mary's daughter, agent/POA, purchases an irrevocable burial reserve on October 15 th for \$5,000.

The CAO received a copy of the newly purchased irrevocable burial reserve on October

25 th.

The CAO authorizes Medicaid/LTC services effective September 1 st.

## **Example 2 - COMMUNITY APPLICANT**

### Case Situation

Bill Brown is a 65 year old widower who lives with his daughter.

Bill's daughter is helping him through the application process.

He incurred a hospital bill on April 1 st.

The CAO received an application for Medicaid on April 15 th.

Bill has a money market account worth \$1,800 and stocks with a value of \$5,500.

Bill's only income is Social Security of \$850 per month.

### Processing of Application

The CAO worker reviewed Bill's application on April 15 th and contacted Bill's daughter by phone.

The CAO worker explained to Bill's daughter that Bill has excess resources of \$4,900.

\$ 1,800 Money market

+ \$5,500 Stocks

\$ 7,300

- \$ 2,400 MNO limit

\$4,900 Excess resources

The CAO worker explained that the purchase of an irrevocable burial reserve is a permissible way to reduce excess resources and still qualify for Medicaid benefits.

The CAO worker mailed a written notice (Attachment 1) on April 15 th to advise that excess resources can be used to purchase an irrevocable burial reserve and then the applicant would qualify for Medicaid services.

Bill's daughter sent a letter enclosing the stock certificates to the financial institution requesting the redeeming of the stock certificates on April 20 th. She gave a copy of this letter to the CAO worker along with a statement to verify Bill's intent to purchase an irrevocable burial reserve when the money is received.

Bill received a check from the stock redemption on May 1 st. He deposited \$4,900 in an irrevocable burial reserve on the same day.

The CAO worker received a copy of the irrevocable burial agreement on May 15 th showing a purchase date of May 1 st.

The CAO worker authorizes Medicaid effective April 1 st.

## **Example 3 - COMMUNITY APPLICANT**

### Case Situation

Harry Smith is a 70 year old widower.  
Harry's only income is Social Security of \$700 per month.  
Harry has a \$5,000 Certificate of Deposit and a savings account of \$800.  
The CAO received an application for Medicaid on May 16 th requesting retroactive coverage back to May 1 st for some unpaid medical bills.

### Processing of Application

The CAO worker reviewed Harry's application on May 16 th.  
The CAO worker contacted Harry to explain that Harry's resources exceeded the resource limit of \$2,000 by \$3800.

\$ 5,000 Certificate of Deposit  
+ \$ 800 Savings  
\$ 5,800  
-\$2,000 NMP resource limit  
\$ 3,800 Excess resources

Harry told the CAO worker that he wanted to use the \$5,000 CD for burial purposes. The CAO worker explained to Harry that he could purchase an irrevocable burial reserve and then he would become eligible for Medicaid. The CAO worker gave Harry a deadline of June 30 th to submit verification that he established a burial reserve with the excess resource. Harry did not submit the verification and the application was rejected on July 1 st due to excess resources. Harry applied again for Medicaid on September 1 st. He requested retroactive coverage back to May 1 st. Harry provided documentation that he purchased an irrevocable burial reserve on May 30 th. His countable resources were within the limit. Medicaid was then authorized but only back to June 1 st due to the allowable retroactive period based on the September 1 st application date.

**NOTE:** The retroactive period may only extend as far back as the first day of the third month prior to the month of application.

### Next Steps

1. Review this Operations Memorandum with appropriate staff.
2. Direct any questions concerning this memorandum to Mrs. Trudy Johnson, Acting Division Director, Bureau of Policy at (717) 772-7809.
3. This operations memorandum becomes obsolete once the procedures have been incorporated into the Long Term Care Handbook.