

Operations Memorandum - Medicaid

OPS060701

7/05/06

SUBJECT: Treatment of Long Term Care Insurance Policies for Medicaid Applicants/Recipients in Long Term Care Facilities
TO: Executive Directors
FROM: Joanne Glover, Director, Bureau of Operations

Purpose

The purpose of this Operations Memorandum is to clarify procedures for how the County Assistance Office (CAO) treats Long Term Care (LTC) insurance policies. This policy is effective July 5, 2006.

Background/Discussion

LTC insurance policies help cover the cost of care and services for individuals residing in LTC facilities. LTC policy payments usually begin after a specified waiting period and continue for a specified period of time depending on the terms of the policy.

The insured individual can continue to receive payments as long as the policy remains in effect and the individual remains eligible for the payment under the terms of the policy. Payments are treated as either income of the individual or as a third party resource for facility billing purposes.

Procedure for determining how to treat payments from LTC insurance policies:

<i>If</i>	<i>Then</i>
An LTC insurance policy payment is paid directly to the Medicaid applicant/recipient,	The payment is counted as income when determining payment towards the cost of LTC services.

<i>If</i>	<i>Then</i>
An LTC insurance policy payment is paid directly to the LTC facility,	The payment is treated as a third party resource and the payment is not counted as income of the Medicaid applicant/recipient .

<i>If</i>	<i>Then</i>
An LTC insurance policy payment is paid to someone other than the Medicaid applicant/recipient and the payment is paid to the LTC facility,	The payment is counted as income when determining payment towards the cost of LTC services.

<i>If</i>	<i>Then</i>
An LTC insurance policy payment is paid to someone other than the Medicaid applicant/recipient and the payment is not paid to the LTC facility,	The payment must be treated as a transfer of assets for less than fair consideration.

Example:

Mr. Smith resides in XYZ Nursing Facility. He has an LTC insurance policy which pays \$5,000 per month. The \$5,000 monthly payments from Mr. Smith's LTC insurance policy are being paid to his son, who deposits the payments into his own checking account.

Mr. Smith's son does not send any payments to XYZ Nursing Facility. These transfers must be evaluated for fair consideration each month since the payments are not being used for Mr. Smith's care. The amount of each payment is considered a transfer of assets for less than fair consideration. The \$5,000 payment is divided by the average daily private pay rate of \$199.31. This transfer results in a period of ineligibility of 25 days for each month in which the transfer occurs and payment is not made for Mr. Smith's care. Mr. Smith is ineligible for payment of LTC facility services until the 26 th day of each calendar month. Mr. Smith continues to remain eligible for Medicaid. A 903Q TPL is established for the ineligibility period. The evaluation for fair consideration must be completed each month in which the LTC insurance payments are received by Mr. Smith's son and are not paid to the LTC facility.

NOTE: A copy of all LTC insurance policies must be forwarded to the Division of Third Party Liability (TPL). The Division of TPL will research these policies and will ensure proper crediting of payments from LTC insurance policies during the facility billing process.

Send a copy of all LTC insurance policies to the following address:

Division of Third Party Liability
 PO Box 8486
 Harrisburg , PA 17105-8486
or
 FAX to (717) 772-6598

Information regarding LTC insurance policies is **not** to be entered into the Client Information System (CIS)/TPL.

NOTE: The instructions in this memorandum supersede the information contained in previous policy clarifications NC-002-468, NC-5384-450, and TR. No.4129.

Next Steps

1. Review this information with all staff.
2. Direct any questions to your Area Manager.