
Date: May 21, 2014 **MEPD Policy Bulletin Number: 14-07**

To: Eligibility Services – Regional Directors for MEPD
Regional Attorneys
Hearings Officers

From: Stephanie Stephens, Director
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Subject: Life Settlement Contracts

If you have any questions regarding the policy, follow regional procedures. The information in this bulletin is available at the following websites:

- Eligibility Services - <http://ofs.hhsc.state.tx.us/mepd/mepd-bulletins.aspx>
- MEPD Handbook - http://www.dads.state.tx.us/handbooks/mepd_policy/index.htm

Background

State law allows an individual to enter into a life settlement contract to pay for an individual's long-term services and supports (LTSS), including, but not limited to, home health, assisted living, and nursing home services. Under a life settlement contract, an individual sells a life insurance policy for a lump sum payment, which is dedicated to pay for an individual's LTSS expenses.

Policy/Procedure for Life Settlement Contracts

Staff must not consider the proceeds of a life settlement contract as an asset when determining eligibility for Medicaid LTSS, if the life settlement contract meets the requirements for an exemption. To be considered exempt, a life insurance policy converted to a life settlement contract:

- Must direct proceeds of the life settlement contract to an irrevocable state or federally-insured account;
- Specify that the proceeds must only be used for payment of LTSS expenses;
- Specify the total amount payable for LTSS expenses; and
- Indicate the irrevocable beneficiary of any reserved death benefit.

If the life settlement contract does not meet the above requirements, staff must:

- Consider the proceeds a countable resource; or
- If the proceeds are not accessible to the individual, explore transfer of assets.

Staff must verify that a life settlement contract meets the above requirements in order to exempt it when determining eligibility for Medicaid LTSS. Staff must request a copy of the life settlement contract and the account agreement and verify:

- That the proceeds of the life settlement contract are held in an irrevocable state or federally-insured account;
- That payments from the life settlement account are made for LTSS and/or medical expenses only;
- The total amount payable for LTSS expenses; and
- The amount of the reserved death benefit and the irrevocable beneficiary.

Note: Any payments, such as bank fees, legal fees, or other administrative costs, made from the account would be considered income to the individual in the month the payment is made.

Staff must document in Case Comments:

- Name of the life insurance company, policy number, and face value;
- Date the life insurance policy was converted to a life settlement contract;
- Name of the life settlement company;
- Amount of proceeds from the life settlement contract;
- Location of the life settlement account;
- Account number; and
- Allowable disbursements as indicated in the account agreement.

Also, staff must send an encrypted email to “HHSC OES MEPD IC <OESMEPDIC@hhsc.state.tx.us>” with the following information and document in Case Comments the date the email was sent:

- Title the email "LIFE SETTLEMENT" in all caps;
- In the body of the email, include the following:
 - Case name;
 - Case number;
 - Document Control Number (DCN) for the life settlement contract and supporting documentation;
 - Disposition date;
 - Result of disposition (certified or denied); and
 - Total proceeds of the life settlement contract.

As required by state law, HHSC is providing information on its website on life insurance options, including life settlement contracts. Attached is a copy of the educational information.



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Automation

Automation changes will be implemented at a later date if necessary.

Handbook

The handbook will be updated in the September 2014 revision.

Training

The MEPD New Hire Training and the Continuing Skills Training will be modified to reflect the new policies.

Effective Date

This policy is effective for applications disposed on or after June 1, 2014.