



Medicaid Eligibility and the
Treatment of Income and Assets under the
New York State Partnership for Long-Term Care

(The only plan covered in this document is the Total Asset 3/6/50 plan.)

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DETERMINATION OF MEDICAID ELIGIBILITY FOR NYS PARTNERSHIP CONSUMER PARTICIPANTS REQUIRING NURSING HOME CARE

The New York State Partnership for Long Term Care (NYS Partnership) has increased public interest in long term care insurance. To understand what the Partnership offers residents of the State and to evaluate whether it is appropriate for you to purchase a NYS Partnership long term care insurance policy, you must have a basic understanding of how eligibility for Medicaid for nursing home care is determined, particularly in regard to treatment of your income. The Medicaid eligibility process is demonstrated for you below through a series of income scenarios which illustrate how certain variables, including marital status and source of income, affect your eligibility for Medicaid nursing home care if you purchase a Partnership policy.

GENERAL INFORMATION

How the Partnership Works:

Medicaid coverage under the NYS Partnership is called Medicaid Extended Coverage. Eligibility for Medicaid Extended Coverage is based upon **TIME**. Individuals who purchase Partnership policies and subsequently use three (3) years of nursing home benefits (3 years of nursing home days) or its equivalent benefits, six (6) years of home care days (2 home care days counting as 1 nursing home day), or some combination of the two which is the equivalent of three (3) years of nursing home days may apply for Medicaid Extended Coverage. Even if benefits remain under a Partnership policy, individuals may still apply for Medicaid Extended Coverage so long as they have used the three years of nursing home equivalent benefits.

The NYS Partnership permits a qualified applicant to apply for and receive Medicaid Extended Coverage regardless of the type or amount of resources he or she has. **However, all INCOME rules in effect at the time of application for Medicaid Extended Coverage will apply in determining one's eligibility for Medicaid Extended Coverage.**

Implications of Income Eligibility on Your Decision to Purchase a NYS Partnership Policy:

1. Participation in the NYS Partnership is not for everyone. If you decide to purchase a Partnership policy, you must support the costs of your long term care through some combination of the Partnership insurance coverage and out-of-pocket payments for any required co-payment during the period that you are using the required three years of nursing home equivalent benefits. Individuals who are not able to afford the costs of support during this time period without significantly reducing their resources should carefully consider whether purchasing a Partnership policy is appropriate for them.

2. When evaluating whether to purchase a NYS Partnership policy, you must also look at whether you can afford care without depleting your resources. If you can afford care without depleting resources because your income is sufficient to pay for the costs of your care, the Partnership may not be for you. While you may qualify for Medicaid Extended Coverage without regard to your resources, you still may not qualify for Medicaid Extended Coverage if your income is too high. The Medicaid Extended Coverage Worksheet set forth below will show how income affects your eligibility for Medicaid Extended Coverage.

3. Since you may apply for Medicaid Extended Coverage without regard to your resources, you are exempted from the transfer of resources penalty regulations if you participate in the NYS Partnership. If you participate in the Partnership, you may sell, transfer, or spend your resources, before, during, and after applying for Medicaid Extended Coverage.

TERMS AND DEFINITIONS

1. Maximum Community Spouse Monthly Income Allowance: Under the Medicare Catastrophic Coverage Act of 1988, a monthly maintenance allowance was established for the non-Medicaid spouse who remains at home (community spouse). This amount is adjusted each year. The Monthly Income Allowance for 2009 is \$2,739 per month. If the community spouse has income which is less than the Allowance, income may be contributed by the nursing home spouse (if available) to bring the community spouse's income up to the current Allowance.
2. Community Spouse Monthly Income Contribution: Where the community spouse of a Medicaid eligible nursing home resident has monthly income which exceeds the Maximum Community Spouse Monthly Income Allowance, he or she is requested to contribute up to 25% of any income over the current Allowance to the costs of care of the Medicaid eligible nursing home spouse.
3. Net Available Monthly Income (NAMI): A patient's NAMI equals his or her income which is available to offset the cost of care after all deductions have been made.
4. Personal Needs Allowance (PNA): Medicaid recipients in nursing homes are permitted to keep \$50 per month from their incomes to pay for personal items.

INCOME

The information below is an abbreviated overview of individual income taken into account for eligibility under Medicaid. For married couples, both incomes are considered when determining eligibility. Where the income is distributed jointly to both spouses, it is assumed that each spouse shares an equal interest. Actual income contributions to the cost of care for the Medicaid eligible spouse, however, depend on the personal income of each spouse.

1. WHAT IS INCOME?

Total monthly income is the gross amount received by the individual or generated by his/her assets. This includes but is not limited to:

- Pensions
- Social Security
- Income from Annuities/IRAs (See 3. ANNUITIES / IRAs: HOW ARE PAYMENTS TREATED?)
- Net Income from Rents
- Interest on Loans and Mortgages
- Dividends and/or interest from Stocks, Bonds (see exception below), Bank Accounts, CDs, etc., **WHETHER OR NOT THE INDIVIDUAL ACTUALLY RECEIVES THE MONIES. ROLLOVERS AND REINVESTED INCOME ARE STILL INCOME.**
- Capital gain distributions, (e.g., from mutual funds, other regulated investment companies, or real estate investment trusts), noted on “Internal Revenue Form 1099-DIV, Dividends and Distributions,” whether paid as cash or reinvested.

Some exceptions and items of note:

- Series E/EE Savings Bonds: Interest is **NOT** considered income.
- I Bonds: Interest is **NOT** considered income.
- Zero Coupon Bonds: Upon maturity, Medicaid considers interest as income.

- Capital Gains: Capital gains (e.g., from the sale of a mutual fund or real estate) are considered an increase in the value of the resource and are exempt under Medicaid Extended Coverage.* Note, however, that capital gain distributions (e.g., from mutual funds), annotated on Internal Revenue Form 1099-DIV, are considered unearned income.

*Please refer to Section 3, on page v in this document, which addresses how payments from annuities and IRAs are treated.

- Capital Appreciation: This is NOT considered income.
- Life Insurance: Where a person becomes the beneficiary of benefits under a life insurance policy, the moneys are considered income in the month in which they are received. Dividends from life insurance are NOT considered income, but interest on dividends from a life insurance policy IS considered income.
- Spousal Income or “**OTHERWISE AVAILABLE INCOME**”: The income of the spouse at home may be adjusted by certain permissible deductions. The net result of this calculation is called "**otherwise available income**". Although other specialized deductions exist, the most common permissible deductions from the spouse at home's gross income are:
 - Health Insurance Premiums (including premiums for long term care insurance);
 - Incapacitated adult/child care costs (actual); and
 - Court Ordered Support (Paid Out).

2. HOW IS INCOME TREATED IN THE ELIGIBILITY DETERMINATION PROCESS?

Income eligibility for Medicaid is determined on a *monthly* basis. Because of this, Medicaid differentiates between periodic income and non-periodic income. Periodic income is received on a regular schedule, for example, once a month, once a quarter, once a year, etc. Some examples of periodic income are pensions, annuities, and IRA withdrawals. Non-periodic income is income received on an irregular schedule such as an inheritance, or an award.

Non-periodic income is counted in the month in which it becomes available. After that, it is considered a resource. This means that if the individual were to receive moneys that would cause his/her income to exceed the cost of his/her care, he/she would be ineligible for Medicaid for that month only, regardless of whether the money is all spent by the end of the month. For example, needed care is \$5,000/month and a CD matures that, when the CD's interest is combined with regular monthly income, gives the individual \$7,000 that month. In this instance, the individual would be ineligible for Medicaid in that month but eligible in the following month even if he/she merely deposits the extra amount.

Periodic income is applied on a monthly basis regardless of how often it is received during the year. For example, if an annuity paid out once a year, the amount paid would be divided by twelve (12) to establish total monthly income.

3. ANNUITIES AND IRAs: HOW ARE PAYMENTS TREATED?

All moneys received on a periodic basis from an annuity or IRA, whether received monthly, quarterly, semi-annually, or annually, are considered income regardless of whether such moneys represent a payout of interest or principal. However, if the total principal were to be withdrawn in a lump sum, the money would be considered a resource.

4. MAY I TRANSFER INCOME?

Where the transfer or conversion of protected resources results in the transfer or loss of income that was earned by those protected assets, no transfer penalty shall apply. However, income transfer other than through the transfer of income attached to protected resources may result in penalties.

NEW YORK STATE PARTNERSHIP FOR LONG-TERM CARE

OFFICE OF CONTINUING CARE

NYS DEPARTMENT OF HEALTH



MEDICAID EXTENDED COVERAGE ELIGIBILITY WORKSHEET

IMPORTANT: This worksheet is provided to demonstrate, in general terms, how income is treated when Medicaid eligibility is determined for nursing home residents. This information is meant for illustrative purposes only. Because the worksheet utilizes a simplified eligibility determination process, the outcome of an actual application process may differ. The results of this worksheet, therefore, are subject to the details of the applicant's case and the Medicaid eligibility rules in effect at the time of an actual application.

HOW TO USE THIS WORKSHEET

The treatment of income under the Medicaid program differs for married couples and single persons. To assist you in estimating eligibility for Medicaid Extended Coverage based on you and your spouse's income under current Medicaid rules, select SINGLE or MARRIED, as applicable, fill in the blanks, and then refer to the appropriate SITUATION as directed. End notes with key clarifications are located on the last page of the worksheet.

Using approximate amounts for gross income is acceptable since this exercise **does not** constitute an actual application for Medicaid benefits.

Note: For the purpose of this exercise, it is recommended that you investigate an approximation of the average private monthly charges of nursing homes in your area. You can find such information from the Partnerships home page (www.nyspltc.org), from an insurance advisor, or by calling several nursing homes

in your area. Because nursing home charges vary across New York State, the determination of Medicaid eligibility will vary under the Partnership since it is largely determined by comparing your income against the private nursing home charges in the nursing home situation specific to you. After determining the approximate average monthly rate (or the actual rate for a specific nursing home), use that dollar amount as the PRIVATE NURSING HOME RATE as you use this worksheet.

SINGLE

IF YOU ARE A SINGLE INDIVIDUAL WITH NO SPOUSE.

1. ENTER **YOUR** GROSS MONTHLY INCOME.¹ \$ _____
2. SUBTRACT \$50.² – \$ 50.00
3. SUBTRACT ANY HEALTH INSURANCE
PREMIUMS.³ – \$ _____
- 3a. NET AVAILABLE MONTHLY INCOME. \$ _____
4. IS NET AVAILABLE MONTHLY INCOME
(Line 3a) EQUAL TO OR LESS THAN THE
PRIVATE NURSING HOME RATE? **YES OR NO**

A) IF **YES**, NET AVAILABLE MONTHLY INCOME WILL BE CONTRIBUTED TO YOUR NURSING HOME CARE AND YOU ARE ELIGIBLE FOR MEDICAID EXTENDED COVERAGE.

B) IF **NO**, YOU ARE NOT ELIGIBLE FOR MEDICAID EXTENDED COVERAGE FOR NURSING HOME CARE. HOWEVER, IF YOU INCUR ADDITIONAL MEDICAL EXPENSES, YOU MAY BE ELIGIBLE FOR MEDICAID EXTENDED COVERAGE FOR OTHER SERVICES.

MARRIED

IF YOU ARE A MARRIED COUPLE WITH NO DEPENDENT FAMILY MEMBER:⁴

1. ENTER GROSS MONTHLY INCOME OF THE SPOUSE IN THE NURSING HOME.¹ \$ _____

2. ENTER OTHERWISE AVAILABLE MONTHLY INCOME OF THE SPOUSE AT HOME.⁵ \$ _____

3. IS OTHERWISE AVAILABLE INCOME OF THE SPOUSE AT HOME LESS THAN \$2,739?⁶ **YES OR NO**

A) IF **YES**, GO TO **MARRIED: 1**

B) IF **NO**, GO TO **MARRIED: 2**

MARRIED: 1

1. ENTER \$2,739.⁶ \$ 2,739.00
2. SUBTRACT OTHERWISE AVAILABLE
MONTHLY INCOME OF THE SPOUSE AT HOME.⁵ - \$ _____
- 2a.** THE SPOUSE AT HOME MAY RECEIVE THIS
 AMOUNT FROM THE MONTHLY INCOME OF THE
 SPOUSE IN THE NURSING HOME IF THE NURSING
 HOME SPOUSE'S INCOME IS SUFFICIENT. \$
3. ENTER GROSS MONTHLY INCOME OF THE SPOUSE
IN NURSING HOME.¹ \$ _____
4. SUBTRACT \$50.² - \$ 50.00
5. SUBTRACT THE COMMUNITY SPOUSE'S INCOME
ALLOWANCE (LINE 2a). - \$ _____
6. SUBTRACT HEALTH INSURANCE
PREMIUMS PAID BY THE SPOUSE
IN THE NURSING HOME.³ - \$ _____
- 6a. NET AVAILABLE MONTHLY INCOME. \$
7. IS NET AVAILABLE MONTHLY INCOME
(**Line 6a**) EQUAL TO OR LESS THAN THE
PRIVATE NURSING HOME RATE? **YES OR NO**
- A) IF **YES**, NET AVAILABLE MONTHLY INCOME
 WILL BE CONTRIBUTED TO YOUR NURSING
 HOME CARE AND YOU ARE ELIGIBLE FOR
 MEDICAID EXTENDED COVERAGE.
- B) IF **NO**, YOU ARE NOT ELIGIBLE FOR MEDICAID
 EXTENDED COVERAGE FOR NURSING HOME CARE.
 HOWEVER, IF YOU INCUR ADDITIONAL MEDICAL
 EXPENSES, YOU MAY BE ELIGIBLE FOR MEDICAID
 EXTENDED COVERAGE FOR OTHER SERVICES.

MARRIED: 2

1. ENTER OTHERWISE AVAILABLE MONTHLY INCOME OF THE SPOUSE AT HOME.⁵ \$ _____
2. SUBTRACT \$2,739.⁶ - \$ 2,739.00
- 2a. OVERAGE: AMOUNT OF OTHERWISE AVAILABLE MONTHLY INCOME OF THE SPOUSE AT HOME WHICH EXCEEDS \$2,739. \$ _____
3. MULTIPLY OVERAGE (Line 2a) BY 25%. × 0.25
- 3a. 25% OF OVERAGE (ROUNDED DOWN TO THE NEAREST DOLLAR): THE SPOUSE AT HOME IS REQUESTED TO CONTRIBUTE THIS AMOUNT TOWARDS THE COST OF CARE OF THE SPOUSE IN THE NURSING HOME. \$ _____
4. ENTER GROSS MONTHLY INCOME OF THE SPOUSE IN THE NURSING HOME.¹ \$ _____
5. SUBTRACT \$50.² - \$ 50.00
6. SUBTRACT HEALTH INSURANCE PREMIUMS PAID BY THE SPOUSE IN THE NURSING HOME.³ - \$ _____
7. ADD THE AMOUNT THE SPOUSE AT HOME IS CONTRIBUTING. (LINE 3a) + \$ _____
- 7a. TOTAL NET AVAILABLE MONTHLY INCOME. \$ _____

8. IS TOTAL NET AVAILABLE MONTHLY INCOME (Line 7a) EQUAL TO OR LESS THAN THE PRIVATE NURSING HOME RATE?

YES OR NO

A) IF YES, NET AVAILABLE MONTHLY INCOME WILL BE CONTRIBUTED TO YOUR NURSING HOME CARE AND YOU ARE ELIGIBLE FOR MEDICAID EXTENDED COVERAGE.

B) IF NO, YOU ARE NOT ELIGIBLE FOR MEDICAID COVERAGE FOR NURSING HOME CARE. HOWEVER, IF YOU INCUR ADDITIONAL MEDICAL EXPENSES, YOU MAY BE ELIGIBLE FOR MEDICAID EXTENDED COVERAGE FOR OTHER SERVICES.

END NOTE

1. See **INCOME** for a description of how income is defined under the New York State Medicaid program.
2. Medicaid recipients in nursing homes are permitted to keep \$50 per month of their incomes as a Personal Needs Allowance (PNA).
3. Health Insurance premiums include, for example, premiums for traditional health insurance, Medigap insurance, and long term care insurance.
4. A dependent family member includes a minor child, dependent child, dependent parent or dependent sibling of the institutionalized spouse or community spouse, who resides with the community spouse, and who has over 50% of his or her maintenance needs met by the community spouse and/or the institutionalized spouse.
5. **Otherwise Available Income** refers to income that is available to the individual. In determining otherwise available income, the following deductions, if applicable, shall be made: actual incapacitated adult/child care expenses; court-ordered support payments; and health insurance premiums paid by the spouse at home.
6. Under the Medicare Catastrophic Coverage Act of 1988, a minimum monthly maintenance needs allowance for the community spouse was established. This amount is adjusted each year. The minimum monthly maintenance needs allowance for 2009 is \$2,739/month.