



April 8, 2011

**ENGROSSED  
HOUSE BILL No. 1221**

DIGEST OF HB 1221 (Updated April 6, 2011 2:04 pm - DI 104)

**Citations Affected:** IC 12-15.

**Synopsis:** Life insurance and Medicaid. Allows the state to use federal or state Medicaid funds to pay life insurance premiums and expenses for certain Medicaid applicants or recipients who have irrevocably named the state as the beneficiary of an in force life insurance policy or assigned a life insurance policy to the state. Provides that life insurance proceeds that exceed the amount of Medicaid benefits be paid to the beneficiary of the recipient. Provides that the value of a life insurance policy owned by certain applicants or recipients may not be considered in determining Medicaid eligibility if the applicant or recipient has irrevocably named the state as the beneficiary or assigned the life insurance policy to the state.

**Effective:** July 1, 2011.

**Brown T, Grubb, Turner, Frizzell**  
(SENATE SPONSOR — KENLEY)

January 12, 2011, read first time and referred to Committee on Public Health.  
February 10, 2011, amended, reported — Do Pass.  
February 15, 2011, read second time, ordered engrossed. Engrossed.  
February 17, 2011, read third time, passed. Yeas 67, nays 26.

SENATE ACTION

February 21, 2011, read first time and referred to Committee on Health and Provider Services.  
April 7, 2011, amended, reported favorably — Do Pass.

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EH 1221—LS 6307/DI 97+



April 8, 2011

First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

# ENGROSSED HOUSE BILL No. 1221



A BILL FOR AN ACT to amend the Indiana Code concerning human services.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 12-15-1-21 IS ADDED TO THE INDIANA CODE  
2 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2011]: **Sec. 21. (a) To the extent allowed by federal law, the office  
4 may use federal or state funds under the Medicaid program to pay  
5 premiums and other expenses related to a life insurance policy that  
6 is in force and owned by an applicant or a recipient who:**  
7 **(1) is:**  
8 **(A) at least fifty-five (55) years of age; or**  
9 **(B) permanently institutionalized; and**  
10 **(2) has:**  
11 **(A) made an irrevocable election to name the state as a**  
12 **beneficiary of the life insurance policy for an amount equal**  
13 **to:**  
14 **(i) Medicaid benefits provided to the recipient under**  
15 **IC 12-15-5 or IC 12-14-17; plus**  
16 **(ii) premiums or expenses paid by the office to the**  
17 **insurer that issued the life insurance policy; or**

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1 (B) collaterally assigned the life insurance policy to the  
2 state under a written agreement submitted to and recorded  
3 by the insurer that issued the life insurance policy.

4 (b) Any life insurance policy that is in force and under which the  
5 state is named as an irrevocable beneficiary or that has been  
6 collaterally assigned to the state may not be sold, assigned, or the  
7 ownership transferred to any person or entity. This restriction  
8 exists as long as the life insurance policy names the state as an  
9 irrevocable beneficiary or as long as the life insurance policy is  
10 collaterally assigned to the state.

11 (c) Life insurance policy proceeds that exceed the amount of  
12 Medicaid benefits provided to a recipient shall be paid to a  
13 beneficiary named by the applicant or recipient.

14 SECTION 2. IC 12-15-2-17 IS AMENDED TO READ AS  
15 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 17. (a) Except as  
16 provided in subsections (b) and (d), if an applicant for or a recipient of  
17 Medicaid:

18 (1) establishes one (1) irrevocable trust that has a value of not  
19 more than ten thousand dollars (\$10,000), exclusive of interest,  
20 and is established for the sole purpose of providing money for the  
21 burial of the applicant or recipient;

22 (2) enters into an irrevocable prepaid funeral agreement having a  
23 value of not more than ten thousand dollars (\$10,000); or

24 (3) owns a life insurance policy with a face value of not more than  
25 ten thousand dollars (\$10,000) and with respect to which  
26 provision is made to pay not more than ten thousand dollars  
27 (\$10,000) toward the applicant's or recipient's funeral expenses;  
28 the value of the trust, prepaid funeral agreement, or life insurance  
29 policy may not be considered as a resource in determining the  
30 applicant's or recipient's eligibility for Medicaid.

31 (b) Subject to subsection (d), if an applicant for or a recipient of  
32 Medicaid establishes an irrevocable trust or escrow under IC 30-2-13,  
33 the entire value of the trust or escrow may not be considered as a  
34 resource in determining the applicant's or recipient's eligibility for  
35 Medicaid.

36 (c) Except as provided in IC 12-15-3-7, if an applicant for or a  
37 recipient of Medicaid owns resources described in subsection (a) and  
38 the total value of those resources is more than ten thousand dollars  
39 (\$10,000), the value of those resources that is more than ten thousand  
40 dollars (\$10,000) may be considered as a resource in determining the  
41 applicant's or recipient's eligibility for Medicaid.

42 (d) In order for a trust, an escrow, a life insurance policy, or a

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1 prepaid funeral agreement to be exempt as a resource in determining  
2 an applicant's or a recipient's eligibility for Medicaid under this section,  
3 the applicant or recipient must designate the office or the applicant's or  
4 recipient's estate to receive any remaining amounts after delivery of all  
5 services and merchandise under the contract as reimbursement for  
6 Medicaid assistance provided to the applicant or recipient after  
7 fifty-five (55) years of age. The office may receive funds under this  
8 subsection only to the extent permitted by 42 U.S.C. 1396p. The  
9 computation of remaining amounts shall be made as of the date of  
10 delivery of services and merchandise under the contract and must be  
11 the excess, if any, derived from:

- 12 (1) growth in principal;
- 13 (2) accumulation and reinvestment of dividends;
- 14 (3) accumulation and reinvestment of interest; and
- 15 (4) accumulation and reinvestment of distributions;

16 on the applicant's or recipient's trust, escrow, life insurance policy, or  
17 prepaid funeral agreement over and above the seller's current retail  
18 price of all services, merchandise, and cash advance items set forth in  
19 the applicant's or recipient's contract.

20 SECTION 3. IC 12-15-3-1, AS AMENDED BY P.L.246-2005,  
21 SECTION 104, IS AMENDED TO READ AS FOLLOWS  
22 [EFFECTIVE JULY 1, 2011]: Sec. 1. (a) Except as provided in  
23 subsections (b) and (c) **and section 7 of this chapter**, an applicant for  
24 or recipient of Medicaid is ineligible for assistance if the total cash  
25 value of money, stock, bonds, and life insurance owned by:

- 26 (1) the applicant or recipient is more than one thousand five  
27 hundred dollars (\$1,500) for assistance to the aged, blind, or  
28 disabled; or
- 29 (2) the applicant or recipient and the applicant's or recipient's  
30 spouse is more than two thousand two hundred fifty dollars  
31 (\$2,250) for medical assistance to the aged, blind, or disabled.

32 (b) In the case of an applicant who is an eligible individual, a  
33 Holocaust victim's settlement payment received by the applicant or the  
34 applicant's spouse may not be considered when calculating the total  
35 cash value of money, stock, bonds, and life insurance owned by the  
36 applicant or the applicant's spouse.

- 37 (c) In the case of an individual who:
  - 38 (1) resides in a nursing facility or another medical institution; and
  - 39 (2) has a spouse who does not reside in a nursing facility or  
40 another medical institution;

41 the total cash value of money, stock, bonds, and life insurance that may  
42 be owned by the couple to be eligible for the program is determined

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1 under IC 12-15-2-24.  
 2 SECTION 4. IC 12-15-3-2 IS AMENDED TO READ AS  
 3 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. (a) **Except as**  
 4 **provided in section 7 of this chapter**, if the parent of an applicant for  
 5 or a recipient of assistance to the blind or disabled who is less than  
 6 eighteen (18) years of age owns money, stock, bonds, and life  
 7 insurance whose total cash value is more than one thousand five  
 8 hundred dollars (\$1,500), the amount of the excess shall be added to  
 9 the total cash value of money, stock, bonds, and life insurance owned  
 10 by the applicant or recipient to determine the recipient's eligibility for  
 11 Medicaid under section 1 of this chapter.

12 (b) However, a Holocaust victim's settlement payment received by  
 13 the parent of an applicant for or a recipient of assistance may not be  
 14 added to the total cash value of money, stock, bonds, and life insurance  
 15 owned by the applicant or recipient to determine the recipient's  
 16 eligibility for Medicaid under section 1 of this chapter.

17 SECTION 5. IC 12-15-3-3 IS AMENDED TO READ AS  
 18 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 3. **Except as provided**  
 19 **in section 7 of this chapter**, if the parents of an applicant for or a  
 20 recipient of assistance to the blind or disabled who is less than eighteen  
 21 (18) years of age own money, stock, bonds, and life insurance whose  
 22 total cash value is more than two thousand two hundred fifty dollars  
 23 (\$2,250), the amount of the excess shall be added to the total cash  
 24 value of money, stock, bonds, and life insurance owned by the  
 25 applicant or recipient to determine the recipient's eligibility for  
 26 Medicaid under section 1 of this chapter.

27 SECTION 6. IC 12-15-3-5 IS AMENDED TO READ AS  
 28 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 5. **Except as provided**  
 29 **in section 7 of this chapter**, the office may set the total cash value of  
 30 money, stock, bonds, and life insurance that an applicant for or a  
 31 recipient of Medicaid may own without being ineligible for Medicaid  
 32 in cases not described in section 1 of this chapter.

33 SECTION 7. IC 12-15-3-7 IS ADDED TO THE INDIANA CODE  
 34 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 35 1, 2011]: Sec. 7. (a) **As used in this section, "value" includes the**  
 36 **following:**

- 37 (1) **The face value of a life insurance policy.**
- 38 (2) **The cash value of a life insurance policy.**
- 39 (b) **The value of a life insurance policy that is in force and**  
 40 **owned by an applicant or a recipient who is at least fifty-five (55)**  
 41 **years of age or permanently institutionalized may not be**  
 42 **considered as a resource in determining the applicant's or**

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1 recipient's eligibility for Medicaid if the applicant or recipient:  
2 (1) makes an irrevocable election to name the state as a  
3 beneficiary of the life insurance policy for an amount that is  
4 not greater than:  
5 (A) Medicaid benefits provided to the recipient under  
6 IC 12-15-5 or IC 12-14-17; plus  
7 (B) premiums or expenses paid by the office to the insurer  
8 that issued the life insurance policy; or  
9 (2) collaterally assigned the life insurance policy to the state  
10 under a written agreement submitted to and recorded by the  
11 insurer that issued the life insurance policy.  
12 (c) Any designation of the state as an irrevocable beneficiary or  
13 any collateral assignment in favor of the state is void if the  
14 application for Medicaid benefits is not approved.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1221, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 3, after "21." insert "(a)".

Page 1, line 5, delete "a" and insert "an in force".

Page 1, line 7, after "as" delete "the" and insert "**a beneficiary of the life insurance policy for an amount that is not greater than the amount of Medicaid benefits provided to the recipient; or**

**(2) collaterally assigned the life insurance policy to the state under a written agreement submitted to and recorded by the issuing company of the life insurance policy.**

**(b) Any policy under which the state is named as an irrevocable beneficiary or that has been collaterally assigned to the state may not be sold, assigned, or the ownership transferred to any person or entity. This restriction exists as long as the policy names the state as an irrevocable beneficiary or as long as the policy is collaterally assigned to the state.**

**(c) Policy proceeds that exceed the amount of Medicaid benefits provided to a recipient shall be paid to a beneficiary named by the applicant or recipient."**

Page 1, delete lines 8 through 9.

Page 4, line 22, after "as" delete "the" and insert "**a beneficiary of the life insurance policy for an amount that is not greater than the amount of Medicaid benefits provided to the recipient; or**

**(2) collaterally assigned the life insurance policy to the state under a written agreement submitted to and recorded by the issuing company of the life insurance policy."**

Page 4, delete lines 23 through 28, begin a new paragraph and insert:

**"(c) Any designation of the state as an irrevocable beneficiary or any collateral assignment in favor of the state is void if the application for Medicaid benefits is not approved."**

and when so amended that said bill do pass.

(Reference is to HB 1221 as introduced.)

BROWN T, Chair

Committee Vote: yeas 8, nays 1.

EH 1221—LS 6307/DI 97+

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## COMMITTEE REPORT

Madam President: The Senate Committee on Health and Provider Services, to which was referred House Bill No. 1221, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 5, delete "an in force" and insert "a".

Page 1, line 6, after "is" insert "**in force and**".

Page 1, line 6, delete "who has:" and insert "**who:**

**(1) is:**

**(A) at least fifty-five (55) years of age; or**

**(B) permanently institutionalized; and**

**(2) has:**

**(A) made an irrevocable election to name the state as a beneficiary of the life insurance policy for an amount equal to:**

**(i) Medicaid benefits provided to the recipient under IC 12-15-5 or IC 12-14-17; plus**

**(ii) premiums or expenses paid by the office to the insurer that issued the life insurance policy; or**

**(B) collaterally assigned the life insurance policy to the state under a written agreement submitted to and recorded by the insurer that issued the life insurance policy."**

Page 1, delete lines 7 through 13.

Page 1, line 14, delete "policy" and insert "**life insurance policy that is in force and**".

Page 1, line 17, before "policy" insert "**life insurance**".

Page 2, line 1, after "the" insert "**life insurance**".

Page 2, line 3, delete "Policy" and insert "**Life insurance policy**".

Page 4, line 31, after "policy" insert "**that is in force and**".

Page 4, line 32, after "recipient" insert "**who is at least fifty-five (55) years of age or permanently institutionalized**".

Page 4, line 37, delete "the amount of" and insert ":

**(A)**".

Page 4, line 38, delete "; or" and insert "**under IC 12-15-5 or IC 12-14-17; plus**

**(B) premiums or expenses paid by the office to the insurer that issued the life insurance policy; or"**.

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Page 4, line 41, delete "issuing company of" and insert "**insurer that issued**".

and when so amended that said bill do pass.

(Reference is to HB 1221 as printed February 11, 2011.)

MILLER, Chairperson

Committee Vote: Yeas 6, Nays 0.

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