



February 11, 2011

HOUSE BILL No. 1221

DIGEST OF HB 1221 (Updated February 9, 2011 8:02 pm - DI 77)

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 a Medicaid applicant or recipient who has 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 an applicant or recipient 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

January 12, 2011, read first time and referred to Committee on Public Health.
February 10, 2011, amended, reported — Do Pass.

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HB 1221—LS 6307/DI 97+



February 11, 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.

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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 an in force life insurance
 6 policy that is owned by an applicant or a recipient who has:**
 7 (1) made an irrevocable election to name the state as a
 8 beneficiary of the life insurance policy for an amount that is
 9 not greater than the amount of Medicaid benefits provided to
 10 the recipient; or
 11 (2) collaterally assigned the life insurance policy to the state
 12 under a written agreement submitted to and recorded by the
 13 issuing company of the life insurance policy.
 14 (b) Any policy under which the state is named as an irrevocable
 15 beneficiary or that has been collaterally assigned to the state may
 16 not be sold, assigned, or the ownership transferred to any person
 17 or entity. This restriction exists as long as the policy names the

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1 state as an irrevocable beneficiary or as long as the policy is
2 collaterally assigned to the state.

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

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

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

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

16 (3) owns a life insurance policy with a face value of not more than
17 ten thousand dollars (\$10,000) and with respect to which
18 provision is made to pay not more than ten thousand dollars
19 (\$10,000) toward the applicant's or recipient's funeral expenses;

20 the value of the trust, prepaid funeral agreement, or life insurance
21 policy may not be considered as a resource in determining the
22 applicant's or recipient's eligibility for Medicaid.

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

28 (c) Except as provided in IC 12-15-3-7, if an applicant for or a
29 recipient of Medicaid owns resources described in subsection (a) and
30 the total value of those resources is more than ten thousand dollars
31 (\$10,000), the value of those resources that is more than ten thousand
32 dollars (\$10,000) may be considered as a resource in determining the
33 applicant's or recipient's eligibility for Medicaid.

34 (d) In order for a trust, an escrow, a life insurance policy, or a
35 prepaid funeral agreement to be exempt as a resource in determining
36 an applicant's or a recipient's eligibility for Medicaid under this section,
37 the applicant or recipient must designate the office or the applicant's or
38 recipient's estate to receive any remaining amounts after delivery of all
39 services and merchandise under the contract as reimbursement for
40 Medicaid assistance provided to the applicant or recipient after
41 fifty-five (55) years of age. The office may receive funds under this
42 subsection only to the extent permitted by 42 U.S.C. 1396p. The

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1 computation of remaining amounts shall be made as of the date of
2 delivery of services and merchandise under the contract and must be
3 the excess, if any, derived from:

- 4 (1) growth in principal;
- 5 (2) accumulation and reinvestment of dividends;
- 6 (3) accumulation and reinvestment of interest; and
- 7 (4) accumulation and reinvestment of distributions;

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

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

- 18 (1) the applicant or recipient is more than one thousand five
19 hundred dollars (\$1,500) for assistance to the aged, blind, or
20 disabled; or
- 21 (2) the applicant or recipient and the applicant's or recipient's
22 spouse is more than two thousand two hundred fifty dollars
23 (\$2,250) for medical assistance to the aged, blind, or disabled.

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

29 (c) In the case of an individual who:

- 30 (1) resides in a nursing facility or another medical institution; and
- 31 (2) has a spouse who does not reside in a nursing facility or
32 another medical institution;

33 the total cash value of money, stock, bonds, and life insurance that may
34 be owned by the couple to be eligible for the program is determined
35 under IC 12-15-2-24.

36 SECTION 4. IC 12-15-3-2 IS AMENDED TO READ AS
37 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. (a) **Except as**
38 **provided in section 7 of this chapter**, if the parent of an applicant for
39 or a recipient of assistance to the blind or disabled who is less than
40 eighteen (18) years of age owns money, stock, bonds, and life
41 insurance whose total cash value is more than one thousand five
42 hundred dollars (\$1,500), the amount of the excess shall be added to

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1 the total cash value of money, stock, bonds, and life insurance owned
 2 by the applicant or recipient to determine the recipient's eligibility for
 3 Medicaid under section 1 of this chapter.

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

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

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

25 SECTION 7. IC 12-15-3-7 IS ADDED TO THE INDIANA CODE
 26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 27 1, 2011]: Sec. 7. (a) **As used in this section, "value" includes the**
 28 **following:**

29 (1) **The face value of a life insurance policy.**

30 (2) **The cash value of a life insurance policy.**

31 (b) **The value of a life insurance policy owned by an applicant or**
 32 **a recipient may not be considered as a resource in determining the**
 33 **applicant's or recipient's eligibility for Medicaid if the applicant or**
 34 **recipient:**

35 (1) **makes an irrevocable election to name the state as a**
 36 **beneficiary of the life insurance policy for an amount that is**
 37 **not greater than the amount of Medicaid benefits provided to**
 38 **the recipient; or**

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

42 (c) **Any designation of the state as an irrevocable beneficiary or**

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1 **any collateral assignment in favor of the state is void if the**
2 **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.

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