DATE: May 11, 1993

SUBJECT: Lump Sum Requirements

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FAX # 723-2664

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FAX # (717) 772-6451

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OFFICE PHONE: 717-7811

If there are any problems with the transmission of this FAX, please notify the contact person at the Office phone. Thank you.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE

OFFICE OF INCOME MAINTENANCE
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P.O. BOX 2675
HARRISBURG, PENNSYLVANIA 17105-2675

FAX
February 9, 1995

Medicaid Letter Number: 95-19

Subject: Application of the Aid to Families with Dependent Children (AFDC) Lump Sum Rule in AFDC-Related Medicaid Cases - ELIGIBILITY

This is to provide policy clarification on how to apply the AFDC policy to Medicaid's treatment of lump sums for Medicaid eligibility determinations. We have reevaluated our position and determined that this AFDC policy need not be applied when determining income in AFDC-related Medicaid only cases. A state has the option to apply AFDC policy, but is not required to do so.

AFDC LUMP SUM POLICY

Under AFDC rules, when a family's income exceeds the need standard because of a nonrecurring lump sum payment (e.g., retroactive Title II, lottery winnings, inheritance, personal injury award), the lump sum is added to any other income and the total divided by the need standard. The resulting number is the number of months that the family is ineligible for AFDC. (States have the option to shorten this period under certain circumstances.)

PAST MEDICAID POLICY

For Medicaid purposes in the past, we have required states to apply the AFDC lump sum policy in AFDC-related Medicaid only cases. When applying this policy, we have allowed the states the option to:

- divide the lump sum by the applicable Medicaid standard (e.g., the medically needy or poverty level standard); or
- divide the lump sum by the AFDC need standard for the size family involved.

The resulting number is the number of months that the standard used counts as income in the Medicaid eligibility determination.

NEW POLICY

Under the new policy, states have the option to:

- apply the AFDC lump sum policy as in the past; or
- treat a lump sum as income in the month in which it is received and as a resource if retained after that month.

The new policy on the treatment of lump sums will be addressed in the State Medicaid Manual (SMM) and in the Code of Federal Regulations at the earliest opportunity.

If you have any questions, please contact Donna Fischer of my staff at (215) 596-1324.

/s/

Dennis Gallagher, Chief
Medicaid Operations Branch
Division of Medicaid
admission is the date established by the Immigration and Naturalization Service as the date of admission for permanent residence. The resources of the sponsor’s spouse are included if the sponsor and spouse live in the same household. Deeming of these resources applies regardless of whether the alien and sponsor live in the same household and regardless of whether the resources are actually available to the alien. For rules that apply in specific situations, see §161.1150a (d).

(a) Exclusions from the sponsor’s resources. Before we deem a sponsor’s resources to an alien we exclude the same kinds of resources that are excluded from the resources of an individual eligible for SSI benefits. The applicable exclusions from resources are explained in §§161.1130 through §161.1137. For resources excluded by Federal statutes other than the Social Security Act, as applicable to the resources of sponsors deemed to aliens, see the appendix to subpart K, Income. We next allocate for the sponsor or for the sponsor and spouse, if living together, (i) the amount of the allocation is the applicable resource limit described in §161.1136 for an eligible individual and an individual and spouse.

(b) An alien sponsored by more than one sponsor. The resources of an alien who has been sponsored by more than one person are deemed to include the resources of each sponsor.

(c) More than one alien sponsored by one individual. If more than one alien is sponsored by one individual, the deemed resources are deemed to each alien as if he or she were the only one sponsored by the individual.

(d) Aliens has a sponsor and a parent or a spouse with similar resources. Resources may be deemed to an alien from both a sponsor and a spouse or parent (if the alien is a child) provided that the sponsor and the spouse or parent are not the same person and the conditions for such rule are met.

(e) Alien’s sponsor is also the alien’s ineligible spouse or parent. If the sponsor is also the alien’s ineligible spouse or parent who lives in the same household, the sponsor-to-alien or parent-to-child deeming rules apply instead of the sponsor-to-alien deeming rules.

§416.1130a Deeming of resources

Resources are deemed to an individual where Medicaid eligibility is affected.

Section 161.1151a of this part describes certain circumstances affecting Medicaid eligibility in which the Department will not deem family income to an individual. The Department will follow the same standards, procedures, and limitations as set forth in this section with respect to deeming of resources.

§416.1151a Medicaid eligibility

(A) Individual with no eligible spouse. An aged, blind, or disabled individual with no eligible spouse is deemed to be eligible if his or her nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met. An individual who is living with an ineligible spouse is eligible for benefits under title XVI of the Act if his or her nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met.

(B) Individual with an eligible spouse. An aged, blind, or disabled individual who has an eligible spouse is deemed to be eligible under title XVI of the Act if their nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met.

§416.1150b Limitation on resources.

(a) Individual with no eligible spouse. An aged, blind, or disabled individual with no eligible spouse is deemed to be eligible if his or her nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met. An individual who is living with an ineligible spouse is deemed to be eligible if his or her nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met.

(b) Individual with an eligible spouse. An aged, blind, or disabled individual who has an eligible spouse is deemed to be eligible under title XVI of the Act if their nonexcludable resources do not exceed $2,000 prior to January 1, 1994, and all other eligibility requirements are met.
Use or parent deeming rules apply, the sponsor deeming will begin to apply. The spouse's rules may cease to apply if an adult resides age 18 or if either spouse who is the ineligible spouse, or the alien moves to a separate household. The sponsor's rules are also the ineligible parent or another SSI beneficiary. If the sponsor is also the ineligibility or ineligible parent of an individual other than the alien, the sponsor's resources are deemed to an under the rules in paragraph d to the eligible individual. The Department will take the same stance on procedures, limitations set forth in that section with respect to deeming of resources.

1986 Limitation on resources.

Individuals with no eligible spouse, parent, or child are eligible for benefits under title XVI of the Act if their or her inalienable resources do not exceed $2,250 prior to January 1, 1986, and all other eligibility requirements are met. Individuals who are living with an ineligible spouse are eligible for benefits under title XVI of the Act if the inalienable resources do not exceed $2,250 prior to January 1, 1986, and all other eligibility requirements are met.

Social Security Administration, HHS

(a) Effective January 1, 1985 and later. The resources limits and effective dates for January 1, 1985 and later are as follows:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Individual Resources</th>
</tr>
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<tbody>
<tr>
<td>Jan. 1, 1985</td>
<td>$2,250</td>
</tr>
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(b) Amass In value or an individual acquires an additional resource or replaces an excluded resource with one that is not excluded, the increase in the value of the resources is counted as of the first moment of the month.

c) Decrease in value or an individual spends a resource or replaces a resource that is not excluded with one that is excluded, the decrease in the value of the resources is counted as of the first moment of the month.

d) Treatment of items under income and resource counting rules. Items received in cash or in kind during a month are evaluated first under the income counting rules and, if retained, the first moment of the following month, are subject to the rules for counting resources at that time.

e) Receipts from the sale, exchange, or replacement of an item. If an individual sells, exchanges or replaces a resource, the receipt is not income. They are still considered to be a resource. This rule includes resources that have never been counted as such because they were sold, exchanged or replaced in the month in which they were received. See §416.1304 for the rules on resources disposed of for less than fair market value (including those disposed of during the month of receipt).

Example: Miss L., a disabled individual, receives her unemployment insurance benefits on January 10, 1986. The receipt is not counted as income. The receipt is subject to the rules for counting income. The her income is counted as of the first moment of the month following the receipt, and the receipt is not a countable resource in Miss L. until February 1, 1986.

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Individuals with no eligible spouse, parent, or child are eligible for benefits under title XVI of the Act if their or her inalienable resources do not exceed $2,250 prior to January 1, 1986, and all other eligibility requirements are met. Individuals who are living with an ineligible spouse are eligible for benefits under title XVI of the Act if the inalienable resources do not exceed $2,250 prior to January 1, 1986, and all other eligibility requirements are met.

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