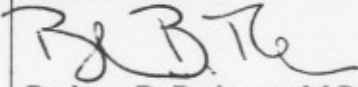


<b>Colorado Department of Health Care Policy and Financing</b> <b>1570 Grant St., Denver, CO 80203-1818</b>	<b>NUMBER:</b> HCPF 06-016
	<b>CROSS REFERENCE:</b> MA-99-7-P
<b>DIVISION OR OFFICE:</b> Medical Assistance Office	<b>DATE:</b> March 31, 2006
<b>SUBJECT AREA:</b> Financial Eligibility for Medicaid Long-Term Care Services	
<b>SUBJECT:</b> Revised Rules for Promissory Notes and Life Estates	<b>APPROVED BY:</b>  Barbara B. Prehmus, M.P.H.
<b>TYPE:</b> I – Information P - Procedure	

*HCPF Agency Letters can be accessed online at:  
[www.chcpf.state.co.us](http://www.chcpf.state.co.us) >>Reference Material >>Agency Letters*

**Purpose:**

The purpose of this agency letter is to notify County Departments of Social/Human Services and Medical Assistance sites of new rules governing promissory notes and life estates for applicants and recipients of Medicaid long-term care services.

**Background:**

On February 8, 2006, the Deficit Reduction Act of 2005 was signed into law (Public Law 109-171). This new federal law contains some changes as to how promissory notes and life estates are treated when determining Medicaid eligibility for applicants or recipients of long-term care services. The Medical Services Board adopted emergency rules on March 10, 2006 to implement these federally mandated changes. The citation for the new rules governing promissory notes is 10 C.C.R. 2505-10, Section 8.110.51.B.12. and Section 8.110.53.E.2. The citation for the new rule governing life estates is 10 C.C.R. 2505-10, Section 8.110.54.B.

**Procedure or Information:**

Promissory Notes

The value of a promissory note, loan, or mortgage established **on or after April 1, 2006** is a countable resource unless the note, loan, or mortgage meets the following criteria:

- 1) It has a repayment term that is based on the individual's life expectancy. Revised life expectancy tables can be found in 10 C.C.R. 2505-10, Section 8.110.56.
- 2) It provides for payments to be made in equal amounts during the term of the loan. There can be no deferred or postponed payments or balloon payments (lump-sum payments made at the end of a loan's term).

- 3) It prohibits the cancellation of the balance due upon the death of the lender.

If the promissory note meets these criteria, then it is not a countable resource when determining Medicaid eligibility. The value of a promissory note established **on or after April 1, 2006** which does not meet these criteria is the outstanding balance due as of the date of the individual's application for HCBS, PACE, or institutional services.

#### Life Estates

Under the new rules, the purchase of a life estate interest in an individual's home is considered to be a transfer without fair consideration unless the purchaser resides in the home for a period of at least one year after the date of purchase. This is a change from the previous rule, where there was no requirement that the purchaser reside in the home for a specific length of time.

#### **Effective Date:**

April 1, 2006

#### **Contact Persons:**

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Attachment: Revised Rules Governing Promissory Notes and Life Estates