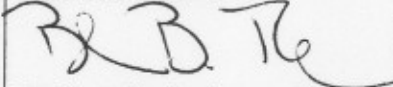


Colorado Department of Health Care Policy and Financing 1570 Grant St., Denver, CO 80203-1818	NUMBER: HCPF 06-018
	CROSS REFERENCE: AIS-98-8-A
DIVISION OR OFFICE: Medical Assistance Office	DATE: March 31, 2006
SUBJECT AREA: Financial Eligibility for Medicaid Long-Term Care Services	
SUBJECT: Revised Rules for Resources-Annuities	APPROVED BY: 
TYPE: I – Information P - Procedure	Barbara B. Prehmus, M.P.H.

*HCPF Agency Letters can be accessed online at:
www.chcpf.state.co.us >>Reference Material >>Agency Letters*

Purpose:

The purpose of this agency letter is to provide County Departments of Social/Human Services and Medical Assistance Sites with new procedures for treating annuities for applicants for 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 law changed how annuities are treated when determining an individual's eligibility for Medicaid long-term care services. Under the new law, an applicant or community spouse of an applicant for Medicaid long-term care services must provide information about any interest the applicant or community spouse has in an annuity. Current Medicaid long-term care services clients also must provide this information at redetermination. This information must be provided, regardless of whether the annuity is irrevocable or counted as an asset.

In addition, the new law states that the Department of Health Care Policy and Financing, as the state agency responsible for administering the Medicaid program in Colorado, becomes a preferred remainder beneficiary in any interest in any annuity of a Medicaid long-term care services recipient or community spouse. This preferred remainder beneficiary interest is for the total amount of medical assistance provided to the individual and applies to any annuity purchased on or after February 8, 2006.

The new law requires that the issuer of such an annuity be notified of the right of the Department of Health Care Policy and Financing as a preferred remainder beneficiary of the annuity. The new law also allows the Department to require the annuity issuer to provide notice when the amount

of income or principal being withdrawn from the annuity changes. The Department will require annuity issuers to provide this notice.

Finally, the new law requires that the purchase of an annuity on or after February 8, 2006 be treated as a transfer without fair consideration unless the annuity meets certain criteria. Those criteria are specified in 10 C.C.R. 2505-10, Section 8.110.55.A.4.d.

The Medical Services Board adopted emergency regulations on March 10, 2006 to implement this new federal law. A copy of the new regulation is attached. The citation for the regulations governing annuities is 10 C.C.R. 2505-10, Section 8.110.55 and Section 8.110.56.

Procedure or Information:

Applicants for Medicaid Long-Term Care Services

Please provide all applicants for Medicaid long-term care services with the attached "Additional Information Regarding Annuities" form. This form contains disclosures that must be included as part of the Medicaid application under the new federal law as well as other information that the applicant must provide. The current application will be revised to include these disclosures and additional information.

The applicant and applicant's community spouse must provide information about any interest they have in any annuity. Please ensure that the applicant completes the form in its entirety and that a copy of any annuity contract is provided. If the applicant has more than one annuity, you can provide him or her with additional copies of the form.

Redetermination

Please include the attached "Additional Information Regarding Annuities" form with any redetermination letters that are sent to a Medicaid long-term care services recipient. It will be necessary to include this form manually until CBMS is updated to generate it automatically. Please ensure that the Medicaid client completes the form in its entirety and provides a copy of any annuity contracts.

Notice of Remainder Beneficiary Interest

Whenever the county receives a completed "Additional Information Regarding Annuities" form, the county must complete a "Notice of Remainder Beneficiary Interest" form and mail it to the annuity issuer **for any annuities purchased on or after February 8, 2006**. It will be necessary to produce this form manually until CBMS is updated to generate it automatically. It is not necessary to mail this form to the annuity issuer if the annuity was purchased before February 8, 2006.

Effective Date:

Immediately

Contact Persons:

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Attachments:

Additional Information Regarding Annuities Form
Notice of Remainder Beneficiary Interest
New Regulations for Annuities