Washington State Health Care Authority

APPLE HEALTH (MEDICAID) MANUAL REVISION

Revision #	**058**
Chapter / Section	**Annuities - WAC 182-516-0200 and WAC 182-516-0201**
Issued Date	**2/7/19**
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Summary of Revision

https://www.hca.wa.gov/health-care-services-supports/program-administration/how-annuities-affect-eligibility

WAC 182-516-0200 Annuities established prior to April 1, 2009
WAC 182-516-0201 Annuities established on or after to April 1, 2009

This WAC was amended effective 3/2/2018. The clarifying page has been consolidated for clarity with additional examples.

Apple Health (Medicaid) Manual revision via track changes:

Current page: https://www.hca.wa.gov/health-care-services-supports/program-administration/how-annuities-affect-eligibility

Commented [RWP1]: Please delete the following pages:
- https://www.hca.wa.gov/health-care-services-supports/program-administration/annuities-established-april-1-2009
- https://www.hca.wa.gov/health-care-services-supports/program-administration/annuities-established-or-after-april-1-2009
- https://www.hca.wa.gov/health-care-services-supports/program-administration/annuity-chart
- https://www.hca.wa.gov/health-care-services-supports/program-administration/individual-life-expectancy-annuity-tables

Annuities

Revised [REVISION DATE HERE]

Purpose – Describe and clarify rules on how annuities affects Medicaid eligibility.

[INSERT WAC HERE - WAC 182-516-0200 Annuities established prior to April 1, 2009]

[INSERT WAC HERE - WAC 182-516-0201 Annuities established on or after to April 1, 2009]

Clarifying Information

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GENERAL

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In the Medicaid eligibility context, an annuity is a financial product someone purchases, with a lump sum of funds (called the “premium”), that guarantees a stream of payments for a certain period.

Because some annuities can be converted into cash (sold, assigned, or transferred), an annuity is evaluated to determine whether it is a resource or not.

Because all annuities provide a stream of payments, if an annuity is not a resource, then the stream of payments is unearned income.

Because the purchase of an annuity is an asset transfer, annuities are evaluated to determine whether there is uncompensated value for the purposes of long-term care (LTC) Medicaid penalties.

ANNUITIES AS RESOURCES

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A revocable annuity is an available resource, unless it is established after April 1, 2009, and is the type of annuity described under WAC 182-516-0201(3)(b). This includes irrevocable annuities in the cooling-off period – a grace period that allows an annuitant to cancel an annuity contract within the first several days, because the premium can be returned. Additionally, this includes “assignable” annuities – those can be pledged or promised as collateral in order to obtain goods, services, cash, or other valuable consideration.

An irrevocable annuity is also an available resource if the annuity fails the tests under WAC 182-516-0200(4) and (5), or WAC 182-516-0201(3).

ANNUITIES AS INCOME

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The stream of payments from an annuity is unearned income when the annuity is not an available resource. If the annuity is an available resource, the stream of payments is not income, but a conversion of a resource into cash.

EXAMPLE: Steve is applying for COPES. On April 25th, Steve's spouse, Joan, purchased an annuity with $100,000 (Joan is the annuitant). Joan can cancel the contract with 15 days of purchase. As of May 1st, all the couple's other resources total $5,000. The couple's resources as of May 1st is $105,000 because Joan can cancel the contract and get the $100,000 returned.

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EXAMPLE: Same example as above, except the annuity was purchased on April 5th and the annuity can be used as collateral for a loan (can be assigned). The couple's resources as of May 1st is $105,000 because Joan can use the annuity to obtain approximately the same value of the annuity as cash.

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EXAMPLE: Same example as above, except the annuity was determined to not be a resource. The annuity pays out $1,200 per month. That $1,200 is unearned income for Joan.

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ANNUITIES AND UNCOMPENSATED TRANSFERS FOR LTC

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The only annuities subject to LTC transfer rules are those established after April 1, 2009, under WAC 182-516-0201.

The entire purchase price of an annuity is uncompensated when the annuity:

- Fails to name the state of Washington as remainder beneficiary, either in the first position, or second position as described under WAC 182-516-0201(6).
- Is not an annuity described under WAC 182-516-0201(3)(b), and ANY condition below is not met. The annuity must be:
    - Issued by an entity licensed and approved to issue annuities in the jurisdiction in which the annuity is established;
    - Immediate;
    - Irrevocable;
    - Non-assignable;
    - Not deferred;
    - Paid out in equal periodic payments; and
    - Actuarially sound (the annuity must pay out within the annuitant's life expectancy)

NOTE: An annuity can be both a resource and an uncompensated transfer. If a penalty will be applied, recall that it can only start once the client is otherwise eligible for LTC under WAC 182-513-1363(7)(a). An annuity counting as a resource may make an applicant resource ineligible for LTC.

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EXAMPLE: Same example as above, except Joan named Steve as residual beneficiary, and the annuity was purchased within 5 years of Steve's COPES application. The entire purchase price of the annuity is an uncompensated transfer because Washington is not named as residual beneficiary in the first position.

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EXAMPLE: Joanna is applying for COPES. On April 25th, Joanna's spouse, Charlie, purchased an annuity with $100,000 (Charlie is the annuitant). Charlie's life expectancy is 7 years, and the annuity pays out over 10 years. The entire purchase price of the annuity is an uncompensated transfer because the annuity pays out beyond the annuitant's life expectancy.

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Worker Responsibilities

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Determine if an applicant or their spouse has disclosed any interests in an annuity. If so, determine whether the annuity is an available resource or not. If not, determine the amount of unearned income to the annuitant.

For LTC applicants and their spouses, determine whether the purchase of an annuity is an uncompensated transfer or not.

Related links

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- SSA Period Life Table (2015)
- WAC 182-513-1363

Commented [RWP15]: Link: https://www.ssa.gov/oact/STATS/table4c6.html

Commented [RWP16]: Link: https://www.hca.wa.gov/health-care-services-supports/program-administration/wac-182-513-1363-evaluating-asset-transfer