

APPLE HEALTH (MEDICAID) MANUAL REVISION

Revision #	024
Chapter / Section	How trusts affect eligibility
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Revision Author	Stephen Kozak
Division	MECS
Phone	360-725-1343
Email	stephen.kozak@hca.wa.gov

Summary of Revision

Implements Title V, Section 5007 of the 21st Century Cures Act to allow a person to create his or her own D4A Special Needs Trust. WAC 182-516-0100 Trusts is amended on an emergency basis to implement this change. This action also corrects references in the rule to other WAC citations that were recodified from Chapter 388 WAC to Chapter 182 WAC.

The effective date of this emergency rule is 2/10/2017.

Apple Health (Medicaid) Manual revision via track changes:

AMENDATORY SECTION (Amending WSR 13-01-017, filed 12/7/12, effective 1/1/13)

WAC 182-516-0100 Trusts. (1) The department determines how trusts affect eligibility for medical programs.

(2) The department disregards trusts established, on or before April 6, 1986, for the sole benefit of a client who lives in an intermediate care facility for the mentally retarded (ICMR).

(3) For trusts established on or before August 10, 1993, the department counts the following:

(a) If the trust was established by the client, client's spouse, or the legal guardian, the maximum amount of money (payments) allowed

to be distributed under the terms of the trust is considered available income to the client if all of the following conditions apply:

- (i) The client could be the beneficiary of all or part of the payments from the trust;
- (ii) The distribution of payments is determined by one or more of the trustees; and
- (iii) The trustees are allowed discretion in distributing payments to the client.

(b) If an irrevocable trust doesn't meet the conditions under ((subsection (3)))(a) of this subsection then it is considered either:

- (i) An **unavailable** resource, if the client established the trust for a beneficiary other than the client or the client's spouse; or
- (ii) An **available** resource in the amount of the trust's assets that:

- (A) The client could access; or
- (B) The trustee distributes as actual payments to the client and the department applies the transfer of assets rules of WAC ((388-513-1363, 388-513-1364 or 388-513-1365)) 182-513-1363.

(c) If a revocable trust doesn't meet the description under ((subsection (3)))(a) of this subsection:

(i) The full amount of the trust is an available resource of the client if the trust was established by:

- (A) The client;
- (B) The client's spouse, and the client lived with the spouse; or
- (C) A person other than the client or the client's spouse only to the extent the client had access to the assets of the trust.

(ii) Only the amount of money actually paid to the client from the trust is an available resource when the trust was established by:

- (A) The client's spouse, and the client did not live with the spouse; or
- (B) A person other than the client or the client's spouse; and
- (C) Payments were distributed by a trustee of the trust.

(iii) The department considers the funds a resource, not income.

(4) For trusts established on or after August 11, 1993:

(a) The department considers a trust as if it were established by the client when:

(i) The assets of the trust, as defined under WAC 388-470-0005, are at least partially from the client;

(ii) The trust is not established by will; and

(iii) The trust was established by:

- (A) The client or the client's spouse;
- (B) A person, including a court or administrative body, with legal authority to act in place of, or on behalf of, the client or the client's spouse; or
- (C) A person, including a court or administrative body, acting at the direction of or upon the request of the client or the client's spouse.

(b) Only the assets contributed to the trust by the client are available to the client when part of the trust assets were contributed by any other person.

(c) The department does not consider:

- (i) The purpose for establishing a trust;
- (ii) Whether the trustees have, or exercise, any discretion under the terms of the trust;
- (iii) Restrictions on when or whether distributions may be made from the trust; or
- (iv) Restrictions on the use of distributions from the trust.

(d) For a revocable trust established as described under ((subsection (4)))(a) of this ((section)) subsection:

- (i) The full amount of the trust is an available resource of the client;
- (ii) Payments from the trust to or for the benefit of the client are income of the client; and
- (iii) Any payments from the trust, other than payments described under ((subsection (4)))(d)(ii) of this subsection, are considered a transfer of client assets.

(e) For an irrevocable trust established as described under ((subsection (4)))(a) of this ((section)) subsection:

- (i) Any part of the trust from which payment can be made to or for the benefit of the client is an available resource. When payment is made from such irrevocable trusts, we will consider the payments as:
 - (A) Income to the client when payment is to or for the client's benefit; or
 - (B) The transfer of an asset when payment is made to any person for any purpose other than the client's benefit;
- (ii) A trust from which a payment cannot be made to or for the client's benefit is a transfer of assets. For such a trust, the transfer of assets is effective the date:
 - (A) The trust is established; or
 - (B) The client is prevented from receiving benefit, if this is after the trust is established.
- (iii) The value of the trust includes any payments made from the trust after the effective date of the transfer.

(5) For trusts established on or after August 1, 2003:

- (a) The department considers a trust as if it were established by the client when:
 - (i) The assets of the trust, as defined under WAC 388-470-0005, are at least partially from the client or the client's spouse;
 - (ii) The trust is not established by will; and
 - (iii) The trust was established by:
 - (A) The client or the client's spouse;
 - (B) A person, including a court or administrative body, with legal authority to act in place of, or on behalf of, the client or the client's spouse; or

(C) A person, including a court or administrative body, acting at the direction of or upon the request of the client or the client's spouse.

(b) Only the assets contributed other than by will to the trust by either the client or the client's spouse are available to the client or the client's spouse when part of the trust assets were contributed by persons other than the client or the client's spouse.

(c) The department does not consider:

(i) The purpose for establishing a trust;

(ii) Whether the trustees have, or exercise, any discretion under the terms of the trust;

(iii) Restrictions on when or whether distributions may be made from the trust; or

(iv) Restrictions on the use of the distributions from the trust.

(d) For a revocable trust established as described under ((subsection (5))) (a) of this ((section)) subsection:

(i) The full amount of the trust is an available resource of the client;

(ii) Payments from the trust to or for the benefit of the client are income of the client; and

(iii) Any payments from the trust, other than payments described under ((subsection (5))) (d) (ii) of this subsection, are considered a transfer of client assets.

(e) For an irrevocable trust established as described under ((subsection (5))) (a) of this ((section)) subsection:

(i) Any part of the trust from which payment can be made to or for the benefit of the client or the client's spouse is an available resource. When payment is made from such irrevocable trusts, the department will consider the payment as:

(A) Income to the client or the client's spouse when payment is to or for the benefit of either the client or the client's spouse; or

(B) The transfer of an asset when payment is made to any person for any purpose other than the benefit of the client or the client's spouse;

(ii) A trust from which a payment cannot be made to or for the benefit of the client or client's spouse is a transfer of assets.

For such a trust, the transfer of assets is effective the date:

(A) The trust is established; or

(B) The client or client's spouse is prevented from receiving benefit, if this is after the trust is established.

(iii) The value of the trust includes any payments made from the trust after the effective date of the transfer.

(6) Trusts established on or after August 11, 1993, are not considered available resources if they contain the assets of either:

(a) A person sixty-four years of age or younger who is disabled as defined by SSI criteria (as described in WAC ((388-475-0050)) 182-512-0050) and the trust:

(i) Is established for the sole benefit of this person by their parent, grandparent, legal guardian, or a court; and

(ii) Stipulates that the state will receive all amounts remaining in the trust upon the death of the client, up to the amount of medicaid spent on the client's behalf; or

(b) A person regardless of age, who is disabled as defined by SSI criteria (as described in WAC ((388-475-0050)) 182-512-0050), and the trust meets the following criteria:

(i) It is irrevocable;

(ii) It is established and managed by a nonprofit association;

(iii) A separate account is maintained for each beneficiary of the trust but for purposes of investment and management of funds the trust pools the funds in these accounts;

(iv) Accounts in the trust are established solely for the benefit of the disabled individual as defined by the SSI program;

(v) Accounts in the trust are established by:

(A) The individual;

(B) The individual's spouse, where the spouse is acting in the place of or on behalf of the individual;

(C) The individual's parent, grandparent, legal guardian;

(D) A person, including a court or administrative body, with legal authority to act in place of or on behalf of the individual or the individual's spouse; or

(E) A person, including a court or administrative body, acting at the direction or upon the request of the individual or the individual's spouse.

(vi) It stipulates that either:

(A) The state will receive all amounts remaining in the client's separate account upon the death of the client, up to the amount of medicaid spent on the client's behalf; or

(B) The funds will remain in the trust to benefit other disabled beneficiaries of the trust.

(7) Trusts established on or after August 1, 2003, are not considered available resources if they contain the assets of either:

(a) A person sixty-four years of age or younger who is disabled as defined by SSI criteria (as described in WAC ((388-475-0050)) 182-512-0050) and the trust:

(i) Is irrevocable;

(ii) Is established for the sole benefit of this person by ((their)) the person's parent, grandparent, legal guardian, ((or)) a court, or after December 13, 2016, the person; and

(iii) Stipulates that the state will receive all amounts remaining in the trust upon the death of the client, the end of the disability, or the termination of the trust, whichever comes first, up to the amount of medicaid spent on the client's behalf; or

(b) A person regardless of age, who is disabled as defined by SSI criteria (as described in WAC ((388-475-0050)) 182-512-0050), and the trust meets the following criteria:

- (i) It is irrevocable;
- (ii) It is established and managed by a nonprofit association;
- (iii) A separate account is maintained for each beneficiary of the trust but for purposes of investment and management of funds the trust pools the funds in these accounts;
- (iv) Accounts in the trust are established solely for the benefit of the disabled individual as defined by the SSI program;
- (v) Accounts in the trust are established by:
 - (A) The individual;
 - (B) The individual's spouse, where the spouse is acting in the place of or on behalf of the individual;
 - (C) The individual's parent, grandparent, legal guardian;
 - (D) A person, including a court or administrative body, with legal authority to act in place of or on behalf of the individual or the individual's spouse; or
 - (E) A person, including a court or administrative body, acting at the direction or upon the request of the individual or the individual's spouse.
- (vi) It stipulates that either:
 - (A) The state will receive all amounts remaining in the client's separate account upon the death of the client, the end of the disability, or the termination of the trust, whichever comes first, up to the amount of medicaid spent on the client's behalf; or
 - (B) The funds will remain in the trust to benefit other disabled beneficiaries of the trust.
- (8) Trusts described in subsections (6)(a) and (7)(a) of this section continue to be considered an unavailable resource even after the individual becomes age sixty-five. However, additional transfers made to the trust after the individual reaches age sixty-five would be considered an available resource and would be subject to a transfer penalty.
- (9) The department does not apply a penalty period to transfers into a trust described in subsections (6)(b) and (7)(b) of this section if the trust is established for the benefit of a disabled individual under age sixty-five as described in WAC ((388-513-1363 and 388-513-1364)) 182-513-1363 and the transfer is made to the trust before the individual reaches age sixty-five.
- (10) The department considers any payment from a trust to the client to be unearned income. Except for trusts described in subsection (6) of this section, the department considers any payment to or for the benefit of either the client or client's spouse as described in subsections (4)(e) and (5)(e) of this section to be unearned income.
- (11) The department will only count income received by the client from trusts and not the principal, if:
 - (a) The beneficiary has no control over the trust; and
 - (b) It was established with funds of someone other than the client, spouse or legally responsible person.

(12) This section does not apply when a client establishes that undue hardship exists.

(13) WAC ((388-513-1363, 388-513-1364, 388-513-1365, and 388-513-1366)) 182-513-1363 apply under this section when the department determines that a trust or a portion of a trust is a transfer of assets.

[5]OTS-8520.1