



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #325

Divestment (DHS -- Medical Assistance and Related Programs)

[LFB 2013-15 Budget Summary: Page 230, #10]

CURRENT LAW

The medical assistance (MA) program, administered by the Department of Health Services (DHS), funds long-term care services for MA-eligible elderly, blind, and disabled individuals in nursing homes, intermediate care facilities for the intellectually disabled, and home- and community-based waiver programs. Institutionalized individuals and noninstitutionalized individuals participating in long-term care programs are not eligible for long-term care services funded from MA if they transfer their property at less than fair market value, either while they are receiving MA-funded services or within 60 months before the first day that they were both eligible for MA and receiving MA-funded long-term care services. They are not eligible for these services for the duration of their divestment "penalty period," which is equal to the number of days of private pay nursing home care that could have been paid for with the amount of resources that were divested.

With respect to life insurance surrender values, elderly, blind, or disabled individuals are not eligible for MA if they have life insurance with cash surrender values if the total face value of all life insurance policies is more than \$1,500.

GOVERNOR

The bill would make several modifications to the state's MA divestment law. With respect to life insurance policies, the bill would specify that elderly, blind, or disabled individuals are not eligible for MA if they have life insurance with cash surrender values if the combined cash surrender value of all life insurance policies, including riders and attachments, is more than \$1,500.

MODIFICATION

Modify the bill to specify that individuals would not be eligible for MA if they had life insurance with cash surrender values if the *total face value* of all life insurance policies, including riders and other attachments, is more than \$1,500.

Explanation: The administration has requested the proposed modification because it believes the provision in AB 40 is not permissible under current federal law. The proposed change would require DHS to determine an individual's eligibility based on the *total face value* of all life insurance policies, including riders and other attachments, the individual has, rather than the combined *cash surrender value* of all of the individual's life insurance policies, including riders and other attachments. The face value of a life insurance policy is the amount the insurer pays to the beneficiary if the insured dies, while the cash surrender value is the amount the insurer pays to the policyholder if the policyholder terminates the life insurance policy.

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