

# **ANNUITIES AND MA-LTC COURSE OBJECTIVES**

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## **Reporting and Verification**

- Identify annuity reporting requirements for MA-LTC.
- Send the Required Annuity Information form (DHS-5143) when required.
- Identify annuity verification required to determine MA-LTC eligibility.

## **Annuity Transactions**

- Define the term “annuity transaction.”
- Assess whether an MA-LTC annuity transaction has taken place.

## **MA-LTC Annuity Requirements**

- Name the two MA-LTC annuity requirements.
- Identify when to apply the two MA-LTC annuity requirements.

## **Designating DHS as the Preferred Remainder Beneficiary**

- Define the term “preferred remainder beneficiary.”
- Explain when to evaluate an annuity to determine if DHS must be designated as the PRB.
- List the three conditions that must be met to require DHS to be designated the PRB.
- Determine if DHS must be designated the PRB for a given annuity.
- Follow and apply the designation process.

## **Transfer Evaluation**

- List four conditions that must be met in order to apply the transfer evaluation requirement.
- Identify when to use evaluation Method 1 or Method 2.
- Follow and apply the annuity transfer evaluation process.

# MA-LTC ANNUITY REPORTING AND VERIFICATIONS

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## Reporting

Clients requesting MA payment of LTC services (and others from whom the client deems) must report:

- Annuities they own.
- Annuities they funded.
- Annuities in which they are named the payee or the beneficiary.
- How the annuity was funded.
- Whether an annuity transaction occurred.

## Verification

- Medical Assistance (MA)  
Annuities must **always** be verified, regardless of whether they are counted, excluded or are considered unavailable for MA Method B (for Method A, only if the client has an asset limit). Verify the following information regarding the annuity for basic MA:
  - Type of annuity.
  - Cash value – current and at annuitization.
  - Commuted cash value.
  - Name of annuitant(s), beneficiaries, payees and owners.
  - The settlement option details, if annuity is annuitized.
  - Free look period options.
  - Conditions under which the annuity can be sold: cashed in or assigned to someone else.
  - Type of annuity issuer (commercial or private).
- MA-LTC  
In addition to basic MA verifications, verify the following information, as needed, regarding an annuity:
  - How the annuity was funded. (Client statement only using DHS-5143).
  - Whether an annuity transaction has occurred. (Client statement only using DHS-5143).
  - Date of purchase.
  - Date of annuitization.
  - Current cash value, if revocable.
  - Current market value, if assignable.
  - Interest earned since annuitization.

## Verification Not Provided

Deny or close MA-LTC eligibility if MA-LTC verification is not provided by the end of the processing period.

- Notify the waiver case manager using the DHS-5181 or the LTCF using the DHS-3050.

# ANNUITY TRANSACTIONS

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## Definition

An MA-LTC annuity transaction is a qualified action taken, by an annuity owner, on an annuity that occurs within the lookback period or while the client is an MA-LTC enrollee.

## Qualified Actions

The following actions are “qualified actions”:

- Purchase of an annuity.
- Conversion of another type of asset to an annuity.
- Conversion of an annuity to another type of annuity.
- Exercise an annuity election including:
  - Annuitizing an annuity.
  - Contributing to the annuity at an unscheduled time.
  - Electing to make withdrawals that are in addition to scheduled disbursements.
  - Changing the distribution.
  - Changing ownership, payee or beneficiary.

## Non-Qualified Actions

The following actions are not annuity transactions regardless of the date they were taken:

- Request to name DHS a preferred remainder beneficiary.
- Provide updated contact information.
- Notification of beneficiary’s death.
- Automatic changes based on terms of contract.
- Uncontrollable changes based on law, operational changes or other court judgments.

## **ANNUITY TRANSACTIONS ACTIVITY**

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Read each scenario and determine if an MA-LTC annuity transaction has occurred. Assume all clients listed have an asset limit for their basis of eligibility.

1. Juan applied for MA and payment of LTC services on July 1, 2011. He reported on the HCAPP that he purchased an annuity on June 12, 2005.

**Did an annuity transaction occur?**

2. Roger applied for MA and payment of LTC services on July 1, 2011. Roger owns an annuity. He annuitized it on June 12, 2010.

**Did an annuity transaction occur?**

3. Crystal is an MA-LTC enrollee and has been since January 1, 2008. Crystal owns an annuity. On December 29, 2010, Crystal requested that her deceased mother be removed as a beneficiary.

**Did an annuity transaction occur?**

4. Continuing Scenario 3: On January 10, 2011, Crystal added her son as a beneficiary to replace her deceased mother.

**Did an annuity transaction occur?**

5. Annabella requests MA payment of LTC services on March 15, 2011. She purchased an annuity on March 15, 2008.

**Did an annuity transaction occur?**

## **CONDITIONS FOR DESIGNATING DHS AS THE PRB**

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The client and/or the client's spouse must cooperate in designating DHS as the preferred remainder beneficiary (PRB) when **all** of the following conditions are met:

1. Client and/or the client's spouse have ownership interest in the annuity owner (in whole or in part).
2. Death benefit is available and can be designated to someone other than the surviving spouse.
3. At least one MA-LTC annuity transaction occurred.

## **DESIGNATING DHS AS THE PRB ACTIVITY**

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### **Example 1**

Keisha, age 92, requests MA and payment of LTC services today. Keisha is a resident of a long-term care facility. Keisha reports and verifies that her husband, Dexter, currently owns an immediate annuity he purchased on August 12, 2002. Dexter is the payee and Keisha is the beneficiary of the annuity. No changes have been made to the annuity since the purchase.

**Is condition 1 met?**

**Is condition 2 met?**

**Is condition 3 met?**

**Is Dexter required to designate DHS as the PRB?**

### **Example 2**

Randall, age 54, is disabled and requesting MA and payment of LTC services through the CAC waiver today. He reports and verifies that he purchased an immediate annuity on May 22 of last year through his insurance agent. His nephew is the current beneficiary of the annuity.

**Is condition 1 met?**

**Is condition 2 met?**

**Is condition 3 met?**

**Is Randall required to designate DHS as the PRB?**

# PRB DESIGNATION PROCESS

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Follow these steps when a client or a client's spouse is required to designate DHS as the PRB.

## Step 1

Send the MHCP Request for Information (DHS-3271) with the appropriate Annuity Beneficiary Designation Form (DHS-5036 or DHS-5036A). Request the form be completed, signed by the annuity owner(s) and returned within 10 days.

Continue to Step 2 when the form is returned or the DAIL/WRIT is received.

## Step 2

- Form returned: Approve MA payment of LTC services and continue to Step 3.
  
- Form not returned: Follow the sub-steps provided below.
  - a. Calculate a period of ineligibility following the HCPM uncompensated transfer policy using the following values:
    - Use the CSV for an annuity in the accumulation phase.
    - Use the total amount of funds annuitized for an annuitized annuity.
    - If the phase of the annuity, or the value, is unknown, set the period of ineligibility indefinitely using the date of 12/31/2063.
  
  - b. Complete and send the Notice of Action for Payment of LTC Services (DHS-4915) to:
    - Deny MA-LTC requests by the end of the processing period.
    - Close MA-LTC eligibility for enrollees by providing 10-day notice.
  
  - c. Add this worker comment to a MAXIS notice, if a notice is being sent:

“You will receive an additional notice telling you other reasons MA will not pay for your long-term care or waiver services.”

## PRB DESIGNATION PROCESS

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- d. Update MAXIS and MMIS. Update the “LTC Ineligible Information” section of the MMIS RLVA screen with the period of ineligibility. For clients residing in a facility, enter the period of ineligibility on MAXIS STAT/FACI.
- e. Notify the waiver case manager or the LTCF, as applicable, using the Lead Agency Case Manager/Worker Communication Form (DHS-5181) or the LTC/County Communication Form (DHS-3050).
- f. Set a MAXIS DAIL/WRIT for the end of ineligibility period to send a Request for MA-LTC (DHS-3543) to the client if the client is an MA enrollee residing in an LTCF.

No further processing is required.

### Step 3

Send the Issuer of Annuity Notice of Obligation form (DHS-5037) with the original of the DHS-5036 or DHS-5036A to the annuity issuer. Request the form be returned within 30 days.

### Step 4

Check for the return of the completed DHS-5037 after 30 days.

- Form returned: Continue to Step 5.
- Form not returned: Contact the annuity issuer and allow 10 additional days for the form’s return. After those ten days, if the form has not been returned, send or fax a copy of the DHS-5037 with a copy of the DHS-5036 or DHS-5036A to the DHS Special Recovery Unit.

P.O. Box 64995  
St. Paul, MN 55164-0995  
Fax number (651) 431-7431

## PRB DESIGNATION PROCESS

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Do not deny or close MA-LTC for this requirement while the DHS Special Recovery Unit follows up with the annuity issuer. Consider this requirement met until you hear from SRU.

### Step 5

Check information on the DHS-5037 and take the appropriate action based on the chart below.

DHS-5037 Information Provided	Action
DHS named PRB	Send copy of the DHS-5037 to the DHS Special Recovery Unit.
Death benefit not available	No further action for this requirement is required.
DHS cannot be PRB for another reason	Send information to HealthQuest for evaluation if the reason is something other than the client not cooperating. (see below)
Client is cooperating while DHS is being designated PRB	Set DAIL/WRIT to follow up with annuity issuer on expected date of completion. Allow an additional 10 days from follow-up date for receipt of DHS-5037.
Client is <b>not</b> cooperating with issuer to name DHS PRB	Follow the instructions provided above found in Step 2 used when the DHS-5036 or DHS-5036A is not returned.

# MMIS RLVA - ANNUITIES

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MMIS RLVA information and Instructions are available in the [MMIS User Manual](#).

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NEXT: RLTC 06/26/08 15:44:42 MMIS LIVING ARRANGE-RLVA PWJMH59 12/20/07 PWMW135
00008092          08/01/1973 *
KING              KAREN          A *
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- - - - - L T C   I N E L I G I B L E   I N F O R M A T I O N   - - - - -
INELIG  PROD          BEGIN DATE  END DATE          INELIG  PROD
TYPE    ID            BEGIN DATE  END DATE          TYPE    ID            BEGIN DATE  END DATE
   A                09012008    12312063

- - - - - L I V I N G   A R R A N G E M E N T S   - - - - -
                BEGIN DATE  END DATE  ARRANGEMENT  LIVING  NPI          OUT OF HOME

ENTER---PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10---PF11--PF12
PAGE                S/EXT NAVIG      N/EXT PREV NEXTRETN OOPS          HELP
    
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Instructions for completing RLVA:

Ineligible Situation	Ineligibility Type	Begin Date	End Date
Client Not Cooperating in Designating DHS as the PRB.	A	1 <sup>st</sup> of request month for people requesting MA-LTC  <b>or</b> 1 <sup>st</sup> of month following MA-LTC closure for MA-LTC enrollees.	Last day of the month of the ineligibility period  <b>or</b> 12/31/2063 if ineligibility period cannot be determined.

## **PADMA DAS DESIGNATION ACTIVITY**

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Answer the following questions regarding Padma Das' training case using course handouts, Padma's annuity and her completed DHS-5143, Required Annuity Information.

1. Does Padma or Aman receive income from the annuity?
2. Is any portion of the annuity an available asset?
3. Do you have enough information to determine whether an annuity transaction has occurred?
4. Is Padma required to designate DHS as the preferred remainder beneficiary on her annuity?
5. What is your next step in the designation process?
6. Padma completes and returns the DHS-5036 – Annuity Beneficiary Designation form. What do you do next?
7. The requested form is completed and returned indicating DHS has been designated as the preferred remainder beneficiary on Padma's annuity. What do you do?

## **SINCLAIR JEFFERSON DESIGNATION ACTIVITY**

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Answer the following questions regarding Sinclair Jefferson's training case using the course handouts and Mary's annuity.

1. Does Sinclair or Mary receive income from the annuity?
2. Is any portion of the annuity an available asset?
3. Do you have enough information to determine whether an annuity transaction has occurred?
4. Is Mary required to designate DHS as the preferred remainder beneficiary on her annuity?
5. What is your next step in the designation process?
6. Mary completes and signs the requested form. Sinclair then returns it. What do you do next?
7. The requested form is not returned by the annuity issuer. What do you do?
8. The requested form is still not returned. What do you do?
9. The annuity issuer completes and returns the DHS-5037, after the Special Recovery Unit intervenes. The DHS-5037 indicates that DHS has been designated as the preferred remainder beneficiary on Mary's annuity. What do you do?

## **DETERMINING THE TRANSFER EVALUATION METHOD**

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Follow the steps below to determine which, if any, annuity transfer evaluation method must be applied.

1. Apply the MA-LTC annuity transfer evaluation requirement when all four of the following conditions are met:
  - The client and/or the client's spouse purchased the annuity (or an annuity was purchased on behalf of the client or the client's spouse).
  - The client meets all basic MA and MA-LTC eligibility requirements and would otherwise be eligible for MA-LTC but for the transfer penalty.
  - The annuity has been annuitized.
  - The annuity is not assignable or revocable.
  
2. Apply the Method 1 transfer evaluation process when the following four additional conditions are met. Continue to Step 3 if one or more of these conditions are not met:
  - The annuity was purchased with the MA-LTC client's funds.
  - The MA-LTC client is a payee of the annuity.
  - An MA-LTC annuity transaction has occurred.
  - One of the Method 1 transfer exceptions is not met:
    - The annuity is an IRA annuity.
    - The annuity is a Deemed Individual Retirement Annuity.
    - The annuity was purchased entirely with the proceeds by any one or a combination of the following funding sources owned by the client:
      - Individual Retirement Account.
      - Simplified Employee Pension (SEP) IRA Account.
      - Roth IRA Account.
      - Savings Incentive Match Plan for Employees (SIMPLE) IRA
      - Trust or account treated as an Individual Retirement Account by an employer, employee association or union.
  
3. Apply the Method 2 transfer evaluation process when the annuity was annuitized during the lookback period or while the client was an MA-LTC enrollee.

If Method 2 conditions are not met, no transfer evaluation is required.

# ANNUITY TRANSFER EVALUATION METHOD 1

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Evaluate an annuity using the following Method 1 transfer evaluation steps:

1. Determine if the annuity was issued by a commercial issuer.

- Commercial issuer: Continue to Step 2.
- Private issuer: An annuity transfer has occurred.

The uncompensated transfer amount, used to determine the transfer penalty, is the annuitized funds less any compensation (payments) received.

2. Determine if the annuity issues periodic payments in equal amounts that are not deferred.

- Equal, Non-Deferred Payments: Continue to Step 3.
- Payments Not Equal or Are Deferred: An annuity transfer has occurred.

The uncompensated transfer amount, used to determine the transfer penalty, is the annuitized funds less any compensation (payments) received.

3. Determine if the annuity is actuarially sound.

- Actuarially Sound: No transfer has occurred. The requirement is met.
- Not Actuarially Sound: An annuity transfer has occurred.

The uncompensated transfer amount, used to determine the transfer penalty, is the total of annuitized funds not expected to be returned within the appropriate life expectancy or the term of the annuity, whichever is earlier.

## ANNUITY TRANSFER EVALUATION METHOD 2

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Evaluate an annuity using the following Method 2 transfer evaluation steps:

1. Determine if the annuity is a commercial annuity.

- Commercial annuity: Continue to Step 2.
- Not a commercial annuity (private annuity): An annuity transfer has occurred.

The uncompensated transfer amount, used to determine the transfer penalty, is the amount of client's and spouse's funds that were annuitized minus any compensation (payments) received.

No further evaluation is required.

2. Determine if the annuity issues **monthly** periodic payments in equal amounts that are not deferred.

- Equal, Non-Deferred Payments: Continue to Step 3.
- Payments Not Equal or Are Deferred: An annuity transfer has occurred.

The uncompensated transfer amount used to determine the transfer penalty is the amount of the client's and/or spouse's funds annuitized minus any annuity compensation (payments) received.

No further evaluation is required

3. Determine if the annuity is actuarially sound.

- Actuarially Sound: No transfer has occurred. The requirement is met.
- Not Actuarially Sound: An annuity transfer has occurred.

The uncompensated transfer amount used to determine the transfer penalty is the total of annuitized funds not expected to be returned within the appropriate life expectancy or the term of the annuity, whichever is earlier.

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## ACTUARIALLY SOUND DETERMINATION

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Follow these steps to determine if an annuity is actuarially sound:

1. Determine the annuity's cash value on the date of annuitization. Do not consider funds contributed by someone other than the client or the client's spouse.
  
2. Determine the total annuity payout. Follow these steps to determine the **total** annuity payout:
  - a. Determine the **annual** payment amount.
  - b. Determine the appropriate SSA Period Life Table life expectancy figure using the age and gender of the appropriate person on the date the annuity was annuitized.

Note: When determining for a **term-certain annuity**, determine the length of the term in years. Compare the length of the term figure to the life expectancy figure. Use the smaller of the two figures in Step 2c.

Use the chart below to determine whose life expectancy should be used:

<b>Payee</b>	<b>Life Expectancy To Use with Method 1</b>	<b>Life Expectancy to Use with Method 2</b>
Client	Client	Client
Client's Spouse	N/A	Client's Spouse
Client and Client's Spouse	Longer of the two life expectancies	Longer of the two life expectancies
Other Party Only	N/A – determine amount transferred to other party.	N/A – determine amount transferred to other party.

- c. Multiply the annual payment amount by the life expectancy figure (or for a term-certain annuity, the remaining length of the term if shorter than the life expectancy figure).

## ACTUARIALLY SOUND DETERMINATION

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3. Compare the total annuity payout (Step 2) to the annuitized cash value (Step 1).

- If the total annuity payout is **greater than or equal to** the annuitized cash value the annuity is actuarially sound.
- If the total annuity payout is **less than** the annuitized cash value the annuity is not actuarially sound and an uncompensated asset transfer has occurred. The amount of the uncompensated transfer is the annuitized cash value minus the total annuity payout.

## **ACTUARIALLY SOUND DETERMINATION ACTIVITY**

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Charles and Edna are married. Charles is requesting MA payment of LTC services today. Charles purchased an immediate annuity for which he is the payee. He was 80 years old on the date of annuitization and Edna was 70. The contract is based on Edna's life expectancy.

The cash value on the date of annuitization was \$225,000. \$25,000 of the cash value was funded by Charles' brother, Ralph. The monthly payment that Charles receives is \$1,970. He began receiving payments 8 months ago and expects to continue them for life.

### **Action**

1. What is the annuitized cash value?
2. What is the total annuity payout?
3. Is the annuity actuarially sound?
4. If the annuity is not actuarially sound, what is the uncompensated value?

## **PADMA DAS TRANSFER EVALUATION ACTIVITY**

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Answer the following questions regarding Padma Das' training case using course handouts, Padma's annuity and her completed DHS-5143, Required Annuity Information.

1. Has Padma transferred ownership or receipt of payments for this annuity?
2. Has Padma met the four conditions to require you to apply the transfer evaluation requirement?
3. Has Padma met the additional conditions to use the Method 1 evaluation process?
4. Did Padma purchase her annuity from a commercial issuer?
5. Does the annuity provide for equal payments that are not deferred? If not, what is the uncompensated transfer amount?
6. Is Padma's annuity actuarially sound? If not, what is the uncompensated transfer amount?
7. What is a best practice you must follow throughout this process that is not found on your handouts or on the flowcharts?

## HEALTHQUEST SUBMISSIONS

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Submit an annuity to HealthQuest for evaluation in the following situations:

- The annuity contract provides for a partial surrender.
- The annuity type cannot be determined.
- The annuity issuer indicates a reason other than those provided in policy as to why DHS cannot be named the preferred remainder beneficiary.
- Others as needed.