AUTHENTICATED,
OHIO LEGISLATIVE SERVICE
COMMISSION
DOCUMENT #332967

Ohio Administrative Code

Rule 5160:1-3-05.12 Medicaid: life insurance.

Effective: June 8, 2025

(A) This rule describes how life insurance policies are treated for the purpose of determining medical assistance eligibility.

(B) Definitions of terms contained within life insurance policies.

(1) "Accelerated life insurance payments" means some or all of the proceeds from the life insurance policy are paid out to the policy owner prior to the death of the insured.

(2) "Beneficiary" means an individual or entity named in the contract to receive the policy proceeds upon the death of the insured.

(3) "Cash surrender value (CSV)" means the monetary equity value that the policy acquires over time. The owner of a policy can obtain its CSV only by turning the policy in for cancellation before it matures or the insured dies. A loan against a policy reduces its CSV. The value usually increases with the age of the policy.

(4) "Dividend accumulations" are dividends which accrue in an account that the insurance company controls for the policy owner. The policy owner can access the funds without penalty at any time without affecting the policy's face value or CSV. Dividend accumulations cannot be excluded from resources under the life insurance exclusion, even when the policy that pays the accumulations is excluded from resources. Unless they can be excluded under another provision, the accumulations are a countable resource.

(5) "Dividend additions" are amounts of insurance purchased with dividends and added to the policy, increasing its death benefit and CSV. The table of CSVs that comes with a policy does not reflect the added CSV of any dividend additions.

(6) "Dividends," for the purpose of this rule, means periodically (annually, as a rule), the insurer may

pay a share of any surplus company earnings to the policy owner as a dividend. Depending on the life insurance company and type of policy involved, dividends can be applied to premiums due, paid by check to the owner, or by an addition or accumulation to an existing policy.

(7) "Face value" means the amount of basic death benefit contracted for at the time the policy is purchased. It is the amount to be paid out when the insured dies.

(8) "Insured" means the individual whose life is covered by the life insurance policy.

(9) "Insurer" means the company or association which contracts with the policy owner.

(10) "Life insurance policy" means a contract under which the insurer agrees to pay a specified amount to a designated beneficiary upon the death of the insured.

(11) "Owner" means the individual with the right to change such a policy. This is normally the person who pays the premiums.

(12) "Term life insurance" means an insurance policy that provides coverage for a specified period at a guaranteed rate and which usually does not have a CSV. Policy owners have the option of converting some term life policies into universal life or whole life insurance policies.

(13) "Universal life insurance" means an insurance policy that provides insurance over a specified period with greater flexibility regarding premium payment and potential for higher internal rates of return.

(14) "Whole life insurance" means an insurance policy that applies part of the premium payments to build CSV for the policy owner.

(C) A life insurance policy is a countable resource to the policy owner for medical assistance purposes when it generates a CSV. Its value as a resource is the amount of the CSV.

(1) The total CSV of all life insurance policies for an individual is excluded when the total face value of the policies is equal to or less than one thousand five hundred dollars for any one individual.

When the total face value of all life insurance policies for any one individual is more than one thousand five hundred dollars, then the total CSV of all the policies for that individual is counted toward the applicable resource limit. Policies for which a CSV has not yet accrued are still considered available when determining the total face value of the individual's life insurance policies.

(2) Life insurance policies for which no CSV will ever accrue (e.g., term life insurance) are not considered when determining the face value of the insurance policies and are excluded from all computations. In addition, burial insurance policies are not considered when computing face value. Burial insurance is insurance which by its terms can only be used to pay the burial expense of the insured and will not accrue any CSV.

(3) When the face value of all countable life insurance policies on an ineligible individual exceeds one thousand five hundred dollars and deeming is required, the CSV of the policies is combined with the ineligible individual's other countable resources and appropriately deemed to the eligible individual.

(D) The individual must submit all life insurance policies that the individual and the individual's spouse own. The following information must be recorded in the case record:

(1) Name of insured;

(2) Name of policy owner;

(3) Type of insurance (whole life, universal life, or term life);

(4) Date the policy was purchased;

(5) Maturity date of policy, when specified;

(6) Face value;

(7) Cash surrender value, when applicable;

(8) Amount of loans outstanding against the policy, when applicable;

(9) For term insurance, amount of premium and frequency;

(10) Contact information for the insurance company to include address and phone number;

(11) Policy number;

(12) Information regarding whether the life insurance policy pays dividends and, when it does, what option the policy owner selected for his or her disposition (i.e., accumulations, additions, applied to premiums, paid by check); and

(13) The current amount of the dividend accumulations, if any.

(E) Factors to consider when determining whether a life insurance policy is a resource:

(1) When the policy does not have a CSV due to the type of policy, further examination is not necessary. When the policy does have a CSV, the administrative agency must distinguish between the owner of the policy and the insured.

(2) The owner of the policy is the only individual who can receive the proceeds under the cash surrender provisions of the policy. Therefore, it is not material that the individual (or individual's spouse) is the insured individual when the individual is not also the owner of the policy. When this is the case, there is no resource available to the individual.

(3) A life insurance policy is an available resource only when the policy is owned by the individual or person whose resources are deemed to the individual. When the consent of another person is needed to surrender a policy for its full CSV, the policy is available as a resource after the individual has obtained the consent of the other person. The individual must make a reasonable effort to obtain consent. When consent cannot be obtained, the policy is not available to the individual. Any doubt regarding potential availability must be resolved by contacting the insurance company. The individual's inability to obtain consent to surrender the policy for CSV must be evaluated to determine whether an improper transfer occurred.

(4) The exclusion of a total of one thousand five hundred dollars face value of countable insurance policies applies to each individual separately and does not mean an average of one thousand five hundred dollars per person. An individual and the individual's spouse are each allowed one thousand five hundred dollars but not any combination of values for a three thousand dollar total for both.

(5) CSV of a policy is determined by contacting the insurance company when there is any question regarding the policy's current value.

(6) The insurance exclusion does not apply to a matured endowment policy since the owner may elect to receive the total face value at any time. When the individual leaves the matured policy on deposit with the insurance company, it is no longer classified as insurance but is considered an investment at interest (the same as money in a savings account).

(F) Evaluating the insurance policy.

(1) Face value. The face value on the insurance policy may be labeled the "face amount," "sum insured," "amount of insurance," or "amount of this policy."

(a) The face value does not include additional benefits payable because of special conditions such as double indemnity riders, which apply in the event of accidental death.

(b) When the face value cannot be determined, the insurance company or local agent must be contacted for clarification. For example, the insurance company must be contacted to clarify the value when there has been a lapse in the policy because of nonpayment of premiums which results in some other insurance option becoming effective. When the information is obtained by telephone, the name, title, and telephone number of the person contacted, and the name and address of the insurance company and the details of the conversation must be documented in the case record.

(2) Cash surrender value. To compute the CSV of a life insurance policy, it is necessary to know whether the premiums are up-to-date or in default (have not been paid) and to read the conditions in the policy affecting CSV. The anniversary date of a policy is the same day and month as the date of issuance. Verification of the CSV must be obtained from the insurance company when the CSV, on

its own or in conjunction with other resources, is close to the applicable resource limit.

(3) Dividends.

(a) Dividend additions.

(i) The face value of dividend additions are not included when determining whether a life insurance policy is countable or excluded as a resource.

(ii) When the life insurance policy is a countable resource, include the CSV of dividend additions when determining the resource value of the policy.

(iii) When the life insurance policy is an excluded resource, the CSV of the dividend additions is not included when determining the individual's countable resources.

(b) Dividend accumulations.

(i) Dividend accumulations are not excluded under the life insurance provision, even when the life insurance policy that pays the dividend accumulation is excluded.

(ii) Unless the dividend accumulations are excluded under another provision, dividend accumulations are countable as a resource, even when the life insurance policy is excluded because the policy's face value is one thousand five hundred dollars or less.

(c) Dividends count as income when the total face value of all the life insurance policies on any one person does not exceed one thousand five hundred dollars. Dividends are excluded as income when the life insurance policy is countable as a resource.

(d) The individual must submit the most recent annual dividend statement issued by the company for each life insurance policy, when applicable.

(4) An owner's failure to pay the premiums on the life insurance policy or failure to elect an option within a certain period of time after defaulting on the premiums generally causes an option to apply

automatically. The CSV is usually applied by the company along with any dividends to buy extended life insurance. Under these circumstances, the face value of the life insurance is uncertain and there is a possibility that a certain option or options have come into play. It is necessary for the insurance company to compute the actual CSV before a determination of eligibility can be made. The current face value and CSV must be obtained from the insurance company.

(5) When an individual has borrowed on a life insurance policy, the amount of the CSV depends upon the outstanding loan. Under these circumstances, the administrative agency must contact the insurance company to determine the amount of the CSV.

(G) Treatment of accelerated life insurance payments.

(1) Most accelerated payment plans fall into three basic types, depending on the circumstances which cause or trigger the payments to be accelerated. These types are the following:

(a) Long-term care model, which allows the policy owners to access the death benefits should they require extended confinement in a care in a facility or, in some instances, home health care services at home;

(b) Dread disease or catastrophic illness model, which allows policy owners to access the death benefits of the contract in order to care for the insured during any specified covered condition; and

(c) Terminal illness model, which allows policy owners to access the death benefits of the contract when the insured is diagnosed with a terminal illness where death is expected to occur within a specified period.

(2) Some companies refer to these types of payments as "living needs" or "accelerated death" payments.

(3) Depending on the type of accelerated payment plan, receipt of accelerated payments may reduce the policy's face value and CSV.

(4) Accelerated payments are not "benefits" for purposes of exploring potential income. It is not

required that a policy owner apply for accelerated payments as a condition of obtaining or retaining eligibility for medical assistance.

(5) Since accelerated payments can be used to meet food or shelter needs, the payments are income in the month received and a resource when retained into the following month and not otherwise excludable.

(6) The receipt of an accelerated payment is not treated as a conversion of a resource for medical assistance purposes.