



State of New Jersey

DEPARTMENT OF HUMAN SERVICES DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

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MEDICAID COMMUNICATION NO. 87-26

DATE: September 24, 1987

TO: COUNTY WELFARE AGENCY DIRECTORS

SUBJECT: Liquidation of Resources; Medicaid Only

Background

Until January 1, 1987, State Medicaid rules provided that eligibility could be established for aged, blind, and disabled persons who owned nonliquid resources, the value of which, in combination with the value of countable resources, would have otherwise precluded resource eligibility. Under the rules, the county welfare agency would, temporarily, exclude the value of the nonliquid resource if the Medicaid applicant or recipient agreed to and cooperated in a plan of liquidation.

Application of these rules most often occurred when an individual, in need of nursing home care, owned a home which no longer served as his or her principal place of residence. The plan of liquidation provided the Medicaid applicant with six months to liquidate the value of the property. Because Medicaid was available during the liquidation period, the individual was not denied access to the required level of medical care.

As a result of interpretation by the U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA), this Department was forced to repeal the rules allowing eligibility pending the liquidation of a resource. Repeal of these rules was effective January 1, 1987.

Congress, in part as a result of the impact of HCFA's interpretation in New Jersey, amended Federal Medicaid statute to allow the State to reinstate its prior policy regarding nonliquid resources. This amendment was enacted August 18, 1987.

Policy

Because of the August 18, 1987 enactment and this State's policy of full-month eligibility, effective August 1, 1987, the State's prior policy concerning the treatment of nonliquid resources is reinstated. That policy, as delineated below, applies to all Medicaid Only applications filed on or after August 1, 1987 as well as, previously filed applications which were still pending as of that date. The Department will shortly amend rules in the Medicaid Only Manual to reflect that which is contained in this communication.

I. Definitions

- A. Liquid resource - A liquid resource is one which can be liquidated or negotiated within 20-working days, such as, but not limited to, cash, demand deposits, time deposits, certificates of deposit, U.S. bonds, securities, notes receivable, and mortgages.
- B. Nonliquid resource - A nonliquid resource is one which cannot be liquidated or negotiated within 20-working days, such as, but not limited to, buildings, land, motor vehicles, boats, certain life insurance policies, and aircraft.
 - 1. Life insurance - The cash surrender value of life insurance shall be considered nonliquid only if the policy qualifies under one of the criteria below. If the policy does not qualify below, the cash surrender value must be considered a liquid resource subject to other applicable resource exclusions.
 - a. The policy indicates that it must be presented to the home office and the home office is located in a city other than the one of the applicant's residence; or
 - b. The insurance company does not have a local office or an agent in the county of the applicant's residence; or
 - c. The policy indicates that special conditions must be met before payment can be made; or
 - d. The applicant indicates there is reason he or she will be delayed in cashing the policy (e.g., the policy is lost); or
 - e. Based on the county welfare agency's prior experience, the particular insurance company involved does not cash policies within 20-working days.

2. Any life insurance policy subject to liquidation may be, at the applicant's option, converted to a policy with a lower face value or to term insurance which has no cash surrender value.

II. Resource Exclusion of Nonliquid Resources

- A. Any nonliquid resource not otherwise excludable from resource consideration may be excluded subject to the establishment of a plan of liquidation. Any such resource will remain excluded for the period specified in the plan of liquidation or until its liquidation occurs so long as the Medicaid applicant or recipient cooperates with the plan's conditions.
- B. Upon the expiration of the plan of liquidation (and extension of the plan, if applicable), if the resource has not been liquidated, the resource shall be included in the determination of resource eligibility unless it is satisfactorily demonstrated to the county welfare agency that reasonable effort has been made to sell the resource on the open market and the only barrier to its sale is the inability to find a buyer. If the county welfare agency is satisfied that reasonable efforts were made, the resource shall be excluded as inaccessible in accordance with N.J.A.C. 10:71-4.4(b)6. A finding of inaccessibility shall be reassessed at each redetermination of program eligibility.
- C. If, at any time during the plan of liquidation, the program applicant or recipient refuses to cooperate in the execution of the plan, the resource is no longer excluded and its equity value shall be counted in the determination of resource eligibility for Medicaid benefits.

III. Plan of Liquidation

- A. In a plan of liquidation, the program applicant agrees to sell or liquidate a nonliquid resource. The plan will provide the individual with six months to liquidate real property and three months to dispose of any other property. If the individual can satisfactorily demonstrate to the county welfare agency that the property could not be liquidated within the specified period because of the inability to find a buyer and that reasonable efforts have been made to sell the property, the county welfare agency may extend the plan of liquidation for an additional three months. No additional extensions may be granted.

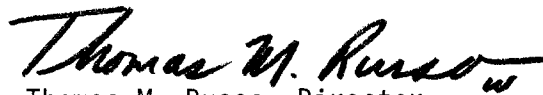
- B. Real property subject to a plan of liquidation shall be offered at any asking price named by the applicant but not less than the price set by an independent appraisal paid for by the county welfare agency. Acceptance of any purchase offer at a lower price must be approved by the county welfare agency.
- C. The plan of liquidation will begin on the date of application for Medicaid benefits or, in the case of an individual applying as disabled who requires a disability determination, on the date of the disability determination.

IV. Post-liquidation Redetermination of Eligibility

- A. Immediately upon the liquidation of the property, the individual's eligibility for Medicaid benefits shall be redetermined based on the net proceeds of the liquidation. The net proceeds of the sale are the monies remaining after encumbrances and the costs of the liquidation have been deducted.
- B. If, after the property's liquidation, the individual's countable resources exceed the resource limit, eligibility for Medicaid shall be terminated until such time as the individual's countable resources are within program limits.

Questions concerning this policy should be referred to the Medicaid field staff assigned to your county.

Sincerely,



Thomas M. Russo, Director
Division of Medical Assistance
and Health Services

TMR:Hg

cc: Odella T. Welch
Deputy Commissioner

Marion E. Reitz, Acting Director
Division of Public Welfare

William Waldman, Acting Director
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