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Division of Medicaid Services

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DMS Operations Memo 24-05

To: Income Maintenance Supervisors
Income Maintenance Lead Workers
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Affected Programs:
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☐ SeniorCare
☐ Caretaker Supplement
☐ FoodShare Employment and Training

From: Jonelle Brom, Bureau Director
Bureau of Eligibility Operations & Training
Division of Medicaid Services

Change in Face Value Determinations for Life Insurance Policies for Medicaid

CROSS REFERENCE

Medicaid Eligibility Handbook Section 16.7.5 Life Insurance
20 CFR § 416.1230
Wis. Stat. §49.47(4)(b)2w

EFFECTIVE DATE

Immediately

PURPOSE

This memo announces a change in how the face value of life insurance is determined for purposes of the asset test used for Medicaid eligibility.

BACKGROUND

Life insurance is a countable asset for Medicaid eligibility, except under certain circumstances. For a person who is aged 65 years or older, blind, or disabled, the cash surrender value (CSV) of their life insurance may only be counted as an asset if the total face value (FV) of all the person's life insurance policies with CSV is greater than $1,500.

Wisconsin statute 49.47(4)(b)2w defines the FV of a life insurance policy as "the basic death benefit of the policy **including** the value of riders and other attachments.
However, federal Supplemental Security Income (SSI) policy at 20 CFR § 416.1230 defines the FV of a life insurance policy as "the basic death benefit of the policy **exclusive** of dividend additions or additional amounts payable because of accidental death or under other special provisions."

Because Wisconsin Medicaid must follow the SSI program's financial rules and cannot have more restrictive policies than federal law, Wisconsin is changing the policy for determining the FV of life insurance to align with federal policy.

POLICY

Effective immediately, only the basic death benefit is counted when determining the face value (FV) of a life insurance policy. Dividend additions and riders are not counted as part of the FV. The updated policy is as follows:

The cash surrender value (CSV) of life insurance is a countable asset. However, there is a limited exception to this rule: For a person who is aged 65 or older, blind, or disabled, the CSV of their life insurance is only counted if the total FV of all life insurance policies owned by that person exceeds $1,500.

The CSV is the amount that the insurer will pay upon cancellation of the policy before death of the insured or before maturity of the policy. The FV is the amount that is contracted for when the life insurance policy is purchased. It may be described on the policy as the "face value," "amount of insurance," "amount of this policy," "sum insured," or a similar term.

For each person who is aged 65 or older, blind, or disabled, it must be determined if the total FV of all life insurance policies owned by that individual is greater than $1,500. When the total FV is determined, the following **must not** be included:

- The FV of any insurance policy that has no CSV, such as burial insurance and most term life insurance.
- The value of any dividend additions. Dividend additions are increases in coverage purchased using dividends generated by the policy. They are often referred to as "paid-up additions" or "paid-up additional insurance."
- Additional sums payable because of special provisions or riders. Riders are modifications the policy owner adds to the life insurance policy at the time of purchase. A common example is accidental death.

If the total FV of life insurance owned by a person who is aged 65 or older, blind, or disabled is $1,500 or less, the CSV of any life insurance policy owned by that person is an exempt asset, including the CSV of any dividend additions.

For life insurance policies that cannot be excluded under the limited exception, the CSV of the policy, including the CSV of any dividend additions, is a countable asset.

If the life insurance policy pays dividends in some form of available cash, such as an annuity, an annual dividend check, or accumulating dividends in a separate interest-bearing account, these are treated as separate assets from the life insurance. They must be valued individually.

Example 1: Steve (aged 67) and Mary (aged 63) are married. Steve is applying for Medicaid. Both individuals have whole life policies in which dividends are used to purchase additional coverage on the policy (“paid-up additions”).

Policy	Owner	Face Value	Cash Surrender Value	Dividends	Riders
Whole life	Steve	$1,500	$6,700 (including CSV of paid-up additions)	Used to purchase additional coverage on the policy	$25,000 accidental death
Term life	Steve	$250,000	$0	N/A	N/A
Whole life	Mary	$1,500	$5,200 (including CSV of paid-up additions)	Used to purchase additional coverage on the policy	$15,000 accidental death

The total FV of life insurance policies owned by Steve is not greater than $1,500, so the $6,700 CSV of Steve’s whole life insurance must be disregarded. As a reminder, the accidental death rider and Steve’s term life policy are not counted when determining the total FV.

Mary is under the age of 65 and is not blind or disabled. Therefore, the limited exception does not apply to her. Her whole life insurance policy’s CSV of $5,200 is a countable asset for Steve’s Medicaid eligibility determination unless all or part of it can be excluded under other provisions, such as a burial fund.

Example 2: Siobhan is disabled and has one life insurance policy. The dividends from her policy are deposited into a separate, interest-bearing account.

Policy	Owner	Face Value	Cash Surrender Value	Dividends	Riders
Whole life	Siobhan	$1,500	$545	Accumulated in a separate account ($1,200)	N/A

The total FV life insurance policies owned by Siobhan is not greater than $1,500, so the $545 CSV of the whole life insurance policy is not a countable asset. However, the $1,200 dividend accumulations held in a separate, available account are treated as a separate asset from the life insurance.

CONTACTS

DHS CARES Problem Resolution Team

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