



State of New Jersey

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES**

ADMINISTRATIVE OFFICES
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ADDRESS REPLY TO:
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MEDICAID COMMUNICATION NO. 89-3 **DATE:** January 19, 1989

TO: COUNTY WELFARE AGENCY DIRECTORS

SUBJECT: Irrevocably Assigned Life Insurance

Recent changes in the way funerals are marketed in this State have evidently led to some variation among the county welfare agencies in the treatment of certain life insurance policies in the determination of eligibility for Medicaid. This communication is intended to provide clarification of the Division's policy regarding these financial arrangements as they relate to aged, blind, or disabled applicants for, or recipients of, Medicaid Only or New Jersey Care...Special Medicaid Programs (including the medically needy).

Under these new arrangements, in exchange for specified future funeral services or items, an individual will irrevocably assign ownership of a life insurance policy to a funeral director. The Medicaid Only Manual specifies (N.J.A.C. 10:71-4.4(b)), that in order to be counted as a resource, a life insurance policy must be owned by the individual. In circumstances in which the ownership of a life insurance policy has been irrevocably assigned, the county welfare agency shall not count any of the policy's value in the determination of resource eligibility.

If the individual, in exchange for the irrevocable assignment of the life insurance policy, is to receive funeral services of the same or greater value as the cash surrender value of the policy, there is no uncompensated value resulting from the resource transfer. Therefore, no period of ineligibility would be imposed because of the assignment of ownership. If, however, the value of the funeral services are less than the cash surrender value of the policy, a resource transfer must be pursued.

Because the transaction qualifies as an irrevocable funeral arrangement under N.J.A.C. 10:71-4.4(b)ii, the cash surrender value of the assigned policy would reduce the \$1,500 limit on the exclusion of funds set aside for burial.

Medicaid Communication NO. 89-3
Page 2
January 19, 1989

Should you have any questions concerning this clarification, please refer them to the field service staff assigned to your county.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Thomas M. Russo". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

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

TMR:Hh

cc: Odella T. Welch
Deputy Commissioner

Marion Reitz, Director
Division of Public Welfare

William Waldman, Director
Division of Youth and Family Services