

Bulletin Number: MSA 16-44

Distribution: Bridges Eligibility Manual (BEM) Holders

Issued: December 1, 2016

Subject: Treatment of Retirement Annuities

Effective: January 1, 2017

Programs Affected: Supplemental Security Income (SSI) Related Medicaid

The purpose of this policy is to add a list of Medicaid acceptable annuities to the Bridges Eligibility Manual (BEM). There is no change from current policy.

The Deficit Reduction Act (DRA) of 2005 created penalties for purchases of certain annuities that did not meet the conditions of a transfer for fair market value and were purchased on or after February 6, 2006. These penalties are only imposed on applicants for Medicaid who were in long-term care or receiving waiver services.

The list of conditions that would trigger a review for a divestment penalty was added to the BEM in 2005. A list of acceptable annuities was not added at that time, although the list was in the Social Security Act. Since the implementation of the DRA in 2006, any acceptable annuity (which meets the conditions of the DRA outlined in policy) did not trigger a review for a divestment penalty.

These annuities are recognized by the Internal Revenue Service (IRS) under section 408 of the Internal Revenue Code (IRC). These updates are being added to BEM 401, page 7, and are included below.

Annuities Funded With Certain Retirement Resources

An annuity purchased by or on behalf of an annuitant who has applied for Medical assistance with respect to nursing facility services or other long-term care services on or after February 8, 2006 is not a transfer for less than fair market value if it is funded with certain retirement resources and established under any of the following sections of the IRC:

1. The annuity is considered either:

- An individual retirement annuity under section 408(b) of the IRC; or
- A deemed Individual Retirement Account under a qualified employer plan under section 408(g) of the IRC.

2. The annuity is purchased with proceeds from one of the following:

- A traditional individual retirement account (IRA) under section 408(a) of the IRC; or
- Certain accounts or trusts which are established by employers or certain association of employees under section 408(c) of the IRC; or
- A simple retirement account under section 408(p) of the IRC; or
- A simplified employee pension under section 408(k) of the IRC; or
- A Roth IRA under section 408A of the IRC.

Annuities established under any sections of the IRC referenced above do NOT have to be irrevocable or actuarially sound and do not have to provide for equal monthly payments.

Manual Maintenance

Retain this bulletin until the information is incorporated into the Bridges Eligibility Manual.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Health and Human Services, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at ProviderSupport@michigan.gov. When you submit an e-mail be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

Approved

A handwritten signature in black ink that reads "Chris Priest". The signature is written in a cursive style with a large initial "C" and a long horizontal stroke at the end.

Chris Priest, Director
Medical Services Administration