

SENIOR BULLETIN: MEDICAID

“Lump sums”: how a nonrecurring payment affects Medicaid for aged, blind or disabled clients

Medicaid clients sometimes receive payments from a source other than their regular source of income. Money gifts, inheritances and settlements are examples of these nonrecurring, or “*lump sum*,” payments. Clients relying on Medicaid benefits need to know whether such payments will affect their benefits. Recently DSHS clarified this issue for “SSI-related” Medicaid clients – clients who are 65 or older or blind or disabled.

“Lump sum” effects on income

Lump-sum payments are specifically addressed in the rules. How they are treated depends on whether the payment received was anticipated or unanticipated; *anticipated* lump-sum payments are treated as “income,” and *unanticipated* lump-sum payments are not treated as “income.”²

WAC 388-475-0650(2) states: “Anticipated nonrecurring lump sum payments are treated as income in the month received, with the exception of those listed in WAC 388-475-0700(5) [3], and any remainder [i.e., any amount the recipient still has after the end of the month] is considered a resource in the following month.”⁴ The “clarifying information” in the state’s Eligibility A-Z Manual, following WAC 388-475-0650, says: “Unanticipated non-recurring lump sums cannot be counted as income in the month received because medical programs must budget prospectively and can only count income that can be anticipated. However, any funds remaining the first of the month after the month of receipt are considered a resource.”⁵

DSHS ordinarily receives electronic information about Social Security and SSI payments, including one-time payments, in advance of the payment. As a result, DSHS considers these Social Security payments to be anticipated. They are treated as income unless they are exempted as retroactive benefits.

Other lump-sum payments are ordinarily reported after receipt (see next section); they are not anticipated by the Department. Accordingly they will not count as income. Once again, lump-sum payments do not count as income if they are not "anticipated." In general, whether a payment is treated as "anticipated" depends on whether the Department receives, or is entitled to receive, information about the income in question in time to take it into account in prospective budgeting.

Reporting requirements

Currently a client's obligation to report income arises when the income is received. (WAC 388-418-0007.) Ordinarily a one-time payment reported after receipt will not be treated as "income."

Example: A disabled client receiving Medicaid is the beneficiary under a will. When the funds are distributed, the client timely reports the receipt. The payment is not counted as income.

If a client reports to DSHS concerning a lump sum expected in the future, however, rules allow DSHS to seek additional information or act on the information.⁶ Thus reporting changes before you are required to report could still cause a lump-sum payment to be treated as "anticipated."⁷

Distinguishing "recurring" income

A "lump sum" is a one-time receipt. Sometimes clients have income paid on a recurring basis other than monthly (for example, every 6 months). Such payments are treated as income in the month received.

Example: A disabled client receiving Medicaid settles a personal injury claim. A structured settlement provides for payments in specific amounts quarterly. After the client reports this settlement and the first payment, DSHS will count the payments as income during the months of anticipated receipt, unless the date or the amount of the payment is uncertain.

Lump sum effects on "resources" after the month of receipt

Whether or not a "lump sum" payment is treated as "income," the payment also can affect Medicaid eligibility as a potential "resource." To avoid losing Medicaid, a client must ensure that non-exempt resources are under allowed levels by the end of the calendar month the lump sum is received.

Some types of lump sum payments are excluded from resources indefinitely or for specific time periods when the funds are kept identifiable from other funds.⁸ Funds unspent as of the end of the month of receipt, unless otherwise excluded, do count as resources the following month. Anything the payment is used to buy also will be evaluated as a potential resource at that same time. Funds spent on items excluded from resources (example: household goods) do not apply toward the resource limit.⁹

Clients who give away assets to reduce resources below the allowed limit may face periods of ineligibility for SSI cash benefits and for Medicaid long-term care programs (such as COPES and nursing home care). For more on this, see the note at the end of this bulletin.

Lump sums and long-term-care program “participation”

When a lump sum payment cannot be anticipated by the Department and thus does not count as income, DSHS does not adjust long term care program “participation” to reflect the payment.

WAC 388-418-0020(10) states: “Some changes have a specific effective date as follows: ... (d) When institutional medical assistance participation changes, we calculate the new participation amount beginning with the month your income or allowable expense changes.”

The lump sums thus do not affect participation if they are not treated as “income” because they were not “anticipated.” Accordingly, they also should not be a basis for assessing an overpayment.

NOTE: Long-term care clients must take care not to lose long-term care Medicaid eligibility unnecessarily by giving away lump sums in an effort to get below allowed resource levels. More information about transfer of asset restrictions and allowed resource levels can be found in the Columbia Legal Services pamphlets “Questions and Answers on the COPES program” and “Questions and Answers on Medicaid for Nursing Home Residents.” Look for these pamphlets under the “Aging” and then the “Long term Care” sections of this website: www.washingtonlawhelp.org. SSI clients may also face periods of ineligibility for uncompensated transfers. The Social Security Administration has published an explanation of the consequences of uncompensated transfers after December 14, 1999. It is contained in

its Program Operations Manual System (POMS) beginning at section SI 01150.110. It is available on line through the following link:

<https://secure.ssa.gov/apps10/poms.nsf/lnx/0501150110>.

Endnotes:

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² Under state Medicaid rules, some receipts are not defined as "income," while others, though defined as "income," are nevertheless excluded from consideration for Medicaid purposes. Examples of receipts not considered to be "income" include funds from sale of a resource and refunds of money already paid. See WAC 388-475-0600 and 20 CFR 416.1103. Examples of income exclusions include crime victim's compensation payments, earned income tax credit (EITC) payments, and energy assistance. See WAC 388-475-0800 through 0880. For SSI-related Medicaid clients, DSHS uses income-counting rules that are no less liberal than those applied to the SSI program by the Social Security Administration. WAC 388-475-0050(7). Because of the different budgeting rules used for SSI and for Medicaid, the DSHS lump sum policy for SSI-related Medicaid effectively is more liberal than the SSI policy.

³ Those exceptions are as follows: (a) Lump sum payments from a retroactive SSDI benefit, when reduced by the amount of SSI received during the period covered by the payment, are not counted as income; (b) Unspent retroactive lump sum money from SSI or SSDI is excluded as a resource for nine months following receipt of the lump sum; and (c) Both the principal and interest portions of payments from a sales contract, that meet the definition in WAC 388-475-0350(10), are unearned income. See WSR 05-13-074 for emergency rule extending the exclusion of item (b) from six to nine months.

⁴ Compare WAC 388-450-0210(4)(h), which addresses rules for family and children medical programs (not for SSI-related Medicaid): "A nonrecurring lump sum payment is considered as income in the month the client receives payment, and a resource if the client retains the payment after the month of receipt."

⁵ Here is a link to the A-Z material:
<http://www1.dshs.wa.gov/manuals/eaz/sections/MedicalAssistance/SSIRelatedMedical3.shtml>

⁶ See WAC 388-418-0007(1).

⁸ WAC 388-418-0007(1).

⁸ For example, SSI retroactive benefit payments are excluded for 9 months (WAC 388-475-0050(2)(b), as amended by emergency rule in WSR 5-13-074); federal relocation assistance funds are excluded indefinitely (WAC 388-475-0550(14)).

⁹ See WAC 388-475-0200 through 0550 for excluded resources provisions.