

Administrative Notice DMMA-09-2007

TO: All DMMA Staff

DATE: June 5, 2007

SUBJECT: Home Equity

BACKGROUND

On February 8, 2006, the Deficit Reduction Act (DRA) of 2005 was signed into law. The DRA made changes to certain Medicaid eligibility provisions in Section 1917 of the Social Security Act affecting Long Term Care services and supports.

DISCUSSION

Section 6014 of the DRA amends that States must deny payment of long term care services if the individual's equity interest in his or her primary place of residence exceeds \$500,000.00. Long term care services include:

- A level of care in any institution equivalent to nursing facility services;
- Home or community-based services furnished under a waiver under sections 1915(c) or (d) of the Social Security Act; and
- Services provided to a noninstitutionalized individual that are described in paragraph (7), (22), or (24) of section 1905(a) of the Act, and, services that are provided if a State has elected to apply section 1917(c) to other long-term care services for which medical assistance is otherwise available under the State plan to an individual requiring long-term care.

The equity value of any resource is the current market value less any encumbrance. The current market value of a home is the amount for which it can reasonably be expected to sell for. An encumbrance is a legally binding debt against the resource. For homes that are owned as joint tenancy, tenancy in common, or other arrangements, only the fractional equity interest of the applicant will be considered.

The Home Equity provisions do not apply if the spouse of the applicant, the applicant's child under 21, or the applicant's blind or disabled child is residing in the home.

These provisions only apply to Medicaid recipients that started receiving Long Term Care Medicaid on or after January 1, 2006. Home Equity will not be evaluated for those individuals that started receiving Long Term Care Medicaid prior to January 1, 2006 and maintain continuous Medicaid eligibility.

ACTION REQUIRED

- Determine if Medicaid recipient has ownership interest in primary residence
 - If no, there is no equity value to be evaluated
- Determine if Medicaid was received prior to January 1, 2006 and has been received continuously since then
 - If yes, equity value does not need to be evaluated
- Determine if applicant's spouse, applicant's child under 21, or applicant's blind or disabled child of any age is residing in the home
 - If yes, equity value does not need to be evaluated
- Obtain verification of current fair market value
- Obtain verification of any encumbrances against the property
- Determine equity value (current market value less any encumbrance)

- If equity value is over \$500,000.00 the applicant is not eligible for payment of long term care services
- Open applicant in new aid category
- Review DSSM policy 20320.7, 20320.7.A, and 20320.7.B

DIRECT INQUIRIES TO

Barbara L Lewis
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Signed - June 5, 2007 _____

HARRY B. HILL, DIRECTOR
DIVISION OF MEDICAID & MEDICAL ASSISTANCE