

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6666**

**BILL NUMBER:** HB 1460

**NOTE PREPARED:** Jan 11, 2007

**BILL AMENDED:**

**SUBJECT:** Life Insurance and Medicaid.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill allows the state to use federal or state Medicaid funds to pay life insurance premiums and expenses for a Medicaid applicant or recipient who has irrevocably named the state as the beneficiary of a life insurance policy or assigned a life insurance policy to the state. The bill provides that the value of a life insurance policy owned by an applicant or recipient may not be considered in determining Medicaid eligibility if the applicant or recipient has irrevocably named the state as the beneficiary or assigned the life insurance policy to the state.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** According to the Office of Medicaid Policy and Planning (OMPP), there is currently no authority for states to pay life insurance premiums under the Medicaid program, so there would be no federal financial participation for this type of expenditure. Since this is a "may" provision which likely requires staff resources to implement, presumably the state would only choose to do this with state-only dollars in the specific instances when it was in the state's interest to do so. Consequently, there should be no net fiscal cost associated with this provision. There could potentially be additional recoupments of Medicaid expenditures.

As for the second provision of excluding the value of a life insurance policy in eligibility determination, according to OMPP, Medicaid recipients currently can exempt the cash value of a whole life insurance policy whose face value is \$10,000 or less, when the beneficiary is the estate or a funeral home. Otherwise, the cash value is considered a countable resource, and the individual would have to cash the policy out and spend the proceeds in order to gain eligibility. In addition, the state currently exempts from consideration as a resource any insurance policy that is assigned to anyone, so this provision would have no impact in that instance. If

the state is assigned the policy, the state would have ownership of the death benefit, as well as any cash value that might exist.

On the other hand, if the state is irrevocably named the beneficiary of a policy with a cash value, the Medicaid recipient would presumably still have access to the cash value of the policy. However, if the policy is ever surrendered for the cash value (after the value of the policy had been exempted from consideration as a resource), then according to current Medicaid statute, the individual must report the change in cash resources to the Office and the cash would be considered as a resource in the eligibility determination. The provision could expand eligibility for the program to some extent and require the use of staff resources to implement the provision and track current and former Medicaid recipients for the purpose of collecting on the life insurance policies.

In the event of the state's being named beneficiary, there would also be a timing impact associated with the later receipt of the death benefit (provided under the bill) as compared to the reduction of Medicaid expenditures because of the time required for an applicant's spend down (which under current practice occurs before the individual becomes eligible).

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above, regarding federal financial participation in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Alan Gossard, 317-233-3546.