# Policy Clarification 2021-02-01

# Title: Counting the Low (and High) Balance in a Bank Account

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**Program(s) Impacted: Elderly & Disabled Medical Assistance Programs**

The purpose of this document is to provide guidance on how to determine the low (for eligibility) and high (for the CSRA determination) balance in a bank account when assets are transferred in or out of the account during the month.

The following Medical KEESM provisions state the basic policy:

**5200 (7) –** "*Outstanding checks are treated as encumbrances against a checking or savings account and the value of the account is to be reduced by checks which have been cashed or cleared the bank beginning in the month the funds were originally committed (i.e., the date the check was written and received).*"

**5200 (13) –** "*For instances when income received in a month is deposited into a checking or savings account, the value of such account for that month shall be determined by subtracting the total amount of income deposited from the lowest balance of the account. In situations where deposit information is not available, the resource value of a bank account is determined using the lowest available balance of the account for that month.*

*This is not applicable to spousal impoverishment assessments in which the highest value of the account in a month would be used.*"

Based on the above cited provisions, the low balance of a bank account, minus deposited income and outstanding encumbrances, is used to determine the resource eligibility of the applicant/recipient in any one month. The focus of this clarification memo however is how to treat resources (other than income) that have been deposited or withdrawn from the account during the month.

For eligibility purposes, every resource shall be accounted for in each month of eligibility, including assets which have been liquidated and placed into a bank account or assets which are transferred from one account to another in the same month. This concept applies to both determining eligibility (low balance) and determining the Community Spouse Resource Allowance (CSRA) (high balance). The underlying direction in this clarification memo is that in all situations, *assets shall be counted at least once, but no more than once*.

Consider the following situations:

1. An applicant owns a countable life insurance policy that is cashed out and the proceeds are deposited into a checking account. This is a conversion of asset from one form to another and therefore not income. Therefore, the amount deposited into the checking account would not be subtracted out as income but would still be disregarded since the low balance of the account would not include that deposit.

   The proceeds from the liquidated life insurance policy are excluded from inclusion in the value of the checking account in the month of deposit, but must still be accounted for in determining the applicant's resource eligibility for that month. To accomplish this, any amount of the liquidated life insurance proceeds which are retained within the month are counted as a cash asset (even if deposited into the checking account). Beginning with the month after the month of deposit, the liquidated funds are treated as a bank account asset. This ensures that the funds are counted at least once, but no more than once.

   Example: Applicant cashes out life insurance policy for $5,000 in 07/2020 and deposits the proceeds into a checking account in the same month. The low balance of the checking account (after deducting income and disregarding the insurance proceeds) is $300. Countable resources in 07/2020 are $5,000 cash asset and $300 checking account. In 08/2020, countable resources would be $5,300 checking account (assuming no other changes).

| | | | | | |
|---|---|---|---|---|---|
| **Incorrect** | Life insurance | $ 0 | **Correct** | Life insurance | $ 0 |
| | Checking | $300 | | Cash | $5,000 |
| | | | | Checking | $ 300 |
| | Total | $300 | | Total | $5,300 |

   Note: If the liquidated life insurance funds were expended before or after being deposited into the checking account in the month received, then those funds would not be considered in determining resource eligibility in that month, unless the funds were used to purchase another asset that is considered a countable resource (such as a second vehicle, a vacation home, or a non-annuitized annuity) – then the value of that asset would be counted.

   Example: Applicant cashes out life insurance policy for $5,000 in 7/2020, spends $3,000 of the proceeds to purchase a prepaid burial plan, and deposits the remaining funds into a checking account in the same month. The low balance of the checking account (after deducting income and disregarding the remaining insurance proceeds) is $300. As a portion of the life insurance proceeds were used to purchase an exempt resource, they are not considered when determining the value of countable resources.

| | | | | | |
|---|---|---|---|---|---|
| **Incorrect** | Life insurance | $ 0 | **Correct** | Life insurance | $ 0 |
| | Checking | $300 | | Cash | $2,000 |
| | | | | Checking | $ 300 |
| | Total | $300 | | Total | $2,300 |

2. The applicant owns a checking and savings account. During the month, funds are transferred from the savings account to the checking account. This is a conversion of asset from one form to another and thus not considered income. Therefore, the amount

deposited into the checking account would not be subtracted out as income but, would still be disregarded since the low balance of the account would not include that deposit.

The low balance of the savings account for eligibility purposes would not include the amount withdrawn and deposited into the checking account. However, since these funds were not expended, the funds must still be accounted for in determining the applicant's resource eligibility for that month. To accomplish that, the withdrawn funds shall be counted in determining the resource value of the savings account by adding that amount to the low balance of the account in the month withdrawn. This ensures that the funds are counted at least once, but no more than once.

Example: Applicant has two bank accounts in 07/2020 – savings account of $2,000 and checking account of $1,200. The savings account is closed in 07/2020 with the funds deposited into the checking account in the same month. The low balance of the savings account is $0 since the account was closed. The low balance of the checking account (after subtracting out $1,000 SSA income and disregarding the savings account funds) is $200. To account for the savings account funds, the $2,000 is added back to the low balance of the savings account. Countable resources in 07/2020 are $2,000 savings account and $200 checking account. In 08/2020, countable resources would be $0 savings account and $2,200 checking account (assuming no other changes).

| | | | | | |
|---|---|---|---|---|---|
| **Incorrect** | Savings | $ 0 | **Correct** | Savings | $2,000 |
| | Checking | $200 | | Checking | $ 200 |
| | Total | $200 | | Total | $2,200 |

3. A married applicant requesting long term care coverage for a nursing home placement transferred funds from a savings account to a checking account in the month institutionalization began. The highest balance in each account shall be used to determine the Community Spouse Resource Allowance (CSRA); however, to do so in this instance, counts the amount transferred from one account to the other twice – once in each account.

   To prevent this double counting of the transferred funds which may otherwise overinflate the amount of the CSRA, the transferred funds shall be counted in determining the high balance of the savings account, but not in determining the value of the checking account in the month of the transfer. This ensures that the funds are counted at least once, but no more than once.

   Example: Married LTC applicant has two bank accounts in 07/2018 (the month institutionalization began) – savings account of $50,000 (high balance) and checking account of $2,500 (high balance). The savings account was closed in 07/2018 with the funds deposited into the checking account in the same month. The new high balance in the checking account is $52,500. Countable resources for the CSRA are $50,000 savings account (amount before account was closed) and $2,500 checking account (high balance before savings account funds deposited).

| | | | | | |
|---|---|---|---|---|---|
| **Incorrect** | Savings | $ 50,000 | **Correct** | Savings | $50,000 |
| | Checking | $ 52,500 | | Checking | $ 2,500 |
| | Total | $102,500 | | Total | $52,500 |

4. A married applicant for long term care coverage for a nursing home placement liquidates a countable annuity, places the funds into a checking account and then purchases a countable vehicle with the funds – all in the month the institutionalization began. The annuity would not be counted as an asset because it has been liquidated. The high balance of the checking account, including the deposited liquidated funds would be counted.

   To prevent double counting the liquidated funds as both a countable bank account and as a non-exempt vehicle in the CSRA determination, only the high balance of the checking account (including the deposited funds) shall be counted. The value of the non-exempt vehicle shall be excluded from the CSRA determination.

   Example: Married LTC applicant is institutionalized in 01/2019. The couple own a countable $100,000 annuity and a checking account of $3,000 in that month. The annuity is cashed out and the funds put in the checking account. Later that same month, the couple purchases a non-exempt vehicle for $30,000, reducing the checking account to $73,000. Countable resources for the CSRA are $103,000 checking account (high balance after liquidated annuity funds deposited). The value of the non-exempt vehicle is excluded because the $30,000 has already been accounted for in the checking account.

| | | | | | |
|---|---|---|---|---|---|
| **Incorrect** | Annuity | $100,000 | **Correct** | Annuity | $ 0 |
| | Checking | $103,000 | | Checking | $103,000 |
| | Vehicle | $ 30,000 | | Vehicle | $ 0 |
| | Total | $233,000 | | Total | $103,000 |

   **Note**: If the vehicle purchased in this example was exempt, the dollar outcome would have been the same. Countable resources would be $103,000 checking account and exclusion of the vehicle since it is an exempt resource and the purchase funds were already accounted for in the checking account.

**For questions or concerns related to this clarification, please contact one of the Medical Program Eligibility Policy staff below.**

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