

**Changes Made to 42 U. S. C. §§ 1396p,  
1396r-5, and 1396r by the Deficit Reduc-  
tion Act of 2005, Pub. L. No. 109-171**

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Signed by President George Bush on February 8, 2006.

In this document, changes made to §§ 1396p, 1396r-5, and 1396r by the Deficit Reduction Act of 2005 appear in *Italicized Blue* typeface.

## **42 U.S.C. § 1396p Liens, adjustments and recoveries, and transfers of assets**

### **(a) Imposition of lien against property of an individual on account of medical assistance rendered to him under a State plan**

**(1)** No lien may be imposed against the property of any individual prior to his death on account of medical assistance paid or to be paid on his behalf under the State plan, except—

**(A)** pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual, or

**(B)** in the case of the real property of an individual—

**(i)** who is an inpatient in a nursing facility, intermediate care facility for the mentally retarded, or other medical institution, if such individual is required, as a condition of receiving services in such institution under the State plan, to spend for costs of medical care all but a minimal amount of his income required for personal needs, and

**(ii)** with respect to whom the State determines, after notice and opportunity for a hearing (in accordance with procedures established by the State), that he cannot reasonably be expected to be discharged from the medical institution and to return home, except as provided in paragraph (2).

**(2)** No lien may be imposed under paragraph (1)(B) on such individual's home if—

**(A)** the spouse of such individual,

**(B)** such individual's child who is under age 21, or (with respect to States eligible to participate in the State program established under subchapter XVI of this chapter) is blind or permanently and totally disabled, or (with respect to States which are not eligible to participate in such program) is blind or disabled as defined in section 1382c of this title, or

**(C)** a sibling of such individual (who has an equity interest in such home and who was residing in such individual's home for a period of at least one year immediately before the date of the individual's admission to the medical institution),  
is lawfully residing in such home.

**(3)** Any lien imposed with respect to an individual pursuant to paragraph (1)(B) shall dissolve upon that individual's discharge from the medical institution and return home.

### **(b) Adjustment or recovery of medical assistance correctly paid under a State plan**

**(1)** No adjustment or recovery of any medical assistance correctly paid on behalf of an individual under the State plan may be made, except that the State shall seek adjustment or recovery of any medical assistance correctly paid on behalf of an individual under the State plan in the case of the following individuals:

**(A)** In the case of an individual described in subsection (a)(1)(B) of this section, the State shall seek adjustment or recovery from the individual's estate or upon sale of the property subject to a lien imposed on account of medical assistance paid on behalf of the individual.

**(B)** In the case of an individual who was 55 years of age or older when the individual received such medical assistance, the State shall seek adjustment or recovery from the individual's estate, but only for medical assistance consisting of—

**(i)** nursing facility services, home and community-based services, and related hospital and prescription drug services, or

**(ii)** at the option of the State, any items or services under the State plan.

**(C)**

**(i)** In the case of an individual who has received (or is entitled to receive) benefits under a long-term care insurance policy in connection with which assets or resources are disregarded in the manner described in clause (ii), except as provided in such clause, the State shall seek adjustment or recovery from the individual's estate on account of medical assistance paid on behalf of the individual for nursing facility and other long-term care services.

**(ii)** Clause (i) shall not apply in the case of an individual who received medical assistance under a State plan of a State which had a State plan amendment approved as of May 14, 1993, *and which satisfies clause (iv), or which has a State plan amendment that provides for a qualified State long-term care insurance partnership (as defined in clause (iii))*<sup>1</sup> which provided for the disregard of any assets or resources—

**(I)** to the extent that payments are made under a long-term care insurance policy; or

**(II)** because an individual has received (or is entitled to receive) benefits under a long-term care insurance policy.

*(iii) For purposes of this paragraph, the term “qualified State long-term care insurance partnership” means an approved State plan amendment under this title that provides for the disregard of any assets or resources in an amount equal to the insurance benefit payments that are made to or on behalf of an individual who is a beneficiary under a long-term care insurance policy if the following requirements are met:*

*(I) The policy covers an insured who was a resident of such State when coverage first became effective under the policy.*

*(II) The policy is a qualified long-term care insurance policy (as defined in section 7702B(b) of the Internal Revenue Code of 1986) issued not earlier than the effective date of the State plan amendment.*

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<sup>1</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6021(a)(1)(A)(i).

*(III) The policy meets the model regulations and the requirements of the model Act specified in paragraph (5).*

*(IV) If the policy is sold to an individual who--*

*(aa) has not attained age 61 as of the date of purchase, the policy provides compound annual inflation protection;*

*(bb) has attained age 61 but has not attained age 76 as of such date, the policy provides some level of inflation protection; and*

*(cc) has attained age 76 as of such date, the policy may (but is not required to) provide some level of inflation protection.*

*(V) The State Medicaid agency under section 1902(a)(5) provides information and technical assistance to the State insurance department on the insurance department's role of assuring that any individual who sells a long-term care insurance policy under the partnership receives training and demonstrates evidence of an understanding of such policies and how they relate to other public and private coverage of long-term care.*

*(VI) The issuer of the policy provides regular reports to the Secretary, in accordance with regulations of the Secretary, that include notification regarding when benefits provided under the policy have been paid and the amount of such benefits paid, notification regarding when the policy otherwise terminates, and such other information as the Secretary determines may be appropriate to the administration of such partnerships.*

*(VII) The State does not impose any requirement affecting the terms or benefits of such a policy unless the State imposes such requirement on long-term care insurance policies without regard to whether the policy is covered under the partnership or is offered in connection with such a partnership.*

*In the case of a long-term care insurance policy which is exchanged for another such policy, subclause (I) shall be applied based on the coverage of the first such policy that was exchanged. For purposes of this clause and paragraph (5), the term "long-term care insurance policy" includes a certificate issued under a group insurance contract.*

*(iv) With respect to a State which had a State plan amendment approved as of May 14, 1993, such a State satisfies this clause for purposes of clause (ii) if the Secretary determines that the State plan amendment provides for consumer protection standards which are no less stringent than the consumer protection standards which applied under such State plan amendment as of December 31, 2005.*

*(v) The regulations of the Secretary required under clause (iii)(VI) shall be promulgated after consultation with the National Association of Insurance Commissioners, issuers of long-term care insurance policies, States with experience with long-term care insurance partnership plans, other States, and representatives of consumers of long-term care insurance policies, and shall specify the type and format of the data and information to be reported and the frequency with which such reports are to be made. The Secretary, as appropriate, shall provide copies of the reports provided in accordance with that clause to the State involved.*

*(vi) The Secretary, in consultation with other appropriate Federal agencies, issuers of long-term care insurance, the National Association of Insurance Commissioners, State insurance commissioners, States with experience with long-term care insurance partnership plans, other States, and representatives of consumers of long-term care insurance policies, shall develop recommendations for Congress to authorize and fund a uniform minimum data set to be reported electronically by all issuers of long-term care insurance policies under qualified State long-term care insurance partnerships to a secure, centralized electronic query and report-generating mechanism that the State, the Secretary, and other Federal agencies can access.<sup>2</sup>*

**(2)** Any adjustment or recovery under paragraph (1) may be made only after the death of the individual's surviving spouse, if any, and only at a time—

**(A)** when he has no surviving child who is under age 21, or (with respect to States eligible to participate in the State program established under subchapter XVI of this chapter) is blind or permanently and totally disabled, or (with respect to States which are not eligible to participate in such program) is blind or disabled as defined in section 1382c of this title; and

**(B)** in the case of a lien on an individual's home under subsection (a)(1)(B) of this section, when—

**(i)** no sibling of the individual (who was residing in the individual's home for a period of at least one year immediately before the date of the individual's admission to the medical institution), and

**(ii)** no son or daughter of the individual (who was residing in the individual's home for a period of at least two years immediately before the date of the individual's admission to the medical institution, and who establishes to the satisfaction of the State that he or she provided care to such individual which permitted such individual to reside at home rather than in an institution), is lawfully residing in such home who has lawfully resided in such home on a continuous basis since the date of the individual's admission to the medical institution.

**(3)** The State agency shall establish procedures (in accordance with standards specified by the Secretary) under which the agency shall waive the application of

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<sup>2</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6021(a)(1)(A)(ii).

this subsection (other than paragraph (1)(C)) if such application would work an undue hardship as determined on the basis of criteria established by the Secretary.

**(4)** For purposes of this subsection, the term “estate”, with respect to a deceased individual—

**(A)** shall include all real and personal property and other assets included within the individual’s estate, as defined for purposes of State probate law; and

**(B)** may include, at the option of the State (and shall include, in the case of an individual to whom paragraph (1)(C)(i) applies), any other real and personal property and other assets in which the individual had any legal title or interest at the time of death (to the extent of such interest), including such assets conveyed to a survivor, heir, or assign of the deceased individual through joint tenancy, tenancy in common, survivorship, life estate, living trust, or other arrangement.

**(5)**

*(A) For purposes of clause (iii)(III), the model regulations and the requirements of the model Act specified in this paragraph are:*

*(i) In the case of the model regulation, the following requirements:*

*(I) Section 6A (relating to guaranteed renewal or noncancellability), other than paragraph (5) thereof, and the requirements of section 6B of the model Act relating to such section 6A.*

*(II) Section 6B (relating to prohibitions on limitations and exclusions) other than paragraph (7) thereof.*

*(III) Section 6C (relating to extension of benefits).*

*(IV) Section 6D (relating to continuation or conversion of coverage).*

*(V) Section 6E (relating to discontinuance and replacement of policies).*

*(VI) Section 7 (relating to unintentional lapse).*

*(VII) Section 8 (relating to disclosure), other than sections 8F, 8G, 8H, and 8I thereof.*

*(VIII) Section 9 (relating to required disclosure of rating practices to consumer).*

*(IX) Section 11 (relating to prohibitions against post-claims underwriting).*

*(X) Section 12 (relating to minimum standards).*

*(XI) Section 14 (relating to application forms and replacement coverage).*

*(XII) Section 15 (relating to reporting requirements).*

*(XIII) Section 22 (relating to filing requirements for marketing).*

*(XIV) Section 23 (relating to standards for marketing), including inaccurate completion of medical histories, other than paragraphs (1), (6), and (9) of section 23C.*

*(XV) Section 24 (relating to suitability).*

*(XVI) Section 25 (relating to prohibition against preexisting conditions and probationary periods in replacement policies or certificates).*

*(XVII) The provisions of section 26 relating to contingent nonforfeiture benefits, if the policyholder declines the offer of a nonforfeiture provision described in paragraph (4).*

*(XVIII) Section 29 (relating to standard format outline of coverage).*

*(XIX) Section 30 (relating to requirement to deliver shop-  
per's guide).*

*(ii) In the case of the model Act, the following:*

*(I) Section 6C (relating to preexisting conditions).*

*(II) Section 6D (relating to prior hospitalization).*

*(III) The provisions of section 8 relating to contingent nonforfeiture benefits.*

*(IV) Section 6F (relating to right to return).*

*(V) Section 6G (relating to outline of coverage).*

*(VI) Section 6H (relating to requirements for certificates under group plans).*

*(VII) Section 6J (relating to policy summary).*

*(VIII) Section 6K (relating to monthly reports on accelerated death benefits).*

*(IX) Section 7 (relating to incontestability period).*

*(B) For purposes of this paragraph and paragraph (1)(C)--*

*(i) the terms "model regulation" and "model Act" mean the long-term care insurance model regulation, and the long-term care insurance model Act, respectively, promulgated by the National Association of Insurance Commissioners (as adopted as of October 2000);*

*(ii) any provision of the model regulation or model Act listed under subparagraph (A) shall be treated as including any other provision of such regulation or Act necessary to implement the provision; and*

*(iii) with respect to a long-term care insurance policy issued in a State, the policy shall be deemed to meet applicable requirements of the model regulation or the model Act if the State plan amendment under paragraph (1)(C)(iii) provides that the State insurance commissioner for the State certifies (in a manner satisfactory to the Secretary) that the policy meets such requirements.*

*(C) Not later than 12 months after the National Association of Insurance Commissioners issues a revision, update, or other modification of a model regulation or model Act provision specified in subparagraph (A), or of any provision of such regulation or Act that is substantively related to a provision specified in such subparagraph, the Secretary shall review the changes made to the provision, determine whether incorporating such changes into the corresponding provision specified in such subpara-*

*graph would improve qualified State long-term care insurance partnerships, and if so, shall incorporate the changes into such provision.*<sup>3</sup>

*[(2) STATE REPORTING REQUIREMENTS- Nothing in clauses (iii)(VI) and (v) of section 1917(b)(1)(C) of the Social Security Act (as added by paragraph (1)) shall be construed as prohibiting a State from requiring an issuer of a long-term care insurance policy sold in the State (regardless of whether the policy is issued under a qualified State long-term care insurance partnership under section 1917(b)(1)(C)(iii) of such Act) to require the issuer to report information or data to the State that is in addition to the information or data required under such clauses.*

*(3) EFFECTIVE DATE- A State plan amendment that provides for a qualified State long-term care insurance partnership under the amendments made by paragraph (1) may provide that such amendment is effective for long-term care insurance policies issued on or after a date, specified in the amendment, that is not earlier than the first day of the first calendar quarter in which the plan amendment was submitted to the Secretary of Health and Human Services.*

*(b) STANDARDS FOR RECIPROCAL RECOGNITION AMONG PARTNERSHIP STATES- In order to permit portability in long-term care insurance policies purchased under State long-term care insurance partnerships, the Secretary of Health and Human Services shall develop, not later than January 1, 2007, and in consultation with the National Association of Insurance Commissioners, issuers of long-term care insurance policies, States with experience with long-term care insurance partnership plans, other States, and representatives of consumers of long-term care insurance policies, standards for uniform reciprocal recognition of such policies among States with qualified State long-term care insurance partnerships under which--*

*(1) benefits paid under such policies will be treated the same by all such States; and*

*(2) States with such partnerships shall be subject to such standards unless the State notifies the Secretary in writing of the State's election to be exempt from such standards.*

*(c) ANNUAL REPORTS TO CONGRESS-*

*(1) IN GENERAL- The Secretary of Health and Human Services shall annually report to Congress on the long-term care insurance partnerships established in accordance with section 1917(b)(1)(C)(ii) of the Social Security Act (42 U.S.C. 1396p(b)(1)(C)(ii)) (as amended by subsection (a)(1)).]<sup>4</sup>*

## **(c) Taking into account certain transfers of assets**

### **(1)**

**(A)** In order to meet the requirements of this subsection for purposes of section 1396a (a)(18) of this title, the State plan must provide that if an institutionalized individual or the spouse of such an individual (or, at the option of a State, a noninstitutionalized individual or the spouse of such an individual) disposes of assets for less than fair market value on or after the

<sup>3</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6021(a)(1)(B).

<sup>4</sup> Bracketed language is Deficit Reduction Act, Pub. L. No. 109-171, § 6021(a)(2), (b), and (c).

look-back date specified in subparagraph (B)(i), the individual is ineligible for medical assistance for services described in subparagraph (C)(i) (or, in the case of a noninstitutionalized individual, for the services described in subparagraph (C)(ii)) during the period beginning on the date specified in subparagraph (D) and equal to the number of months specified in subparagraph (E).

**(B)**

**(i)** The look-back date specified in this subparagraph is a date that is 36 months (or, in the case of payments from a trust or portions of a trust that are treated as assets disposed of by the individual pursuant to paragraph (3)(A)(iii) or (3)(B)(ii) of subsection (d) of this section *or in the case of any other disposal of assets made on or after the date of the enactment of the Deficit Reduction Act of 2005*,<sup>5</sup> 60 months) before the date specified in clause (ii).

**(ii)** The date specified in this clause, with respect to—

**(I)** an institutionalized individual is the first date as of which the individual both is an institutionalized individual and has applied for medical assistance under the State plan, or

**(II)** a noninstitutionalized individual is the date on which the individual applies for medical assistance under the State plan or, if later, the date on which the individual disposes of assets for less than fair market value.

**(C)**

**(i)** The services described in this subparagraph with respect to an institutionalized individual are the following:

**(I)** Nursing facility services.

**(II)** A level of care in any institution equivalent to that of nursing facility services.

**(III)** Home or community-based services furnished under a waiver granted under subsection (c) or (d) of section 1396n of this title.

**(ii)** The services described in this subparagraph with respect to a noninstitutionalized individual are services (not including any services described in clause (i)) that are described in paragraph (7), (22), or (24) of section 1396d (a) of this title, and, at the option of a State, other long-term care services for which medical assistance is otherwise available under the State plan to individuals requiring long-term care.

**(D)**

*(i) In the case of a transfer of asset made before the date of the enactment of the Deficit Reduction Act of 2005, the date*<sup>6</sup> specified in this subparagraph is the first day of the first month during or after which assets have been transferred for less than fair market value

<sup>5</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6011(a). The effective date is the date of enactment. See § 6011(c).

<sup>6</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6011(b)(1). The effective date is the date the of enactment. See § 6011(c). See Conf. Rep. 109-362, § 6011(b)(1).

and which does not occur in any other periods of ineligibility under this subsection.

*(ii) In the case of a transfer of asset made on or after the date of the enactment of the Deficit Reduction Act of 2005, the date specified in this subparagraph is the first day of a month during or after which assets have been transferred for less than fair market value, or the date on which the individual is eligible for medical assistance under the State plan and would otherwise be receiving institutional level care described in subparagraph (C) based on an approved application for such care but for the application of the penalty period, whichever is later, and which does not occur during any other period of ineligibility under this subsection.<sup>7</sup>*

**(E)**

**(i)** With respect to an institutionalized individual, the number of months of ineligibility under this subparagraph for an individual shall be equal to—

**(I)** the total, cumulative uncompensated value of all assets transferred by the individual (or individual's spouse) on or after the look-back date specified in subparagraph (B) (i), divided by

**(II)** the average monthly cost to a private patient of nursing facility services in the State (or, at the option of the State, in the community in which the individual is institutionalized) at the time of application.

**(ii)** With respect to a noninstitutionalized individual, the number of months of ineligibility under this subparagraph for an individual shall not be greater than a number equal to—

**(I)** the total, cumulative uncompensated value of all assets transferred by the individual (or individual's spouse) on or after the look-back date specified in subparagraph (B) (i), divided by

**(II)** the average monthly cost to a private patient of nursing facility services in the State (or, at the option of the State, in the community in which the individual is institutionalized) at the time of application.

**(iii)** The number of months of ineligibility otherwise determined under clause (i) or (ii) with respect to the disposal of an asset shall be reduced—

**(I)** in the case of periods of ineligibility determined under clause (i), by the number of months of ineligibility applicable to the individual under clause (ii) as a result of such disposal, and

**(II)** in the case of periods of ineligibility determined under clause (ii), by the number of months of ineligibility applica-

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<sup>7</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6011(b)(2). The effective date is the date the of enactment. See § 6011(c). See Conf. Rep. 109-362, § 6011(b)(2).

ble to the individual under clause (i) as a result of such disposal.

*(iv) A State shall not round down, or otherwise disregard any fractional period of ineligibility determined under clause (i) or (ii) with respect to the disposal of assets.<sup>8</sup>*

*(F) For purposes of this paragraph, the purchase of an annuity shall be treated as the disposal of an asset for less than fair market value unless--*  
*(i) the State is named as the remainder beneficiary in the first position for at least the total amount of medical assistance paid on behalf of the annuitant under this title; or*  
*(ii) the State is named as such a beneficiary in the second position after the community spouse or minor or disabled child and is named in the first position if such spouse or a representative of such child disposes of any such remainder for less than fair market value.*

*(G) For purposes of this paragraph with respect to a transfer of assets, the term "assets" includes 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 under this title unless--*

*(i) the annuity is--*

*(I) an annuity described in subsection (b) or (q) of section 408 of the Internal Revenue Code of 1986; or*

*(II) purchased with proceeds from--*

*(aa) an account or trust described in subsection (a), (c), or (p) of section 408 of such Code;*

*(bb) a simplified employee pension (within the meaning of section 408(k) of such Code); or*

*(cc) a Roth IRA described in section 408A of such Code; or*

*(ii) the annuity--*

*(I) is irrevocable and nonassignable;*

*(II) is actuarially sound (as determined in accordance with actuarial publications of the Office of the Chief Actuary of the Social Security Administration); and*

*(III) provides for payments in equal amounts during the term of the annuity, with no deferral and no balloon payments made.<sup>9</sup>*

*(H) Notwithstanding the preceding provisions of this paragraph, in the case of an individual (or individual's spouse) who makes multiple fractional transfers of assets in more than 1 month for less than fair market value on or after the applicable look-back date specified in subparagraph*

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<sup>8</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6016(a). Section 6016(e) makes this section effective for transactions taking place after enactment. See Conf. Rep. § 6016(a).

<sup>9</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6012(b) and (c) adds subparagraphs (F) and (G). § 6012(d) states: "*(d) Effective Date- The amendments made by this section shall apply to transactions (including the purchase of an annuity) occurring on or after the date of the enactment of this Act.*"

*(B), a State may determine the period of ineligibility applicable to such individual under this paragraph by--*

- (i) treating the total, cumulative uncompensated value of all assets transferred by the individual (or individual's spouse) during all months on or after the look-back date specified in subparagraph (B) as 1 transfer for purposes of clause (i) or (ii) (as the case may be) of subparagraph (E); and*
- (ii) beginning such period on the earliest date which would apply under subparagraph (D) to any of such transfers.*

*(I) For purposes of this paragraph with respect to a transfer of assets, the term "assets" includes funds used to purchase a promissory note, loan, or mortgage unless such note, loan, or mortgage--*

- (i) has a repayment term that is actuarially sound (as determined in accordance with actuarial publications of the Office of the Chief Actuary of the Social Security Administration);*
- (ii) provides for payments to be made in equal amounts during the term of the loan, with no deferral and no balloon payments made; and*
- (iii) prohibits the cancellation of the balance upon the death of the lender.*

*In the case of a promissory note, loan, or mortgage that does not satisfy the requirements of clauses (i) through (iii), the value of such note, loan, or mortgage shall be the outstanding balance due as of the date of the individual's application for medical assistance for services described in subparagraph (C).*

*(J) For purposes of this paragraph with respect to a transfer of assets, the term "assets" includes the purchase of a life estate interest in another individual's home unless the purchaser resides in the home for a period of at least 1 year after the date of the purchase.<sup>10</sup>*

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<sup>10</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6016(b), (c), and (d) adds subparagraphs (H), (I), and (J). § 6016(e): *Effective Dates-*

*Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to payments under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) for calendar quarters beginning on or after the date of enactment of this Act, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date. (2) EXCEPTIONS- The amendments made by this section shall not apply--*

- (A) to medical assistance provided for services furnished before the date of enactment;*
- (B) with respect to assets disposed of on or before the date of enactment of this Act; or*
- (C) with respect to trusts established on or before the date of enactment of this Act.*

*(3) EXTENSION OF EFFECTIVE DATE FOR STATE LAW AMENDMENT- In the case of a State plan under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by a provision of this section, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of the session is considered to be a separate regular session of the State legislature.*

**(2)** An individual shall not be ineligible for medical assistance by reason of paragraph (1) to the extent that—

**(A)** the assets transferred were a home and title to the home was transferred to—

**(i)** the spouse of such individual;

**(ii)** a child of such individual who

**(I)** is under age 21, or

**(II)** (with respect to States eligible to participate in the State program established under subchapter XVI of this chapter) is blind or permanently and totally disabled, or (with respect to States which are not eligible to participate in such program) is blind or disabled as defined in section 1382c of this title;

**(iii)** a sibling of such individual who has an equity interest in such home and who was residing in such individual's home for a period of at least one year immediately before the date the individual becomes an institutionalized individual; or

**(iv)** a son or daughter of such individual (other than a child described in clause (ii)) who was residing in such individual's home for a period of at least two years immediately before the date the individual becomes an institutionalized individual, and who (as determined by the State) provided care to such individual which permitted such individual to reside at home rather than in such an institution or facility;

**(B)** the assets—

**(i)** were transferred to the individual's spouse or to another for the sole benefit of the individual's spouse,

**(ii)** were transferred from the individual's spouse to another for the sole benefit of the individual's spouse,

**(iii)** were transferred to, or to a trust (including a trust described in subsection (d)(4) of this section) established solely for the benefit of, the individual's child described in subparagraph (A)(ii)(II), or

**(iv)** were transferred to a trust (including a trust described in subsection (d)(4) of this section) established solely for the benefit of an individual under 65 years of age who is disabled (as defined in section 1382c (a)(3) of this title);

**(C)** a satisfactory showing is made to the State (in accordance with regulations promulgated by the Secretary) that

**(i)** the individual intended to dispose of the assets either at fair market value, or for other valuable consideration,

**(ii)** the assets were transferred exclusively for a purpose other than to qualify for medical assistance, or

**(iii)** all assets transferred for less than fair market value have been returned to the individual; or

**(D)** the State determines, under procedures established by the State (in accordance with standards specified by the Secretary), that the denial of

eligibility would work an undue hardship as determined on the basis of criteria established by the Secretary.

*The procedures established under subparagraph (D) shall permit the facility in which the institutionalized individual is residing to file an undue hardship waiver application on behalf of the individual with the consent of the individual or the personal representative of the individual. While an application for an undue hardship waiver is pending under subparagraph (D) in the case of an individual who is a resident of a nursing facility, if the application meets such criteria as the Secretary specifies, the State may provide for payments for nursing facility services in order to hold the bed for the individual at the facility, but not in excess of payments for 30 days.<sup>11</sup>*

*[(d) Availability of Hardship Waivers- Each State shall provide for a hardship waiver process in accordance with section 1917(c)(2)(D) of the Social Security Act (42 U.S.C. 1396p(c)(2)(D))--*

*(1) under which an undue hardship exists when application of the transfer of assets provision would deprive the individual--*

*(A) of medical care such that the individual's health or life would be endangered; or*

*(B) of food, clothing, shelter, or other necessities of life; and*

*(2) which provides for--*

*(A) notice to recipients that an undue hardship exception exists;*

*(B) a timely process for determining whether an undue hardship waiver will be granted; and*

*(C) a process under which an adverse determination can be appealed.<sup>12]</sup>*

**(3)** For purposes of this subsection, in the case of an asset held by an individual in common with another person or persons in a joint tenancy, tenancy in common, or similar arrangement, the asset (or the affected portion of such asset) shall be considered to be transferred by such individual when any action is taken, either by such individual or by any other person, that reduces or eliminates such individual's ownership or control of such asset.

**(4)** A State (including a State which has elected treatment under section 1396a (f) of this title) may not provide for any period of ineligibility for an individual due to transfer of resources for less than fair market value except in accordance with this subsection. In the case of a transfer by the spouse of an individual which results in a period of ineligibility for medical assistance under a State plan for such individual, a State shall, using a reasonable methodology (as specified by the Secretary), apportion such period of ineligibility (or any portion of such period) among the individual and the individual's spouse if the spouse otherwise becomes eligible for medical assistance under the State plan.

**(5)** In this subsection, the term "resources" has the meaning given such term in section 1382b of this title, without regard to the exclusion described in subsection (a)(1) thereof.

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<sup>11</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6011(e). See Conf. Rep. 109-362 § 6011(e)(2).

<sup>12</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6011(d).

**(d) Treatment of trust amounts**

**(1)** For purposes of determining an individual's eligibility for, or amount of, benefits under a State plan under this subchapter, subject to paragraph (4), the rules specified in paragraph (3) shall apply to a trust established by such individual.

**(2)**

**(A)** For purposes of this subsection, an individual shall be considered to have established a trust if assets of the individual were used to form all or part of the corpus of the trust and if any of the following individuals established such trust other than by will:

**(i)** The individual.

**(ii)** The individual's spouse.

**(iii)** A person, including a court or administrative body, with legal authority to act in place of or on behalf of the individual or the individual's spouse.

**(iv)** A person, including any court or administrative body, acting at the direction or upon the request of the individual or the individual's spouse.

**(B)** In the case of a trust the corpus of which includes assets of an individual (as determined under subparagraph (A)) and assets of any other person or persons, the provisions of this subsection shall apply to the portion of the trust attributable to the assets of the individual.

**(C)** Subject to paragraph (4), this subsection shall apply without regard to—

**(i)** the purposes for which a trust is established,

**(ii)** whether the trustees have or exercise any discretion under the trust,

**(iii)** any restrictions on when or whether distributions may be made from the trust, or

**(iv)** any restrictions on the use of distributions from the trust.

**(3)**

**(A)** In the case of a revocable trust—

**(i)** the corpus of the trust shall be considered resources available to the individual,

**(ii)** payments from the trust to or for the benefit of the individual shall be considered income of the individual, and

**(iii)** any other payments from the trust shall be considered assets disposed of by the individual for purposes of subsection (c) of this section.

**(B)** In the case of an irrevocable trust—

**(i)** if there are any circumstances under which payment from the trust could be made to or for the benefit of the individual, the portion of the corpus from which, or the income on the corpus from which, payment to the individual could be made shall be considered resources available to the individual, and payments from that portion of the corpus or income—

**(I)** to or for the benefit of the individual, shall be considered income of the individual, and

**(II)** for any other purpose, shall be considered a transfer of assets by the individual subject to subsection (c) of this section; and

**(ii)** any portion of the trust from which, or any income on the corpus from which, no payment could under any circumstances be made to the individual shall be considered, as of the date of establishment of the trust (or, if later, the date on which payment to the individual was foreclosed) to be assets disposed by the individual for purposes of subsection (c) of this section, and the value of the trust shall be determined for purposes of such subsection by including the amount of any payments made from such portion of the trust after such date.

**(4)** This subsection shall not apply to any of the following trusts:

**(A)** A trust containing the assets of an individual under age 65 who is disabled (as defined in section 1382c (a)(3) of this title) and which is established for the benefit of such individual by a parent, grandparent, legal guardian of the individual, or a court if the State will receive all amounts remaining in the trust upon the death of such individual up to an amount equal to the total medical assistance paid on behalf of the individual under a State plan under this subchapter.

**(B)** A trust established in a State for the benefit of an individual if—

**(i)** the trust is composed only of pension, Social Security, and other income to the individual (and accumulated income in the trust),

**(ii)** the State will receive all amounts remaining in the trust upon the death of such individual up to an amount equal to the total medical assistance paid on behalf of the individual under a State plan under this subchapter; and

**(iii)** the State makes medical assistance available to individuals described in section 1396a (a)(10)(A)(ii)(V) of this title, but does not make such assistance available to individuals for nursing facility services under section 1396a (a)(10)(C) of this title.

**(C)** A trust containing the assets of an individual who is disabled (as defined in section 1382c (a)(3) of this title) that meets the following conditions:

**(i)** The trust is established and managed by a non-profit association.

**(ii)** A separate account is maintained for each beneficiary of the trust, but, for purposes of investment and management of funds, the trust pools these accounts.

**(iii)** Accounts in the trust are established solely for the benefit of individuals who are disabled (as defined in section 1382c (a)(3) of this title) by the parent, grandparent, or legal guardian of such individuals, by such individuals, or by a court.

**(iv)** To the extent that amounts remaining in the beneficiary's account upon the death of the beneficiary are not retained by the

trust, the trust pays to the State from such remaining amounts in the account an amount equal to the total amount of medical assistance paid on behalf of the beneficiary under the State plan under this subchapter.

**(5)** The State agency shall establish procedures (in accordance with standards specified by the Secretary) under which the agency waives the application of this subsection with respect to an individual if the individual establishes that such application would work an undue hardship on the individual as determined on the basis of criteria established by the Secretary.

**(6)** The term “trust” includes any legal instrument or device that is similar to a trust but includes an annuity only to such extent and in such manner as the Secretary specifies.

(e)

*(1) In order to meet the requirements of this section for purposes of section 1902(a)(18), a State shall require, as a condition for the provision of medical assistance for services described in subsection (c)(1)(C)(i) (relating to long-term care services) for an individual, the application of the individual for such assistance (including any recertification of eligibility for such assistance) shall disclose a description of any interest the individual or community spouse has in an annuity (or similar financial instrument, as may be specified by the Secretary), regardless of whether the annuity is irrevocable or is treated as an asset. Such application or recertification form shall include a statement that under paragraph (2) the State becomes a remainder beneficiary under such an annuity or similar financial instrument by virtue of the provision of such medical assistance.*

*(2)*

*(A) In the case of disclosure concerning an annuity under subsection (c)(1)(F), the State shall notify the issuer of the annuity of the right of the State under such subsection as a preferred remainder beneficiary in the annuity for medical assistance furnished to the individual. Nothing in this paragraph shall be construed as preventing such an issuer from notifying persons with any other remainder interest of the State's remainder interest under such subsection.*

*(B) In the case of such an issuer receiving notice under subparagraph (A), the State may require the issuer to notify the State when there is a change in the amount of income or principal being withdrawn from the amount that was being withdrawn at the time of the most recent disclosure described in paragraph (1). A State shall take such information into account in determining the amount of the State's obligations for medical assistance or in the individual's eligibility for such assistance.*

*(3) The Secretary may provide guidance to States on categories of transactions that may be treated as a transfer of asset for less than fair market value.*

*(4) Nothing in this subsection shall be construed as preventing a State from denying eligibility for medical assistance for an individual based on the income or resources derived from an annuity described in paragraph (1).<sup>13</sup>*

*(f)*

*(1)*

*(A) Notwithstanding any other provision of this title, subject to subparagraphs (B) and (C) of this paragraph and paragraph (2), in determining eligibility of an individual for medical assistance with respect to nursing facility services or other long-term care services, the individual shall not be eligible for such assistance if the individual's equity interest in the individual's home exceeds \$500,000.*

*(B) A State may elect, without regard to the requirements of section 1902(a)(1) (relating to statewideness) and section 1902(a)(10)(B) (relating to comparability), to apply subparagraph (A) by substituting for "\$500,000", an amount that exceeds such amount, but does not exceed \$750,000.*

*(C) The dollar amounts specified in this paragraph shall be increased, beginning with 2011, from year to year based on the percentage increase in the consumer price index for all urban consumers (all items; United States city average), rounded to the nearest \$1,000.*

*(2) Paragraph (1) shall not apply with respect to an individual if--*

*(A) the spouse of such individual, or*

*(B) such individual's child who is under age 21, or (with respect to States eligible to participate in the State program established under title XVI) is blind or permanently and totally disabled, or (with respect to States which are not eligible to participate in such program) is blind or disabled as defined in section 1614,*

*is lawfully residing in the individual's home.*

*(3) Nothing in this subsection shall be construed as preventing an individual from using a reverse mortgage or home equity loan to reduce the individual's total equity interest in the home.*

*(4) The Secretary shall establish a process whereby paragraph (1) is waived in the case of a demonstrated hardship.<sup>14</sup>*

*(g) Treatment of Entrance Fees of Individuals Residing in Continuing Care Retirement Communities-*

*(1) IN GENERAL- For purposes of determining an individual's eligibility for, or amount of, benefits under a State plan under this title, the rules specified in paragraph (2) shall apply to individuals residing in continuing care retirement*

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<sup>13</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6012(a). *"The amendments made by this section shall apply to transactions (including the purchase of an annuity) occurring on or after the date of the enactment of this Act."* § 6012(d). See Conf. Rep. § 6012(a).

<sup>14</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6014. The amendment made by subsection (a) shall apply to individuals who are determined eligible for medical assistance with respect to nursing facility services or other long-term care services based on an application filed on or after January 1, 2006. § 6014(b).

*communities or life care communities that collect an entrance fee on admission from such individuals.*

*(2) TREATMENT OF ENTRANCE FEE- For purposes of this subsection, an individual's entrance fee in a continuing care retirement community or life care community shall be considered a resource available to the individual to the extent that--*

*(A) the individual has the ability to use the entrance fee, or the contract provides that the entrance fee may be used, to pay for care should other resources or income of the individual be insufficient to pay for such care;*

*(B) the individual is eligible for a refund of any remaining entrance fee when the individual dies or terminates the continuing care retirement community or life care community contract and leaves the community; and*

*(C) the entrance fee does not confer an ownership interest in the continuing care retirement community or life care community.<sup>15</sup>*

#### ***(h) Definitions***

In this section, the following definitions shall apply:

**(1)** The term “assets”, with respect to an individual, includes all income and resources of the individual and of the individual’s spouse, including any income or resources which the individual or such individual’s spouse is entitled to but does not receive because of action—

**(A)** by the individual or such individual’s spouse,

**(B)** by a person, including a court or administrative body, with legal authority to act in place of or on behalf of the individual or such individual’s spouse, or

**(C)** by any person, including any court or administrative body, acting at the direction or upon the request of the individual or such individual’s spouse.

**(2)** The term “income” has the meaning given such term in section 1382a of this title.

**(3)** The term “institutionalized individual” means an individual who is an inpatient in a nursing facility, who is an inpatient in a medical institution and with respect to whom payment is made based on a level of care provided in a nursing facility, or who is described in section 1396a (a)(10)(A)(ii)(VI) of this title.

**(4)** The term “noninstitutionalized individual” means an individual receiving any of the services specified in subsection (c)(1)(C)(ii) of this section.

**(5)** The term “resources” has the meaning given such term in section 1382b of this title, without regard (in the case of an institutionalized individual) to the exclusion described in subsection (a)(1) of such section.

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<sup>15</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6015.

## **42 USC 1396r-5 Treatment of income and resources for certain institutionalized spouses**

### **(a) Special treatment for institutionalized spouses**

#### **(1) Supersedes other provisions**

In determining the eligibility for medical assistance of an institutionalized spouse (as defined in subsection (h)(1) of this section), the provisions of this section supersede any other provision of this subchapter (including sections 1396a (a)(17) and 1396a (f) of this title) which is inconsistent with them.

#### **(2) No comparable treatment required**

Any different treatment provided under this section for institutionalized spouses shall not, by reason of paragraph (10) or (17) of section 1396a (a) of this title, require such treatment for other individuals.

#### **(3) Does not affect certain determinations**

Except as this section specifically provides, this section does not apply to—

- (A)** the determination of what constitutes income or resources, or
- (B)** the methodology and standards for determining and evaluating income and resources.

#### **(4) Application in certain States and territories**

##### **(A) Application in States operating under demonstration projects**

In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1315 of this title, the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this subchapter.

##### **(B) No application in commonwealths and territories**

This section shall only apply to a State that is one of the 50 States or the District of Columbia.

#### **(5) Application to individuals receiving services under PACE programs**

This section applies to individuals receiving institutional or noninstitutional services under a PACE demonstration waiver program (as defined in section 1396u-4 (a)(7) of this title) or under a PACE program under section 1396u-4 or 1395eee of this title.

### **(b) Rules for treatment of income**

#### **(1) Separate treatment of income**

During any month in which an institutionalized spouse is in the institution, except as provided in paragraph (2), no income of the community spouse shall be deemed available to the institutionalized spouse.

#### **(2) Attribution of income**

In determining the income of an institutionalized spouse or community spouse for purposes of the post-eligibility income determination described in subsection (d) of this section, except as otherwise provided in this section and regardless of

any State laws relating to community property or the division of marital property, the following rules apply:

**(A) Non-trust property**

Subject to subparagraphs (C) and (D), in the case of income not from a trust, unless the instrument providing the income otherwise specifically provides—

**(i)** if payment of income is made solely in the name of the institutionalized spouse or the community spouse, the income shall be considered available only to that respective spouse;

**(ii)** if payment of income is made in the names of the institutionalized spouse and the community spouse, one-half of the income shall be considered available to each of them; and

**(iii)** if payment of income is made in the names of the institutionalized spouse or the community spouse, or both, and to another person or persons, the income shall be considered available to each spouse in proportion to the spouse's interest (or, if payment is made with respect to both spouses and no such interest is specified, one-half of the joint interest shall be considered available to each spouse).

**(B) Trust property**

In the case of a trust—

**(i)** except as provided in clause (ii), income shall be attributed in accordance with the provisions of this subchapter (including sections 1396a (a)(17) and 1396p (d) of this title), and

**(ii)** income shall be considered available to each spouse as provided in the trust, or, in the absence of a specific provision in the trust—

**(I)** if payment of income is made solely to the institutionalized spouse or the community spouse, the income shall be considered available only to that respective spouse;

**(II)** if payment of income is made to both the institutionalized spouse and the community spouse, one-half of the income shall be considered available to each of them; and

**(III)** if payment of income is made to the institutionalized spouse or the community spouse, or both, and to another person or persons, the income shall be considered available to each spouse in proportion to the spouse's interest (or, if payment is made with respect to both spouses and no such interest is specified, one-half of the joint interest shall be considered available to each spouse).

**(C) Property with no instrument**

In the case of income not from a trust in which there is no instrument establishing ownership, subject to subparagraph (D), one-half of the income shall be considered to be available to the institutionalized spouse and one-half to the community spouse.

**(D) Rebutting ownership**

The rules of subparagraphs (A) and (C) are superseded to the extent that an institutionalized spouse can establish, by a preponderance of the evidence, that the ownership interests in income are other than as provided under such subparagraphs.

**(c) Rules for treatment of resources**

**(1) Computation of spousal share at time of institutionalization**

**(A) Total joint resources**

There shall be computed (as of the beginning of the first continuous period of institutionalization (beginning on or after September 30, 1989) of the institutionalized spouse)—

**(i)** the total value of the resources to the extent either the institutionalized spouse or the community spouse has an ownership interest, and

**(ii)** a spousal share which is equal to 1/2 of such total value.

**(B) Assessment**

At the request of an institutionalized spouse or community spouse, at the beginning of the first continuous period of institutionalization (beginning on or after September 30, 1989) of the institutionalized spouse and upon the receipt of relevant documentation of resources, the State shall promptly assess and document the total value described in subparagraph (A)(i) and shall provide a copy of such assessment and documentation to each spouse and shall retain a copy of the assessment for use under this section. If the request is not part of an application for medical assistance under this subchapter, the State may, at its option as a condition of providing the assessment, require payment of a fee not exceeding the reasonable expenses of providing and documenting the assessment. At the time of providing the copy of the assessment, the State shall include a notice indicating that the spouse will have a right to a fair hearing under subsection (e)(2) of this section.

**(2) Attribution of resources at time of initial eligibility determination**

In determining the resources of an institutionalized spouse at the time of application for benefits under this subchapter, regardless of any State laws relating to community property or the division of marital property—

**(A)** except as provided in subparagraph (B), all the resources held by either the institutionalized spouse, community spouse, or both, shall be considered to be available to the institutionalized spouse, and

**(B)** resources shall be considered to be available to an institutionalized spouse, but only to the extent that the amount of such resources exceeds the amount computed under subsection (f)(2)(A) of this section (as of the time of application for benefits).

**(3) Assignment of support rights**

The institutionalized spouse shall not be ineligible by reason of resources determined under paragraph (2) to be available for the cost of care where—

**(A)** the institutionalized spouse has assigned to the State any rights to support from the community spouse;

**(B)** the institutionalized spouse lacks the ability to execute an assignment due to physical or mental impairment but the State has the right to bring a support proceeding against a community spouse without such assignment; or

**(C)** the State determines that denial of eligibility would work an undue hardship.

**(4) Separate treatment of resources after eligibility for benefits established**

During the continuous period in which an institutionalized spouse is in an institution and after the month in which an institutionalized spouse is determined to be eligible for benefits under this subchapter, no resources of the community spouse shall be deemed available to the institutionalized spouse.

**(5) Resources defined**

In this section, the term “resources” does not include—

(A) resources excluded under subsection (a) or (d) of section 1382b of this title, and

(B) resources that would be excluded under section 1382b (a)(2)(A) of this title but for the limitation on total value described in such section.

**(d) Protecting income for community spouse**

**(1) Allowances to be offset from income of institutionalized spouse**

After an institutionalized spouse is determined or redetermined to be eligible for medical assistance, in determining the amount of the spouse’s income that is to be applied monthly to payment for the costs of care in the institution, there shall be deducted from the spouse’s monthly income the following amounts in the following order:

(A) A personal needs allowance (described in section 1396a (q)(1) of this title), in an amount not less than the amount specified in section 1396a (q)(2) of this title.

(B) A community spouse monthly income allowance (as defined in paragraph (2)), but only to the extent income of the institutionalized spouse is made available to (or for the benefit of) the community spouse.

(C) A family allowance, for each family member, equal to at least 1/3 of the amount by which the amount described in paragraph (3)(A)(i) exceeds the amount of the monthly income of that family member.

(D) Amounts for incurred expenses for medical or remedial care for the institutionalized spouse (as provided under section 1396a (r) of this title).

In subparagraph (C), the term “family member” only includes minor or dependent children, dependent parents, or dependent siblings of the institutionalized or community spouse who are residing with the community spouse.

**(2) Community spouse monthly income allowance defined**

In this section (except as provided in paragraph (5)), the “community spouse monthly income allowance” for a community spouse is an amount by which—

(A) except as provided in subsection (e) of this section, the minimum monthly maintenance needs allowance (established under and in accordance with paragraph (3)) for the spouse, exceeds

(B) the amount of monthly income otherwise available to the community spouse (determined without regard to such an allowance).

**(3) Establishment of minimum monthly maintenance needs allowance**

**(A) In general**

Each State shall establish a minimum monthly maintenance needs allowance for each community spouse which, subject to subparagraph (C), is equal to or exceeds—

(i) the applicable percent (described in subparagraph (B)) of 1/12 of the income official poverty line (defined by the Office of Management and Budget and revised annually in accordance with section 9902 (2) of this title) for a family unit of 2 members; plus

(ii) an excess shelter allowance (as defined in paragraph (4)).

A revision of the official poverty line referred to in clause (i) shall apply to medical assistance furnished during and after the second calendar quarter that begins after the date of publication of the revision.

**(B) Applicable percent**

For purposes of subparagraph (A)(i), the “applicable percent” described in this paragraph, effective as of—

(i) September 30, 1989, is 122 percent,

(ii) July 1, 1991, is 133 percent, and

(iii) July 1, 1992, is 150 percent.

**(C) Cap on minimum monthly maintenance needs allowance**

The minimum monthly maintenance needs allowance established under subparagraph (A) may not exceed \$1,500 (subject to adjustment under subsections (e) and (g) of this section).

**(4) Excess shelter allowance defined**

In paragraph (3)(A)(ii), the term “excess shelter allowance” means, for a community spouse, the amount by which the sum of—

(A) the spouse’s expenses for rent or mortgage payment (including principal and interest), taxes and insurance and, in the case of a condominium or cooperative, required maintenance charge, for the community spouse’s principal residence, and

(B) the standard utility allowance (used by the State under section 2014 (e) of title 7) or, if the State does not use such an allowance, the spouse’s actual utility expenses,

exceeds 30 percent of the amount described in paragraph (3)(A)(i), except that, in the case of a condominium or cooperative, for which a maintenance charge is included under subparagraph (A), any allowance under subparagraph (B) shall be reduced to the extent the maintenance charge includes utility expenses.

**(5) Court ordered support**

If a court has entered an order against an institutionalized spouse for monthly income for the support of the community spouse, the community spouse monthly income allowance for the spouse shall be not less than the amount of the monthly income so ordered.

*(6) APPLICATION OF “INCOME FIRST” RULE TO REVISION OF COMMUNITY SPOUSE RESOURCE ALLOWANCE- For purposes of this subsection and subsections (c) and (e), a State must consider that all income of the institutionalized spouse that could be made available to a community spouse, in accordance with the calculation of the community spouse monthly income allowance under this*

*subsection, has been made available before the State allocates to the community spouse an amount of resources adequate to provide the difference between the minimum monthly maintenance needs allowance and all income available to the community spouse.<sup>16</sup>*

**(e) Notice and fair hearing**

**(1) Notice**

Upon—

**(A)** a determination of eligibility for medical assistance of an institutionalized spouse, or

**(B)** a request by either the institutionalized spouse, or the community spouse, or a representative acting on behalf of either spouse, each State shall notify both spouses (in the case described in subparagraph (A)) or the spouse making the request (in the case described in subparagraph (B)) of the amount of the community spouse monthly income allowance (described in subsection (d)(1)(B) of this section), of the amount of any family allowances (described in subsection (d)(1)(C) of this section), of the method for computing the amount of the community spouse resources allowance permitted under subsection (f) of this section, and of the spouse's right to a fair hearing under this subsection respecting ownership or availability of income or resources, and the determination of the community spouse monthly income or resource allowance.

**(2) Fair hearing**

**(A) In general**

If either the institutionalized spouse or the community spouse is dissatisfied with a determination of—

**(i)** the community spouse monthly income allowance;

**(ii)** the amount of monthly income otherwise available to the community spouse (as applied under subsection (d)(2)(B) of this section);

**(iii)** the computation of the spousal share of resources under subsection (c)(1) of this section;

**(iv)** the attribution of resources under subsection (c)(2) of this section; or

**(v)** the determination of the community spouse resource allowance (as defined in subsection (f)(2) of this section);

such spouse is entitled to a fair hearing described in section 1396a(a)(3) of this title with respect to such determination if an application for benefits under this subchapter has been made on behalf of the institutionalized spouse. Any such hearing respecting the determination of the community spouse resource allowance shall be held within 30 days of the date of the request for the hearing.

**(B) Revision of minimum monthly maintenance needs allowance**

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<sup>16</sup> Deficit Reduction Act, Pub. L. No. 109-171, § 6013. This section applies to transfers and allocations made on or after the date of enactment by individuals who became institutionalized spouses on or after such date. § 6013(b). Conf. Rep. 109 § 6013(a).

If either such spouse establishes that the community spouse needs income, above the level otherwise provided by the minimum monthly maintenance needs allowance, due to exceptional circumstances resulting in significant financial duress, there shall be substituted, for the minimum monthly maintenance needs allowance in subsection (d)(2)(A) of this section, an amount adequate to provide such additional income as is necessary.

**(C) Revision of community spouse resource allowance**

If either such spouse establishes that the community spouse resource allowance (in relation to the amount of income generated by such an allowance) is inadequate to raise the community spouse's income to the minimum monthly maintenance needs allowance, there shall be substituted, for the community spouse resource allowance under subsection (f)(2) of this section, an amount adequate to provide such a minimum monthly maintenance needs allowance.

**(f) Permitting transfer of resources to community spouse**

**(1) In general**

An institutionalized spouse may, without regard to section 1396p (c)(1) of this title, transfer an amount equal to the community spouse resource allowance (as defined in paragraph (2)), but only to the extent the resources of the institutionalized spouse are transferred to (or for the sole benefit of) the community spouse. The transfer under the preceding sentence shall be made as soon as practicable after the date of the initial determination of eligibility, taking into account such time as may be necessary to obtain a court order under paragraph (3).

**(2) Community spouse resource allowance defined**

In paragraph (1), the "community spouse resource allowance" for a community spouse is an amount (if any) by which—

**(A) the greatest of—**

- (i)** \$12,000 (subject to adjustment under subsection (g) of this section), or, if greater (but not to exceed the amount specified in clause (ii)(II)) an amount specified under the State plan,

**(ii) the lesser of**

**(I)** the spousal share computed under subsection (c)(1) of this section, or

**(II)** \$60,000 (subject to adjustment under subsection (g) of this section),

**(iii)** the amount established under subsection (e)(2) of this section;  
or

**(iv)** the amount transferred under a court order under paragraph (3);  
exceeds

**(B) the amount of the resources otherwise available to the community spouse (determined without regard to such an allowance).**

**(3) Transfers under court orders**

If a court has entered an order against an institutionalized spouse for the support of the community spouse, section 1396p of this title shall not apply to amounts of

resources transferred pursuant to such order for the support of the spouse or a family member (as defined in subsection (d)(1) of this section).

**(g) Indexing dollar amounts**

For services furnished during a calendar year after 1989, the dollar amounts specified in subsections (d)(3)(C), (f)(2)(A)(i), and (f)(2)(A)(ii)(II) of this section shall be increased by the same percentage as the percentage increase in the consumer price index for all urban consumers (all items; U.S. city average) between September 1988 and the September before the calendar year involved.

**(h) Definitions**

In this section:

- (1)** The term “institutionalized spouse” means an individual who—
  - (A)** is in a medical institution or nursing facility or who (at the option of the State) is described in section 1396a (a)(10)(A)(ii)(VI) of this title, and
  - (B)** is married to a spouse who is not in a medical institution or nursing facility;but does not include any such individual who is not likely to meet the requirements of subparagraph (A) for at least 30 consecutive days.
- (2)** The term “community spouse” means the spouse of an institutionalized spouse.

## Changes to 42 U.S.C. § 1396r

Section 1396r is the Nursing Home Resident Rights Act and is lengthy. For that reason, only the amendment is set forth below:

### SEC. 6015. ENFORCEABILITY OF CONTINUING CARE RETIREMENT COMMUNITIES (CCRC) AND LIFE CARE COMMUNITY ADMISSION CONTRACTS.

(a) Admission Policies of Nursing Facilities- Section 1919(c)(5) of the Social Security Act (42 U.S.C. 1396r(c)(5)) is amended--

(1) in subparagraph (A)(i)(II), by inserting “*subject to clause (v),*” after “(II)”; and

(2) by adding at the end of subparagraph (B) the following new clause:

*‘(v) TREATMENT OF CONTINUING CARE RETIREMENT COMMUNITIES ADMISSION CONTRACTS- Notwithstanding subclause (II) of subparagraph (A)(i), subject to subsections (c) and (d) of section 1924, contracts for admission to a State licensed, registered, certified, or equivalent continuing care retirement community or life care community, including services in a nursing facility that is part of such community, may require residents to spend on their care resources declared for the purposes of admission before applying for medical assistance.’*