



Center for Medicaid and State Operations

July 27, 2006

SMDL #06-018

Dear State Medicaid Director:

This is one of a series of letters that provides guidance on the implementation of the Deficit Reduction Act of 2005 (DRA) (Pub.L.109-171). This legislation makes a number of changes in the rules related to eligibility and benefits in the Medicaid program. This letter provides information for States regarding implementation of new rules related to the following DRA provisions:

- Sections 6011 and 6016, pertaining to transfers of assets for less than fair market value, including:
 - Extension of the look-back period to 60 months
 - Start date of the penalty period
 - Partial month transfers
 - Option to combine multiple transfers made in more than one month
 - Purchase of promissory notes, loans, or mortgages
 - Purchase of life estates
 - Undue hardship

- Section 6012, pertaining to treatment of annuities, including:
 - Disclosure of interest in an annuity
 - Requirement to name the State as a remainder beneficiary
 - Applications for coverage of long-term care services in section 1634 States
 - Consideration of income and resources from an annuity
 - Annuity-related transactions other than purchases
 - Requirement to name the State as a remainder beneficiary on annuities
 - Annuities purchased by or on behalf of an annuitant who applied for medical assistance

- Section 6013, pertaining to application of the “income first” rule under spousal impoverishment.

- Section 6014, pertaining to disqualification for long-term care coverage for individuals with substantial home equity.

- Section 6015, pertaining to the treatment of continuing care retirement community (CCRC) entrance fees.

These provisions are discussed in detail in a series of enclosures to this letter. The changes modify various portions of the Federal Medicaid statute related to the topics shown above. However, many provisions of the statute are not changed by the DRA. In implementing the DRA, States should note that unless specifically amended, existing law will govern the topics shown above, and prior policy guidance issued by the Centers for Medicare & Medicaid Services is applicable.

Effective Date

Most, but not all, of the changes made by the DRA are effective upon the date of enactment, February 8, 2006. Please see the individual enclosures for information about the effective dates of specific provisions.

If you have any questions, please contact Gale Arden, Director, Disabled & Elderly Health Programs Group at 410-786-6810 or by e-mail at Gale.Arden@cms.hhs.gov.

We look forward to working with you as you implement this legislation.

Sincerely,

/s/

Dennis G. Smith
Director

Enclosures

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

Martha Roherty
Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

Jacalyn Bryan Carden
Director of Policy and Programs
Association of State and Territorial Health Officials

Christie Raniszewski Herrera
Director, Health and Human Services Task Force
American Legislative Exchange Council

Lynne Flynn
Director for Health Policy
Council of State Governments