

AN ACT relating to treatment of a life insurance policy for Medicaid eligibility.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO READ AS FOLLOWS:

- (1) (a) The cabinet, in determining eligibility for Medicaid, is authorized to treat the value of life insurance owned by an applicant or a recipient as an asset if the life insurance is in force and the applicant or recipient meets the state's nursing home or nursing facility level of care.
- (b) The value of the life insurance policy of the applicant or recipient shall not be considered as a resource or asset in determining the applicant's or recipient's eligibility for Medicaid if the applicant or recipient enters into a life settlement contract in accordance with this section.
- (c) For purposes of this section, "value" means the value received pursuant to subsection (2) of this section.
- (2) The owner of a life insurance policy with a face amount in excess of ten thousand dollars (\$10,000) may enter into a life settlement contract pursuant to KRS 304.15-700 to 304.15-720 in exchange for guaranteed periodic payments to the Kentucky Medicaid program, which payments shall be used solely to provide Medicaid-covered long-term-care services for the owner of the policy. In addition to any requirements in KRS 304.15-700 to 304.15-720, any life settlement contract entered into with respect to this section shall contain the following:
- (a) The lesser of five percent (5%) of the face amount of the life insurance or five thousand dollars (\$5,000) is reserved as a death benefit payable to the owner's estate or beneficiary;
- (b) The balance of payments required under the contract unpaid at the death of the owner shall be paid to the owner's estate or a named beneficiary;
- (c) A schedule evidencing the total amount payable to the owner, the number of

payments, and the amount of each payment required to be paid under the life settlement contract; and

(d) All proceeds of the life settlement contract shall be held in an irrevocable trust or federally insured account.

(3) For purposes of this section, all advertisements of the life settlement provider shall be filed with the Department of Insurance.

(4) The Department for Medicaid Services shall provide to the applicant, as part of the application for Medicaid, written notice of the options to enter into a life settlement contract as provided in this section.

(5) The Department of Insurance is authorized to promulgate jurisdictionally appropriate administrative regulations to implement this section.

(6) The Department for Medicaid Services shall seek any state plan amendments or federal waivers that may be required to implement this section.

➔SECTION 2. A NEW SECTION OF KRS 304.15-700 TO 304.15-720 IS CREATED TO READ AS FOLLOWS:

The commissioner shall comply with Section 1 of this Act, including:

(1) Accepting all advertisements of life settlement providers in accordance with subsection (3) of Section 1 of this Act; and

(2) Promulgating jurisdictionally appropriate administrative regulations to implement Section 1 of this Act.