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MEDI-CAL FACT SHEET

EXEMPT ASSETS

CASH RESERVE \$2000

PERSONAL RESIDENCE

HOUSEHOLD GOODS

PERSONAL PROPERTY

ONE AUTO

TERM LIFE INSURANCE

WHOLE LIFE INS. \$1500

BURIAL INSURANCE

BURIAL PLOTS

RENTAL PROPERTY
(\$6,000 OF EQUITY)

COUNTABLE ASSETS

PASSBOOK SAVINGS

CHECKING ACCOUNT

C.D.'s

STOCKS AND BONDS

MUTUAL FUNDS

GOVT. SAVINGS BONDS

INVESTMENT REAL ESTATE

BOATS, PLANES, ETC.

UNAVAILABLE ASSETS

SPOUSAL PENSION PLAN

SPOUSAL IRA

APPLICANT IRA

ANNUITIZED ANNUITIES

OVERVIEW

The following is intended as an overview of basic Medi-Cal planning and includes recent changes to and/or interpretations of those regulations. Medi-Cal as well as Estate Planning should always be undertaken with advice from professionals in this field. There are restrictions as to how the excess non-exempt assets may be spent down, transferred to persons other than the spouse or made unavailable. However, a well planned "spend-down" or "asset transfer" can save most of the family unit's resources.

INCOME

The Spousal Impoverishment Act (SIA), which Congress passed in 1988 protects the stay-at-home spouse by allowing him or her certain assets and income. Medi-Cal requires that a couple list all their assets regardless of whose name they are in. The stay-at-home spouse is then allowed to keep a minimum monthly income allowance of \$2,898 and a minimum amount of non-exempt liquid assets, referred to as Community Spouse Resource Allowance (CSRA). For 2013, the CSRA is \$115,920. The applicant or confined spouse may not have more than \$2,000 of non-exempt or countable assets and once qualified is allowed to retain a Personal Needs Allowance of \$35 a month. Assets in excess of these amounts must be spent down or made unavailable. Once qualified, Medi-Cal then reviews their income and determines the applicants "share of cost".

PERSONAL PROPERTY

The residence is an exempt asset if the applicant intends to return home. The "intent" to return home only requires that the applicant state the intent on the Medi-Cal application. Once qualified for Medi-Cal the applicant may also gift the residence to any other person as an exempt asset (California rule).

RENTAL PROPERTY

If it is the primary business of the applicant or spouse it is an exempt asset. Net income produced is either used as part of the applicant's share of cost or to provide income for the stay-at-home spouse, if it is not part of the business, it is a countable asset.

WHOLE LIFE INSURANCE

Whole Life Insurance with a face amount (death benefit) of \$1500 or more is considered an available asset. It does not need to be cancelled to qualify for Medi-Cal. It may be kept in force in two ways. First, the cash value can be made part of the CSRA. Second, the cash value may be borrowed from the policy and reinvested in an annuitized annuity and made an unavailable asset.

DEFERRED ANNUITIES

These are considered a "countable asset". However, they may be converted to an "unavailable asset" by annualizing them within the OBRA '93 guidelines.

ANNUITIZED ANNUITIES AND SPIA CONTRACTS

These can be considered an "unavailable asset" if they are structured within the OBRA '93 guidelines, which became more effective in California on March 1, 1996. To meet the guidelines an annuity must be irrevocably annuitized for a period certain not exceeding the life expectancy of the annuitant. Payments must consist of principle and interest.

GIFTS & ASSET TRANSFERS

Unlimited transfers are allowed to spouses and disabled children without creating a period of disqualification for the applicant and are not subject to a look-back period.