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Exclude up to \$1,500 in burial funds for each applicant or enrollee, his/her spouse and health care-eligible dependent children. Spouses (including community spouses of clients who reside in LTC or receive services through the Elderly Waiver (EW) do not have to be health care-eligible to receive the burial fund exclusion. Dependent children (including those living with the community spouse of an LTC or EW client) must be health care-eligible to receive the burial fund exclusion. Do not count the value of burial space items toward the exclusion. See §0909.17.05 (Burial Space Items).

There are several types of burial funds. Evaluate all types owned by a client according to the specific provisions for that type of fund. Common types of burial funds include:

- > Life insurance. The face value of life insurance is the policy's death benefit at the time of purchase. The amount payable at the time of death may exceed the face value because of dividends and increased cash surrender value.

**EXAMPLE:**

Opal purchased a \$1,000 life insurance policy in 1974. In 1999, the amount payable on death including dividends and other additions is \$1,400. The policy's face value is \$1,000.

The cash surrender value is the amount the policy owner would receive if the policy were cashed in. Term policies have a face value but do not have a cash surrender value. Therefore they are not counted as assets.

- > Insurance and annuity funded burials. An insurance funded burial is a life insurance policy with an irrevocable designation of a funeral provider as the beneficiary. The face value, or death benefit, of the policy will be paid to the funeral provider in exchange for the provision of agreed-upon goods and services. The irrevocable designation must be attached to the life insurance policy. Because Minnesota law allows people to change funeral providers, the designation must state, any funeral provider whose interest may appear, irrevocably. The statement of goods and services to be provided may be revocable or irrevocable. Because the policy's benefits have been irrevocably assigned to the funeral provider, the cash surrender value is no longer available to the policy owner.
- > Annuity funded burials are similar arrangements with the goods and services funded by purchase of an annuity. By irrevocably designating a funeral provider as the beneficiary, the annuity owner gives up all rights to receive income from the annuity.

- > Insurance and annuity funded burials may be for any amount, although the MA burial exclusion is limited to \$1,500. They may include items such as flowers and obituary notices in addition to professional services and burial space items. Amounts in excess of the burial exclusion are an unavailable asset.

Determine if clients received adequate compensation for the value of an irrevocably designated life insurance policy or annuity. The client received adequate compensation if:

- The statement of goods and services is for **an amount equal to or greater than** the purchase price of the life insurance policy or annuity.
- AND
- The burial agreement does not fund items already covered by a previous burial agreement.

If these conditions are not met, determine whether the client has made an improper transfer. See §0909.27 (Asset Transfers) and §0909.27.01 (MA Transfers--Cont.)

**EXAMPLE:**

Jane purchases a \$5,000 life insurance policy to fund a burial agreement. She has a statement of goods and services with a funeral home which includes \$2,000 for professional services, \$2,000 for a casket, and \$1,000 for a burial plot and marker. Jane already owns a plot and marker. Consider the \$1,000 as an improper transfer.

See the program-specific instructions at the end of this section for additional requirements for insurance- and annuity-funded burials for people who use MA Method B or GAMC .

- > Burial agreements. Burial agreements require that a specified amount be deposited with a funeral director to be used for funeral expenses. The agreement may cover funeral and professional services, burial space items, or both. The money is usually held in trust by a bank or other financial institution unless the agreement is funded by an insurance policy or annuity.

Burial agreements may be revocable or irrevocable. The money is payable on death to the funeral director. If the agreement is irrevocable, it cannot be withdrawn before the depositor's death.

Irrevocable burial agreements can be written in any amount. However, under Minnesota law, irrevocable burial agreements set up by a Minnesota funeral director are only irrevocable up to \$2,000. Depositors may legally withdraw amounts over \$2,000 regardless of the terms of the agreement. Irrevocable burial agreements set up in another state are considered irrevocable up to the full amount allowed under that state's laws.

- > Other assets. If a balance of the \$1,500 burial fund exclusion remains after applying the face value of life insurance and irrevocable burial funds according to §0909.17.03 (Determining the Burial Fund Exclusion), the client can apply the assets listed below toward the balance of the burial fund exclusion. Do not apply the value of any other property toward the exclusion.
  - CSV of life insurance policies.
  - Dividends from life insurance policies.
  - Revocable burial agreements.
  - Revocable burial trusts.
  - Other revocable burial agreements (including the value of certain installment sales contracts for burial spaces).
  - Cash.
  - Financial accounts (for example, savings or checking accounts).
  - Other financial assets with a definite cash value (stocks, bonds, certificate of deposit-CD, trusts).

MinnesotaCare/ MA Method A/ GHO:

Follow general provisions.

MA Method B/ GAMC:

In addition to the requirements in the general provisions, insurance-and annuity-funded burials must irrevocably designate the person's estate as the contingent beneficiary to the extent the proceeds are not used for payment of selected burial expenses.