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Extending Medicaid Long-Term Care Impoverishment Protections To Same-Sex Couples in Missouri



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INTRODUCTION

When recipients of Medicaid receive long-term care (“LTC”) benefits, Medicaid can place a lien against their homes or seek recovery from their estates after death in order to recoup the expenses of the care. Medicaid can also penalize recipients of LTC for giving their home away for less than full value by not covering costs of their care for a certain period of time. State and federal law provides exceptions to these requirements when the LTC recipient has a different-sex spouse. These protections prevent surviving spouses from becoming impoverished by losing their homes. Until recently, these exceptions could not include same-sex spouses or partners.

In the summer of 2011, the Center for Medicare & Medicaid Services (“CMS”) informed states that federal law allows same-sex partners of recipients to be included in these impoverishment protections (“the CMS Letter”).¹ These protections can significantly reduce the likelihood that a same-sex partner must become impoverished in order for a sick or disabled partner to receive LTC through Medicaid. However, the CMS letter did not provide these impoverishment protections to same-sex couples directly. States must adopt affirmative policy measures to provide them.² This report explains how Missouri can do so.

First, this report explains the CMS Letter’s approach to extending impoverishment protections to same-sex couples, and provides specific information about how Missouri could amend its laws and policies to provide the protections. Next, it discusses criteria for determining which same-sex couples will be eligible for impoverishment protections. Finally, it explains that Missouri’s constitutional limitation on recognizing marriage for same-sex couples would not preclude the state from offering impoverishment protections to same-sex couples.

This report concludes that Missouri can extend impoverishment protections to same-sex couples in a manner consistent with state laws. Specifically, Missouri could extend protection from lien imposition and transfer penalties to same-sex couples through statutory amendment, and could extend protection from estate recovery to same-sex couples through administrative guidance. Missouri may also have to amend its State Medicaid Plan to effectuate these changes.

MISSOURI’S MEDICAID PROGRAM

Medicaid is a federally mandated program, implemented by states, which ensures access to health care for those low-income individuals and families that qualify under the program.³

¹ Letter from Cindy Mann, Director of Center for Medicaid, CHIP and Survey Certification, to State Medicaid Directors (June 10, 2011), *available at* <http://www.cms.gov/smdl/downloads/SMD11-006.pdf>.

² The CMS Letter does *not* discuss the “income and asset” test used to determine eligibility for LTC, and in particular does not identify how same-sex partners may be protected in ways analogous to the protections built into this eligibility test for different-sex married couples.

³ Centers for Medicare & Medicaid Svcs., U.S. Dep’t of Health and Human Svcs, Medicaid & CHIP Program Information, <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/Medicaid-and-CHIP-Program-Information.html> (last visited June 19, 2012).

The program is funded with a combination of federal funds and state funds.⁴ Medicaid's long-term care ("LTC") program covers the cost of long-term care in a professional care facility for those eligible for the program and expected to remain in the facility for at least 30 days.⁵

Each state must implement its own state Medicaid program, in accordance with Federal laws and regulations. Missouri's state Medicaid program is known as MO HealthNet, and is administered by the MO HealthNet Division of the Department of Social Services (MO HealthNet Division).⁶ The statutes related to the MO HealthNet program appear in Chapter 208 of the Missouri Revised Statutes. The regulations issued by the MO HealthNet Division that implement the program are codified in Division 70 of Title 13 of the Missouri Code of State Regulations. There is no single, agency-produced guidance manual on MO HealthNet, but the MO HealthNet Division provides some guidance on discrete issues on its website, and the Missouri Attorney General's office provides information on the provisions of MO HealthNet that it enforces (most importantly for purposes of this memo, the estate recovery provisions).

At the federal level, CMS, within the U.S. Department of Health & Human Services, administers the Medicaid program.⁷ Federal Medicaid laws are codified at 42 U.S.C. § 1396. Regulations issued by CMS appear in Chapter IV of Title 42 of the Code of Federal Regulations. Additionally, CMS has produced numerous guidance documents to assist the states in administering their Medicaid programs in accordance with federal laws and regulations.⁸ The CMS guidance document primarily relied on in this report is the State Medicaid Manual ("SMM"), a publication that provides state Medicaid agencies "informational and procedural material needed by the States to administer the Medicaid program."⁹

SUBSTANTIVE CHANGES TO LAWS, REGULATIONS & ADMINISTRATIVE GUIDANCE

According to the CMS Letter, states can extend three impoverishment protections to same-sex couples: 1) Protection from lien imposition; 2) Protection from estate and lien recovery; and 3) Protection from penalties imposed as a result of a transfer of a home for less than fair market value. The CMS Letter notes that the existing spousal exemptions cannot be applied

⁴ Centers for Medicare & Medicaid Svcs., U.S. Dep't of Health and Human Svcs, Medicaid Reimbursement & Finance, <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Financing-and-Reimbursement.html> (last visited June 19, 2012).

⁵ U.S. Dep't of Health and Human Svcs., Medicaid Treatment of the Home: Determining Eligibility and Repayment for Long-Term Care (Apr. 2005), <http://aspe.hhs.gov/daltcp/reports/hometreat.htm>.

⁶ MO HealthNet Div., Mo. Dep't Soc. Svcs, <http://www.dss.mo.gov/mhd/>.

⁷ U.S. Dep't of Health and Human Svcs, Centers for Medicare & Medicaid Svcs, <https://www.cms.gov/>.

⁸ CMS provides access to guidance materials it has issued on its website: www.cms.gov/home/regsguidance.asp.

⁹ The State Medicaid Manual is available at: U.S. Dep't of Health and Human Svcs, Centers for Medicare & Medicaid Svcs, <https://www.cms.gov/manuals/pbm/itemdetail.asp?itemid=CMS021927>.

directly to same-sex partners because of the federal “Defense of Marriage Act” (“DOMA”),¹⁰ and explains other ways that each of these protections may be extended to same-sex couples in accordance with federal law.

This section provides an overview of the federal laws, regulations, and guidance that establish the three types of impoverishment protections addressed by the CMS Letter. This section also discusses the ways identified in the CMS Letter through which Missouri can extend these protections to same-sex couples.

The CMS Letter does *not* authorize states to treat same-sex couples like different-sex spouses for purposes of determining eligibility for Medicaid, including Medicaid LTC. However, past CMS guidance indicates that states may treat same-sex couples like different-sex spouses when determining eligibility for Medicaid, but must use their own funds to cover any additional program expenditures related to doing so.¹¹

1. The “Income and Assets” Test

The “income and assets” test is used to determine eligibility for Medicaid, including Medicaid LTC. If a Medicaid applicant’s or recipient’s income and assets are above a certain threshold, he or she will not be eligible for Medicaid, or will be required to spend down the income and assets in order to receive or continue to receive Medicaid. States determine their own income and asset thresholds, but must do so within parameters set by the federal law. Federal law treats married spouses differently than it treats single individuals under the income and assets test. People in same-sex couples are treated as single individuals for purposes of the test.

i. Different-Sex Spouses

Federal law requires that different-sex spouses’ countable income and assets are pooled for purposes of eligibility determinations.¹² In the context of LTC, this means that all countable income and assets of the “community spouse” (the spouse who does not need LTC) are added to the countable income and assets of the spouse needing LTC to determine his or her eligibility. . If the pooled income and assets exceed the threshold, the spouse needing LTC will be required to spend down the pooled resources to the threshold amount before Medicaid covers the cost of LTC.

The spousal impoverishment provisions exempt certain income and assets from being counted in initial and continuing eligibility determinations. Medicaid cannot require that these resources be spent down in order for the spouse needing LTC to qualify for, or to

¹⁰ 1 U.S.C. § 7 (defining “spouse” for federal law purposes as a person of the other sex and allowing federal recognition only of the marriages of different-sex couples).

¹¹ Letter from Centers for Medicare & Medicaid Svcs., Dep’t of Health & Human Svcs., to Kristen Reasoner Apgar, General Counsel, Mass. Exec. Office of Health and Human Svcs. (May 28, 2004). *See also* Letter from Centers for Medicare & Medicaid Svcs, Dep’t of Health & Human Svcs., to Theo Kennedy, Director, Division of Policy Planning and Evaluation, Vt. Agency of Human Svcs. (Aug. 23, 2003).

¹² 42 U.S.C. §§ 1382a, 1382b, 1382c(f).

continue to qualify for, Medicaid-covered LTC. These resources are set aside for the community spouse so that he or she is not left destitute as a result of his or her partner receiving LTC. Most significantly, a home occupied by a spouse is never countable in the eligibility determination.¹³ Additionally, a spouse is permitted to retain a certain amount of other resources as a living allowance.¹⁴ This is called the Community Spouse Resource Allowance (“CSRA”).¹⁵ Medicaid must permit a community spouse to keep this amount when his or her spouse enters an LTC facility and may not pursue these assets to offset the cost of care.¹⁶

Finally, a community spouse may also be entitled to retain a certain amount of income received by his or her spouse in LTC, depending on the amount of his or her own income.¹⁷

ii. Same-Sex Couples

People in same-sex couples are treated like individuals under Medicaid eligibility rules.¹⁸ As a result, their income and assets are not pooled to determine eligibility—Medicaid will consider only the countable income and assets of the partner needing LTC to determine whether he or she is eligible.¹⁹

Because the spousal impoverishment provisions do not protect resources of individuals, almost all income and assets of the partner needing LTC are counted in initial and continuing eligibility determinations. Medicaid can require that these resources be spent down in order for the partner needing LTC to qualify for, or to continue to qualify for, Medicaid-covered LTC. None of these resources are set aside for the protection of the community partner. Under these rules, there is no Community Spouse Resource Allowance for the community partner that is disregarded in the eligibility determination,²⁰ and the community partner is not

¹³ 20 C.F.R. § 416.1212(c) (2011).

¹⁴ 42 U.S.C. §§ 1396r–5(c)(4), 42 U.S.C. § 1396r–5(c)(2)(B).

¹⁵ The CSRA is the greater of the minimum resource standard set by the state of residence (but no lower than \$22,728 in 2011) and 50% of the couple’s assets up to a maximum set by the federal government (\$113,640 in 2011). 42 U.S.C. § 1396r–5(f)(2).

¹⁶ 42 U.S.C. § 1396r–5(c)(2)(B).

¹⁷ Note that all income is pooled for purposes of the initial eligibility determination. This protection applies after one spouse has entered LTC. The community spouse may retain all of his or her own income from that point. 42 U.S.C. § 1365r-5(b)(1). The institutionalized spouse may supplement the community spouse’s income until it reaches the “minimum maintenance needs allowance” (MMNA) for the community spouse. 42 U.S.C. § 1396r–5 (d)(2).

¹⁸ This is because DOMA prevents recognition of spouses of the same sex and federal law generally does not recognize civil union partners, registered domestic partners, and other non-marital statuses through which some states recognize same-sex couples. See 1 U.S.C. § 7, *supra* note 10; *Smelt v. County of Orange*, 447 F.3d 673 (9th Cir. 2006).

¹⁹ For income and asset rules that apply to individuals, see 42 U.S.C. §§ 1382a, 1382b.

²⁰ For the amount of resources that are set aside when an individual applies for LTC, see 42 U.S.C. § 1382b and implementing regulations.

entitled to any income received by the institutionalized partner.²¹ Additionally, a home shared by same-sex partners could render a partner needing LTC ineligible. However, this is less likely than the other consequences because an LTC recipient's home is only considered for determining eligibility if he or she does not intend to return home²² or if home equity exceeds a certain amount.²³

For some same-sex couples, treatment of income and assets under this structure may be an advantage. A wealthier partner's resources would not disqualify his or her partner from Medicaid-funded LTC because those resources would not count towards the income and asset thresholds for eligibility. Medicaid could not require that any of these resources be spent down in order for the partner needing LTC to qualify for, or to continue to qualify for, LTC. For other couples, this treatment can be a disadvantage. If a wealthier partner needs LTC, he or she will be required to spend down all but a minimal amount in order to qualify for LTC through Medicaid. None of that partner's resources could be set aside to support a financially dependent community partner.

The CMS Letter does not authorize states to treat same-sex couples like different-sex spouses for purposes of determining eligibility. If a state chooses to treat same-sex couples like different-sex spouses for purposes of determining eligibility, it is responsible for covering any additional expenses with state funds.²⁴

2. *Protection from Lien Imposition*

i. *Federal Law*

Under the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), states may place a lien on a Medicaid LTC recipient's home after the recipient becomes permanently

²¹ For the amount of income that may be retained by an institutionalized individual, see 42 U.S.C. § 1382a and implementing regulations.

²² In most states, the intent of the person to return home is judged subjectively; that is, intent to return home is deemed established as long as the institutionalized person expresses such intent, however unrealistic it may appear to others. See SSA Program Operations Manual § SI 01130.100. However, in eleven so-called "209(b)" states, in contrast, the "intent to return" test may be objective, and will consider the assessment of a medical professional and an extended period of residence in an institution from which there is no reasonable expectation of return, despite the subjective intent of the recipient. U.S. Dep't of Health and Human Svcs., Medicaid Treatment of the Home: Determining Eligibility and Repayment for Long-Term Care (Apr. 2005), <http://aspe.hhs.gov/daltcp/reports/hometreat.htm>.

²³ 20 C.F.R. § 416.1212(c). The federal government has set the equity cap at a minimum \$500,000 and a maximum of \$750,000. Enclosure, Letter #06-018 from Dennis G. Smith, Director, Centers for Medicare & Medicaid Svcs, U.S. Dep't of Health & Hum. Svcs, to State Medicaid Director (July 27, 2006), available at <https://www.cms.gov/smdl/downloads/TOAEnclosure.pdf>. Most states cap equity at \$500,000. Income Requirements for Individuals Qualifying for Medicaid Coverage of Nursing Home Services Including Income and Home Equity Limits, 2009, <http://www.statehealthfacts.org/comparemaptable.jsp?ind=817&cat=4>.

²⁴ Letter from Centers for Medicare & Medicaid Svcs., Dep't of Health & Human Svcs., to Kristen Reasoner Apgar, General Counsel, Mass. Exec. Office of Health and Human Svcs.; Letter from Centers for Medicare & Medicaid Svcs, Dep't of Health & Human Svcs., to Theo Kennedy, Director, Division of Policy Planning and Evaluation, Vt. Agency of Human Svcs. (Aug. 23, 2003).

institutionalized, that is, if the LTC recipient no longer resides in the home and it has been determined, after notice and an opportunity for a hearing, that he or she cannot reasonably be expected to return home.²⁵ Pursuant to such a lien, the state may recover certain costs upon transfer of the property to an individual other than the recipient's spouse.²⁶ The lien must be removed if the LTC recipient is discharged from the institution and returns to the residence.²⁷ The spousal impoverishment provisions prohibit states from imposing liens while the recipient's spouse or certain children or siblings continue to reside in the home.²⁸

ii. The CMS Letter's Approach to Protecting Same-Sex Couples

The CMS Letter authorizes states to protect same-sex couples from lien imposition. The CMS Letter notes that the imposition of TEFRA liens is allowed, *but not required*, under federal law.²⁹ Accordingly, the letter states that TEFRA merely provides a floor, and not a ceiling, on the possible exemptions from liens for LTC recipients and their families. In other words, at minimum, the state must not impose a lien when a spouse or certain dependent children or siblings reside in the LTC recipient's home. The state then has discretion to decide if it also will not impose liens in other situations, such as when the home is occupied by a family member other than a different-sex spouse or dependent child or sibling. The CMS Letter concludes that states may protect same-sex couples from lien imposition by deciding not to pursue liens when a same-sex partner occupies the home.

iii. Protecting Same-Sex Couples under Missouri Law

Statute: Mo. Rev. Stat. § 208.215 (2010).

A Missouri statute directs the state's Department of Social Services (including the MO HealthNet Division) to enforce TEFRA liens "as authorized by federal law and regulation on permanently institutionalized individuals... [and] all other institutionalized individuals." Mo. Rev. Stat. § 208.215(13) (2010).

The statute directs the state to place a TEFRA lien on the "real property of an individual ... [who] the director of the MO HealthNet division or the director's designee determines, after notice and opportunity for hearing, ... cannot reasonably be expected to be discharged from the medical institution and to return home." Mo. Rev. Stat. § 208.215(13) (2010).

The statute forbids the state from imposing a lien in the situation described above when "one or more of the following persons is lawfully residing in such home:

- (a) The spouse of such individual;

²⁵ 42 U.S.C. § 1396p(a)(1)(B).

²⁶ 42 U.S.C. § 1396p(b)(1)(A).

²⁷ 42 U.S.C. § 1396p(a)(3).

²⁸ 42 U.S.C. § 1396p(a)(2). *See also* 42 C.F.R. § 433.36(g)(3) (same).

²⁹ 42 U.S.C. § 1396p(a)(1)(B).

(b) Such individual's child who is under twenty-one years of age, or is blind or permanently and totally disabled; 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.” Mo. Rev. Stat. § 208.215(13)(4) (2010).

Regulations: Mo. Code Regs. Ann. tit. 13, § 70-4.110(1)(D) (2011).

Like the statute discussed above, Missouri regulations provide that “[a] lien is imposed on the property [of a permanently institutionalized individual] unless one (1) of the following persons lawfully resides in the property:

1. The institutionalized person’s spouse;
2. The institutionalized person’s child who is under twenty-one (21) years of age or is blind or permanently and totally disabled;
3. The institutionalized person’s sibling who has an equity interest in the property and who was residing in such individual’s home for a period of at least one (1) year immediately before the date of the individual’s admission to the institution.” Mo. Code Regs. Ann. tit. 13, § 70-4.110(1)(D) (2010).

Administrative Guidance & Materials: None found on this issue.

Protecting Same-Sex Couples

Because states have considerable flexibility to develop their own rules regarding when they will impose liens, Missouri may forbid the imposition of a lien in situations not already covered by state or federal law, including when an LTC recipient’s partner resides in the home. A Missouri statute requires imposition of TEFRA liens unless a “spouse” and/or certain dependent children live in the home. In order to protect LTC recipient’s partners from lien imposition, the statute must be amended also to prohibit the state from imposing a lien when a same-sex partner lives in the home. The Missouri General Assembly has the authority to implement this change through statutory amendment in Missouri.

3. Protection from Estate and Lien Recovery upon Recipient’s Death

i. Federal Law

States generally are required to recover funds expended for LTC to the extent possible after the death of an LTC recipient either through the estate recovery process, or pursuant to a lien imposed on the LTC recipient’s home.³⁰ However, the spousal impoverishment provisions prohibit states from recouping funds through estate and lien recovery in certain situations. Estate and lien recovery “may be made only after the death of the individual’s surviving

³⁰ 42 U.S.C. § 1396p(b)(1)(A).

spouse, if any,” and only when the individual has no surviving child who is under age 21 or who is blind or disabled.³¹

In addition, estate and lien recovery is not permitted if it would create “an undue hardship” for the recipient’s heirs.³² A federal statute directs states to “establish procedures...under which the agency shall waive [estate or lien recovery]...if such [recovery] would work an undue hardship as determined on the basis of criteria established by the Secretary [of the Department of Health and Human Services].”³³ CMS, acting under the Department of Health and Human Services, provides the following guidance on “undue hardship” criteria in the State Medicaid Manual (“SMM”):

The legislative history of §1917 of the Act states that the Secretary should provide for special consideration of cases in which the estate subject to recovery is: (1) the sole income-producing asset of survivors (where such income is limited), such as a family farm or other family business; (2) a homestead of modest value; or (3) other compelling circumstances.³⁴

The SMM notes that these examples are to be “considered” by states when developing hardship waiver rules, but that states may ultimately decide the appropriate criteria for determining the existence of an “undue hardship.”

ii. The CMS Letter’s Approach to Protecting Same-Sex Couples

The CMS Letter advises that states may extend protection to same-sex partners as “heirs” under the “undue hardship” exemption to estate and lien recovery. The federal laws and administrative materials cited above provide some parameters for the “undue hardship” exemption, but leave great discretion to the states to specify what constitutes an “undue hardship” and who may be protected as an “heir.” The CMS Letter concludes that the broad grant of discretion from the federal government permits states to establish “reasonable protections applicable to the same-sex spouse or domestic partner of a deceased Medicaid recipient.”

iii. Protecting Same-Sex Couples under Missouri Law

Statute: Mo. Rev. Stat. §§ 473.398; 473.399 (2010).

A Missouri statute requires the state to recoup money expended to provide long-term care through the MO HealthNet program upon the death of the recipient “as provided by the probate code” unless “it is determined that:

- (1) The cost of collection will exceed the amount of the claim;

³¹ 42 U.S.C. § 1396p(b)(2).

³² 42 U.S.C. § 1396p(b)(3).

³³ 42 U.S.C. § 1396p(b)(3).

³⁴ Centers for Medicare & Medicaid Svcs, Dep’t of Health & Human Svcs., State Medicaid Manual § 3810.C.1.

(2) The collection of the claim will adversely affect the need of the surviving spouse or dependents of the decedent to reasonable care and support from the estate.” Mo. Rev. Stat. § 473.398(1), (3).

“Dependents” is not described in the statutes implementing the MO HealthNet program, or in the probate code. The following section of the statute allows for recoupment from the estate of the “spouse” of a deceased recipient upon the death of such spouse. Mo. Rev. Stat. § 473.399. There is no mention of “undue hardship” in the statutes; except to the extent that Section 473.398(2) seems to require some showing of adverse effect to prevent the state from recovering from the estate upon the recipient’s death.

Regulations: Not addressed by regulation.

Administrative Guidance & Materials:

The Missouri Attorney General’s Office provides information on the recoupment of MO HealthNet expenditures from a recipient’s estate.³⁵ The Office acknowledges that, per federal law, “no recovery shall be had when the deceased leaves a surviving spouse, minor child under the age of 21-years-old or leaves a child of any age who is blind or disabled.”³⁶

The federal government also requires states to waive recovery if recovery would cause “undue hardship as determined by the state.”³⁷ The Attorney General’s Office states that if any person believes that an estate qualifies for an exemption, the individual may submit to the Estate Recovery Program: the name of the estate, the Social Security Number of the deceased, the relationship to the deceased, and the reason for exemption.³⁸ Presumably, an individual filing for an exemption in this way could make a claim of undue hardship. The Estate Recovery Program of the Attorney General’s Office determines, based on the documentation submitted, whether the estate is exempt.³⁹

MO HealthNet requires that an estate recovery form be submitted upon the death of a MO HealthNet recipient of long-term care.⁴⁰ The form asks for information about a surviving spouse or child, but does not address undue hardship.⁴¹

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³⁵ Financial Svcs Div., Mo. Atty Gen., Frequently Asked Questions of the Financial Services Division, <http://ago.mo.gov/divisions/financial-services-division-faqs.htm>.

³⁶ Id.

³⁷ Id.

³⁸ Id.

³⁹ Id.

⁴⁰ MO HealthNet Division, Missouri Dep’t of Soc. Svcs, Estate Recovery, <http://www.dss.mo.gov/mhd/general/pages/estate.htm>.

⁴¹ MO HealthNet Division, Missouri Dep’t of Soc. Svcs, Estate Notice, *available at* <http://www.dss.mo.gov/mhd/general/pdf/886-4354.pdf>.

Missouri could protect surviving same-sex partners from estate recovery through guidance issued by the Attorney General. Because the Attorney General’s Office determines whether or not an estate is exempt from recovery, the Office could specify that it will not recover from the estate if the LTC recipient is survived by a same-sex partner.

4. *Protection from Transfer Penalties*

i. Federal Law

States are required to provide that transfer of an LTC applicant’s home or other assets for less than fair market value (“FMV”) renders the applicant ineligible for coverage for a certain period of time.⁴² Under the spousal impoverishment provisions, however, transfer of a home or other assets to a spouse or certain children or siblings is permitted without penalty.⁴³ Additionally, transfer of a home or other assets will not be penalized if the state determines that denial of eligibility would create an “undue hardship.”⁴⁴

The Deficit Reduction Act of 2005 (“DRA”) provides that “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.”⁴⁵ According to the SMM, states have “considerable flexibility in deciding the circumstances under which [the state] will not impose penalties” for transfers for less than FMV. However, the SMM seems to require that the basic DRA requirements are met: the state will have “the flexibility to establish whatever criteria [it] believe[s] are appropriate, as long as [it] *adhere[s] to the basic definition of undue hardship described above.*”⁴⁶ The manual further states that “[u]ndue hardship does not exist when application of the transfer of assets provisions merely causes the individual inconvenience or when such application might restrict his or her lifestyle but would not put him/her at risk of serious deprivation.”⁴⁷ Thus, the SMM may suggest only limited flexibility, with the states being able to “specify the criteria to be used in determining whether the individual’s life or health would be endangered and whether application of a penalty would deprive the individual of food, clothing, or shelter.”⁴⁸

⁴² 42 U.S.C. § 1396p(c)(1)(A); *see also* 42 U.S.C. § 1382b.

⁴³ 42 U.S.C. § 1396p(c)(2)(A)-(B). Note, however, that transfers resulting in the community spouse’s assets (other than the home) being above the Community Spouse Resource Allowance still must be spent down to meet the Medicaid LTC eligibility requirement because different-sex spouses’ countable income and assets are pooled for purposes of eligibility determinations.

⁴⁴ 42 U.S.C. § 1396p(c)(2)(D).

⁴⁵ The Deficit Reduction Act of 2005, Pub. L. No. 109-171 § 6011(d), 120 Stat. 4 (2006).

⁴⁶ Centers for Medicare & Medicaid Svcs, Dep’t of Health & Human Svcs., State Medicaid Manual § 3258.10(C)(5), 3-3-109.21 (emphasis added).

⁴⁷ *Id.*

⁴⁸ *Id.*

ii. The CMS Letter’s Approach to Protecting Same-Sex Couples

The CMS Letter advises that states may extend protection to same-sex couples under the “undue hardship” exception to transfer penalties. Despite language in the SMM that seems to limit “undue hardship” to dire situations, the CMS Letter affirms that “[s]tates have considerable flexibility in determining whether undue hardship exists, and the circumstances under which they will not impose transfer of assets penalties.” The CMS Letter explicitly concludes that states may decide not to penalize the transfer of an LTC recipient’s home to a same-sex partner for less than FMV under the “undue hardship exception”: “states may adopt criteria, or even presumptions, that imposing transfer of assets penalties on the basis of a transfer of ownership interests in a shared home to [a same-sex partner] would constitute an undue hardship.” CMS has said that states may also decide not to penalize transfers of other assets to a same-sex partner under the “undue hardship” exception.⁴⁹

If a state extends protection from penalties for transfers of assets other than the family home, it may want to consider not penalizing asset transfers so long as the community partner’s total resources are not more than the CSRA after the transfer.⁵⁰ This limitation would ensure that same-sex couples and different-sex couples are treated similarly under the Medicaid program, since the CSRA is the amount of assets that a different-sex community spouse is permitted to retain for his or her support.⁵¹ If a state were to limit transfers to same-sex partners to the CSRA, the value of the home should not count towards this limit because different-sex couples’ homes do not count towards the CSRA.⁵²

iii. Protecting Same-Sex Couples under Missouri Law

Statute: Mo. Rev. Stat. § 208.010(7) (2010).

A Missouri statute incorporates the federal code section that penalizes Medicaid recipients for transferring property for less than fair market value (“Beginning July 1, 1989, institutionalized individuals shall be ineligible for the periods required and for the reasons specified in 42 U.S.C. Section 1396p.”). Mo. Rev. Stat. § 208.010(7) (2010). 42 U.S.C. Section 1396(c)(2) requires states to “provide for a hardship waiver process—

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

⁴⁹ Letter from Gloria Nagele, Associate Regional Administrator, Div. of Medicaid & Children’s Health Operations, U.S. Dep’t of Health and Human Svcs., to Rene Mollow, Chief, Medi-Cal Eligibility Division, Cal. Dep’t of Health Care Svcs. (May 18, 2012).

⁵⁰ The CSRA is the greater of the minimum resource standard set by the state of residence (but no lower than \$22,728 in 2012) and 50% of the couple’s assets up to a maximum set by the federal government (\$113,640 in 2012). 42 U.S.C. § 1396r–5(f)(2).

⁵¹ The income and assets of different-sex spouses are pooled to determine Medicaid eligibility. The couple is required to “spend down” any assets above the Community Spouse Resource Allowance. 42 U.S.C. § 1396r–5(c)(2)(B). The same-sex partner’s resources are not similarly included in eligibility determinations and “spend down” requirements.

⁵² 42 U.S.C. § 1382b(a).

(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..."

Regulations: None found on this issue.

Guidance: None found on this issue.

Protecting Same-Sex Couples

A Missouri statute appears to limit any claims of "undue hardship" to the situations described in federal law ("...for the reasons specified..."). In order to extend protection to same-sex couples, this statute would have to be amended to provide that an "undue hardship" exists if an LTC recipient would be rendered ineligible because he or she transferred a home or other assets (up to the CSRA limit) to a same-sex partner. The Missouri General Assembly has the authority to implement this change in Missouri.

PROCEDURE FOR CHANGING MISSOURI'S MEDICAID PLAN

Substantive changes that can be accomplished through changes in regulations or sub-regulatory guidance may still require review and at least tacit approval by the governor. States' Medicaid Plans ("State Plans") also may have to be amended if statutes, regulations, and/or guidance are amended to protect same-sex couples. A State Plan "describes the nature and scope" of a state's Medicaid program and provides "assurance [to CMS] that [the program] will be administered in conformity with [federal law]."⁵³ The CMS Letter advises that states are "encouraged" to incorporate criteria regarding liens in their Medicaid Plans, does not specify whether states must amend their Medicaid State Plans in order to extend the protections concerning asset transfers to same-sex couples, and notes that criteria for waiving estate recovery based on hardship should be specified in the State Plan.

State Plans, and State Plan amendments, are subject to approval by CMS.⁵⁴ The CMS approval procedure requires that the governor or the governor's designee (usually the state attorney general) review and comment on the state plan before it is submitted to CMS.⁵⁵ Although this process may be required, it seems unlikely that CMS would reject changes that comport with its June 2011 SMD Letter. This procedure is considerably more complex than can be explained in this report, and should be determined by those seeking to make these changes in Missouri.

⁵³ 42 C.F.R. § 430.10.

⁵⁴ 42 C.F.R. § 430.12.

⁵⁵ *Id.*

DEFINING ELIGIBLE SAME-SEX COUPLES FOR PURPOSES OF EXTENDING IMPOVERISHMENT PROTECTIONS

Missouri does not offer same-sex couples a way to formalize their relationships at the state level. However, impoverishment protections still can be extended to same-sex couples because the CMS Letter does not require formal legal recognition in order for same-sex couples to qualify for impoverishment protection. Eligibility criteria will be required to determine which couples qualify in Missouri.

This Part offers two approaches and provides draft provisions as a starting place for policy development. The first approach, set out in Section 1 below, draws from federal and state domestic partnership models. This approach, which we call “mutually dependent partners,” involves criteria that establish the interdependence of the partners. The second approach, set out in Section 2 below, is based on Pennsylvania’s regulations that allow protection for a “care or support provider” that has been sharing a home with the LTC recipient for a minimum amount of time and satisfies other requirements.

1. Protection for “Mutually Dependent Partners”

Missouri could establish a framework that recognizes people in committed, financially interdependent relationships just for the purpose of extending impoverishment protections. The “mutually dependent partners” model is one option for doing so.

The “mutually dependent partners” model set out below draws upon the criteria in the U.S. Office of Personnel Management’s domestic partner employment benefits policy⁵⁶ and California’s domestic partnership laws.⁵⁷ These criteria have become a standard and are familiar to many government officials. Moreover, some provisions have been tested in litigation and already have been construed and validated by courts. Accordingly, an approach relying on these structures may facilitate greater standardization among states.

⁵⁶ See OPM Rule: Federal Long Term Care Insurance Program: Eligibility Changes, Final Rule, 75 Fed. Reg. 30267, 30268 (2010). In relevant part, the regulation defines a domestic partnership as a “committed relationship between two adults of the same sex, in which they—(1) Are each other’s sole domestic partner and intend to remain so indefinitely; (2) Maintain a common residence, and intend to continue to do so (or would maintain a common residence but for an assignment abroad or other employment-related, financial, or similar obstacle); (3) Are at least 18 years of age and mentally competent to consent to contract; (4) Share responsibility for a significant measure of each other’s financial obligations; (5) Are not married or joined in a civil union to anyone else; (6) Are not a domestic partner of anyone else; (7) Are not related in a way that, if they were of opposite sex, would prohibit legal marriage in the U.S. jurisdiction in which they reside.”

Other federal agencies also have adopted this definition. See, e.g., Federal Travel Regulation (FTR), Terms and Definitions for “Dependent”, “Domestic Partner”, “Domestic Partnership” and “Immediate Family” Interim Rule, 75 Fed. Reg. 67629, 67631 (2010). The Department of State uses a similar definition. See U.S. DEP’T OF STATE, FOREIGN AFFAIRS MANUAL, 3 FAM 1610 (2009), available at <http://www.state.gov/documents/organization/84830.pdf>. See also Domestic Partnership Benefits and Obligations Act, H.R. 2517, 111th Cong. (2009); Uniting American Families Act, H.R. 1024, 111th Cong. § 2(2) (2009).

⁵⁷ CAL. FAM. CODE §§ 297-299.6 (2010).

Mutually Dependent Partners:

A. Definitions:

- (i) “Mutually dependent partners” means two adults who have chosen to share one another's lives in a committed domestic relationship of mutual caring for whom all of the following are true:
 - (1) The partners have a common residence, are financially interdependent, and consider each other to be immediate family.
 - (2) Neither partner is married to or in a civil union or registered domestic partnership with, or has claimed a mutually dependent partnership with, any other person that has not been ended by separation, termination, dissolution or adjudication to be a nullity.
 - (3) The two partners are not related by blood in a way that would prevent them from being married to each other in their state of residence.
 - (4) Both persons are at least 18 years of age.
 - (5) Both persons are of the same sex.
 - (6) Both persons are capable of attesting that the above criteria are satisfied.⁵⁸
- (ii) “Have a common residence” means that both partners share a common residence. It is not necessary that the legal right to possess the common residence be in both of their names. Two people have a common residence even if one or both have additional residences. “Mutually dependent partners” do not cease to have a common residence if one leaves the common residence but intends to return.
- (iii) “Financially interdependent” means that either or both of the partners depends on financial contributions from the other to pay for common necessities of life, such as food, clothing, shelter and medical care.
- (iv) “Caretaking authority” means authority conveyed through a formal vehicle such as a power of attorney signed when the person still had capacity, a court-ordered conservatorship, or provision for the other of daily personal care and decision-making about the common necessities of life by mutual consent given when each had the capacity.

⁵⁸ A “look back” period has not been incorporated into the “mutually dependent partners” model and is not recommend. A “look back” period would require that same-sex couples show that they have been in a relationship with each other for a certain amount of time. For example, some employers have a “look back” period of 6 months for recognizing partners entitled to domestic partner benefits. In light of the fact that different-sex spouses are not subject to a “look back” period under spousal impoverishment provisions, however, any “look back” period required of same-sex partners would be intrusive and possibly to raise constitutional questions.

B. Demonstrating that two persons are mutually dependent partners: The fact that two adults are mutually dependent partners may be demonstrated by the following:

- (1) The partners have executed a document attesting to the elements listed in (a)(i)(1)-(6) above.
- (2) The partners have entered into a legal status such as a civil union, domestic partnership, or similar status under the laws of any state or the District of Columbia, whether or not such status is recognized for other purposes under state law.
- (3) One partner does not have capacity to attest to the elements listed in (a) (i) (1)-(5) above, and the other partner attesting to the elements in (a)(i)(1)-(5) has caretaking authority with respect to the other partner.
- (4) Neither partner has capacity to attest to the elements listed in (a) (i) (1)-(5) above, but each one's legal representative attests to the elements on behalf of the represented partner.⁵⁹

2. Protection for "Care or Support Providers"

A second approach to identifying eligible couples, the "care or support provider" model, is based on existing Pennsylvania law. Pennsylvania allows limited protection of any one person who has provided care and/or support to an LTC recipient for at least two years and who lives in the LTC recipient's primary residence. The regulation provides that hardship sufficient to justify waiver of estate recovery exists when the primary residence of the LTC recipient is occupied by a person who satisfies the following criteria:

- "(1) The person has continuously lived in the primary residence of the decedent for at least 2 years immediately preceding the decedent's receipt of nursing facility services, or, for at least 2 years during the period of time in which Medicaid-funded home and community based services were received.
- (2) The person has no other alternative permanent residence.
- (3) The person has provided care or support to the decedent for at least 2 years during the period of time that Medicaid-funded home and community based services were received by the decedent, or for at least 2 years prior to the decedent's receipt of

⁵⁹ A proof requirement has not been included in the "mutually dependent partners model" and is not recommended. A proof requirement would mean that same-sex couples must provide certain types of documentary evidence or other confirmation of the existence of their relationship, such as joint financial accounts, designation for hospital visits, being named as a beneficiary in the other's will, etc. Requiring such proof is not recommended for several reasons. First, different-sex spouses do not have to provide such personal information to receive spousal impoverishment protections. Second, same-sex partners may find these burdens intrusive and thus not seek protections that would allow the community partner to remain in the home and self-sufficient. Third, and perhaps most important, the low-income LTC claimants who most need assistance through Medicaid generally will be among those least likely to have joint banking accounts, designated-beneficiary life insurance, survivor pensions, and resources for preparing legal and other documentation that would prove the existence of the relationship. Therefore, imposing such requirements could have the anomalous result of preventing many of the LTC claimants and partners who most need the protections from proving their eligibility.

nursing home services during which time the decedent needed care or support to remain at home.”⁶⁰

MISSOURI’S CONSTITUTIONAL AND STATUTORY LIMITATIONS ON RECOGNIZING MARRIAGE FOR SAME-SEX COUPLES

Missouri precludes marriage for same-sex partners both by state statute⁶¹ and by state constitutional amendment.⁶² Neither the statute nor the constitutional ban poses a barrier to extending spousal impoverishment protections to same-sex couples that are recognized through a non-marital status, such as a registered domestic partnership or civil union or through either model presented above. Since the “mutually dependent partnership” and “care and support provider” models are both designed to be consistent with the federal Defense of Marriage Act, which also only applies to marriage, both models of recognition will be consistent with Missouri’s state level ban.⁶³

CONCLUSION

Missouri can implement the impoverishment protections identified in the CMS Letter by adopting appropriate policies to protect same-sex partners of LTC recipients. Specifically, Missouri can extend protection from lien imposition and transfer penalties to same-sex partners through statutory amendment, and can extend protection from estate recovery to same-sex couples through administrative guidance. The Attorney General of Missouri has the authority to issue guidance pertaining to estate recovery, while the Missouri General Assembly would have to act to implement the changes that require changes to state statutes. Although there currently is no formal status for recognizing same-sex couples in Missouri state law, Missouri can provide these protections by identifying eligible couples through a framework such as the “mutually dependent partners” model or the “care or support provider” model. Missouri’s constitutional and statutory limitations on recognizing same-sex couples would not likely preclude limited recognition of same-sex couples through these models for the purpose of extending impoverishment protections.

⁶⁰ 55 PA. CODE § 258.10(b) (2011).

⁶¹ Title 30, § 451.022 R.S.Mo. (enacted in 2001 and providing that “[a] marriage between persons of the same sex will not be recognized for any purpose in this state even when valid where contracted.”).

⁶² MO CONST., art. 1, § 33 (providing that, “[t]o be valid and recognized in this state, a marriage shall exist only between a man and a woman,” and approved in 2006). For a map showing constitutional and statutory exclusions of same-sex couples from marriage, see Movement Advancement Project, Marriage & Relationship Recognition Laws: Negative Laws, http://www.lgbtmap.org/equality-maps/marriage_relationship_laws.

⁶³ For further discussion of the effects of state laws and constitutional amendments limiting marriage to different-sex couples, see Williams Institute, Extending Spousal Impoverishment Protections to Same-Sex Couples: Overview Report, <http://williamsinstitute.law.ucla.edu/research/marriage-and-couples-rights/medicaid-reports-june-2012/>.