



Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
www.mass.gov/masshealth

Eligibility Operations Memo 20-16
August 28, 2020

TO: MassHealth Eligibility Operations Staff
FROM: Heather Rossi, Deputy Policy Director for Eligibility
RE: **Calculating the Value of a Life Estate and Remainder Interest for Individuals and Couples**

A handwritten signature in black ink that reads "Heather Rossi".

Introduction

When an applicant, member, and/or spouse owns or transfers a life estate, remainder interest or the equivalent in property under a deed, trust, or other instrument, MassHealth must calculate the value of such interests to determine eligibility. This procedure will supersede EOM 19-12 dated 08/15/2019.

Procedure to Determine Value

In accordance with guidelines issued by the Centers for Medicare and Medicaid Services (CMS) under the State Medicaid Manual, MassHealth uses the Social Security Administration (SSA) Life Estate and Remainder Interest Table to calculate the value of remainder interests and life estates. The SSA Life Estate and Remainder Interest Table is in Section SI 01140.120 of the Program Operations Manual System (POMS). The link to the SSA Life Estate and Remainder Interest Table can be found at the [Life Estate and Remainder Interest Table on the Social Security website](#).

Generally, the value of the Life Estate interest is calculated based on the fair market value of the property at the time of transfer or on the date of application or redetermination if the applicant, member, or spouse still holds the interest. The Life Estate factor and Remainder Interest factor to be used depends on the age of the applicant, member, or spouse at the time that the transaction took place or at the time of application. That figure is then multiplied by the value of the property.

Procedure for Individuals

The procedure for calculating the Life Estate Value for an individual consists of using the fair market value of the property and multiplying this figure by the Life Estate factor associated with the age of the applicant.

To calculate the Remainder Interest, the fair market value of the property should be multiplied by the Remainder Interest factor associated with the age of the applicant.

Procedure for Married Couples

The procedure for calculating the Joint Life Estate Value and Joint Remainder Interest for married couples is as follows.

In order to determine the Joint Life Estate Value, the appropriate ownership percentage of the fair market value of the property must first be calculated for each spouse. The Life Estate factor for each spouse should then be multiplied by the ownership percentage. The calculated figures for each spouse should then be added together for the total Joint Life Estate Value.

In order to obtain the Joint Remainder Interest, the appropriate ownership percentage of the fair market value of the property must first be calculated for each spouse. The Remainder Interest factor for each spouse should then be multiplied by the ownership percentage. The calculated figures for each spouse should then be added together for a total Joint Remainder Interest value.

Examples

The following examples are for illustrative purposes only and are not exhaustive.

Calculating the Life Estate Value for Individuals

Two years before applying for MassHealth, real estate was sold in which the applicant held a life estate. The deed and settlement statement indicate that the gross sales price was \$275,500, and the net proceeds due to the sellers totaled \$232,000. MassHealth determined that all of the deductions attributable to the sellers were proper. However, the applicant did not receive the value of her life estate interest from the net sale proceeds. This is a disqualifying transfer of resources.

At the time of the sale, the applicant was 87 years old. The value of the disqualifying transfer for which the penalty period should be calculated is \$74,848 (\$232,000 x life estate factor of 0.32262 from the SSA Life Estate and Remainder Interest Table).

The value of the transfer is \$74,848, the Life Estate Value, and this would be the figure used to calculate the period of ineligibility (penalty period), in accordance with MassHealth regulations at 130 CMR 502.018 and 520.019.

Fair Market Value of Life Estate Property	\$232,000
Life Estate Factor for Applicant	0.32262
Total Life Estate Value	$\$232,000 \times .32262 = \$74,848$

Calculating the Remainder Interest for Individuals

Four months before applying for MassHealth long-term-care benefits, the applicant transferred his real estate to his children for no consideration. The applicant retained a life estate under the deed. At the time of the transaction, the applicant was 73 years old and the tax assessed fair market value of the property was \$300,000.

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The remainder interest is \$133,287 ($\$300,000 \times$ remainder interest factor of 0.44429 from the SSA Life Estate and Remainder Interest Table).

The value of the transfer is \$133,287, the Remainder Interest, and this would be the figure used to calculate the period of ineligibility (penalty period), in accordance with MassHealth regulations at 130 CMR 520.018 and 520.019. Whether the value of the Life Estate Interest retained by the applicant is countable should be determined in accordance with relevant MassHealth regulations concerning countable assets and real estate.

Fair Market Value of Life Estate Property	\$300,000
Remainder Interest Factor for Applicant	0.44429
Total Remainder Interest	$\$300,000 \times .44429 = \$133,287$

Calculating the Joint Life Estate Value for Married Couples

Three years before applying for MassHealth, real estate was sold in which the applicant and her spouse held a life estate with a 50% split. The deed and settlement statement indicate that the gross sales price was \$350,000, and the net proceeds due to the sellers totaled \$325,000. MassHealth determined that all of the deductions attributable to the sellers were proper. However, the applicant and spouse did not receive the value of their life estate interest from the net sale proceeds. This is a disqualifying transfer of resources.

To determine the Joint Life Estate Value, the net proceeds of \$325,000 should first be divided by the number of life estate owners ($\$325,000/2 = \$162,500$). This amount represents each spouse's percentage of the net proceeds.

At the time of the sale, the applicant was 83 years old and her life estate factor from the SSA Life Estate and Remainder Interest Table is 0.38642. Multiply the Life Estate Interest factor by the applicant's percentage of the net proceeds to determine the life estate value of the transfer for the applicant ($\$162,500 \times 0.38642 = \$62,793$).

The applicant's spouse was 72 years old at the time of the sale and his life estate factor from the SSA Life Estate and Remainder Interest Table is 0.57261. Multiply the life estate factor by the spouse's percentage of the net proceeds to determine the life estate value for the spouse ($\$162,500 \times 0.57261 = \$93,049$).

Then add the resulting figures for the applicant together with the spouse to determine the total life estate value of the transfer ($\$62,793 + \$93,049 = \$155,842$).

The value of the transfer is \$155,842, the Joint Life Estate Value, and this would be the figure used to calculate the period of ineligibility (penalty period), in accordance with MassHealth regulations at 130 CMR 502.018 and 520.019.

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Fair Market Value of Life Estate Property	\$325,000
Number of Life Estate Owners	$\$325,000 / 2 = \$162,500$
Life Estate Factor for Applicant	0.38642
Life Estate Factor for Spouse	0.57261
Life Estate Value for Applicant	$\$162,500 \times 0.38642 = \$62,793$
Life Estate Value for Spouse	$\$162,500 \times 0.57261 = \$93,049$
Total Joint Life Estate Value	$\$62,793 + \$93,049 = \$155,842$

Calculating the Joint Remainder Interest for Married Couples

Seven months before applying for MassHealth long-term-care benefits, the applicant and his spouse transferred their real estate to their children for no consideration. The applicant and spouse retained a life estate under the deed in equal shares (50% each). At the time of the transaction, the applicant was 75 years old and his spouse was 70 years old. The tax assessed fair market value of the property was \$485,000.

To determine the Joint Remainder Interest, the fair market value of \$485,000 should first be divided by the number of life estate owners ($\$485,000/2 = \$242,500$). This amount represents each spouse's percentage of the fair market value.

The applicant is 75 years old and his Remainder Interest factor from the SSA Life Estate and Remainder Interest Table is 0.47851. Multiply the applicant's Remainder Interest factor to his percentage of the fair market value to determine the remainder interest of the applicant ($\$242,500 \times 0.47851 = \$116,039$).

The spouse is 70 years old and her Remainder Interest factor from the SSA Life Estate and Remainder Interest Table is 0.39478. Multiply the spouse's Remainder Interest factor to her percentage of the fair market value to determine the remainder interest of the spouse ($\$242,500 \times 0.39478 = \$95,734$).

Then add the two resulting figures together for the applicant and spouse to determine the total remainder interest ($\$116,039 + \$95,734 = \$211,773$).

The value of the transfer is \$211,773, the Joint Remainder Interest, and this would be the figure used to calculate the period of ineligibility (penalty period), in accordance with MassHealth regulations at 130 CMR 520.018 and 520.019. Whether the value of the Joint Life Estate Interest retained by the applicant and spouse is countable should be determined in accordance with relevant MassHealth regulations concerning countable assets and real estate.

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Fair Market Value of Life Estate Property Divided by the Number of Life Estate Owners	$\$485,000 / 2 = \$242,500$
Remainder Interest Factor for Applicant	0.47851
Remainder Interest Factor for Spouse	0.39478
Remainder Interest for Applicant	$\$242,500 \times .4785 = \$116,039$
Remainder Interest for Spouse	$\$242,500 \times 0.39478 = \$95,734$
Total Joint Life Estate Remainder Interest	$\$116,039 + \$95,734 = \$211,773$

Questions

If you receive an instrument in which the applicant, member, or spouse may hold an interest similar to a life estate such as in a trust, trust-like device, or other document, MassHealth may calculate this interest as a life estate to determine eligibility. In these instances, if necessary, additional guidance should be requested.

If you have any questions about this memo, please have your MEC designee contact the Policy Hotline.