

5160:1-3-05.18

Medicaid: property agreements.

(A) This rule describes the consideration of property agreements as resources.

(B) Definitions.

- (1) "Arms length" describes an agreement made by two parties freely and independently of each other, and without some special relationship, such as being a relative, having another deal on the side, or one party having complete control of the other.
- (2) "Assets" are defined in rule 5160:1-3-05.1 of the Administrative Code.
- (3) "Date of signature" is the date the person authorized to enter into the property agreement actually signed the instrument creating the agreement.
- (4) "Fair market value" is defined in rule 5160:1-3-05.1 of the Administrative Code.
- (5) "Look-back period" is defined in rule 5160:1-3-07.2 of the Administrative Code.
- (6) "Negotiable instrument" means a written instrument that is signed by the maker or drawer that includes an unconditional promise or order to pay a specified sum of money, is payable on demand or at a definite time, and is payable to order or to bearer.
- (7) "Property agreement" means a pledge or security of a particular property for the payment of a debt or the performance of some other obligation within a specified period.
 - (a) Property agreements on real estate are generally referred to as mortgages but may be called land contracts, contracts for deed, deeds of trust, etc.
 - (b) Personal property agreements (e.g., pledges of crops, fixtures, inventory, etc.) are commonly known as chattel mortgages.
- (8) "Recording date" means the date the property agreement is recorded with the county auditor, county recorder, or other appropriate governmental agency charged with the responsibility of recording real estate transfers and titles.

(C) Treatment of property agreements.

(1) Effective date of property agreements.

- (a) For property agreements recorded within six months after the date of signature, the date of the signature is the effective date of the agreement.

(b) If a property agreement is recorded more than six months after the date of signature, the individual must produce documentation from other sources verifying that the agreement was established on the date of signature rather than the date of recording.

(i) Such documentation may consist of financial records from lending institutions, tax records from governmental agencies, or records from other agencies or private or public institutions.

(ii) The individual may provide statements from persons to whom the property was conveyed or from persons who participated in the establishment of the property agreement.

(2) The value of a negotiable property agreement as a resource is its outstanding principal balance.

(D) Improper transfers.

(1) Sale of a property agreement.

(a) The individual must receive fair market value as a result of arm's length negotiations.

(b) The fair market value of the property agreement at the time of the transfer must be equal to the fair market value of the property given by the individual in exchange for the property agreement.

(c) To establish the fair market value of the property agreement, the individual must present documentation from two knowledgeable sources who are regularly engaged in the business of the public trade, sale, or exchange of the type of property agreement presented, attesting to the market value of the property agreement on the date of the transfer.

(2) Non-sellable property agreements. If the terms of the agreement prohibit or prevent the sale of the agreement, then the assets given in exchange for the agreement will be deemed improperly transferred in accordance with the provisions in the transfer of resources rule 5160:1-3-07.2 of the Administrative Code, if the exchange occurred within the applicable look-back period.

(a) The total value of resources improperly transferred is the value of the assets originally exchanged for the agreement, reduced by the sum total of any repayments made on or before the date of application for medicaid.

- (b) The period of restricted coverage must not be reduced based upon anticipated, estimated, or projected future payments to be made under the agreement.
 - (c) The individual may seek a new eligibility determination and/or a recalculation of the restricted period of coverage based only upon actual repayments made under the terms of the agreement. For the restricted medicaid coverage period to be recalculated the agreement must be paid in full and in accordance with 5160:1-3-07.2 of the Administrative Code.
 - (d) If the sum total of all repayments made under the agreement are less than the original value of the assets given in exchange for the agreement, then the difference will be deemed improperly transferred if the exchange occurred within the applicable look-back period.
- (3) If the individual sells a property agreement for an amount less than the value of assets given in exchange for the agreement, the difference will be deemed improperly transferred as of the date of the sale of the agreement. The individual may rebut the finding of an improper transfer by providing one of the following:
- (a) Credible evidence from a knowledgeable source establishing that the market value at the time of sale of the agreement was less than its outstanding principal balance. The knowledgeable source shall:

 - (i) Be clearly identified; and,
 - (ii) Provide a written explanation regarding its opinion of the market value; and,
 - (iii) Affirmatively indicate that the decreased market value was not caused in whole or part by the terms of the agreement and that the decrease in value was entirely outside the control of the individual or his or her representatives.
 - (b) Documentation clearly showing the individual received payments under the terms of the agreement prior to the sale, and such payments equal or exceed the difference between the sale price and the value of assets originally given in exchange for the agreement.
 - (c) Documentation clearly showing that the lower sale price of the agreement was accepted by the individual as payment of a debt owed by the individual to the purchaser.

(E) Individual responsibilities. The individual shall:

(1) Provide a copy of the recorded property agreement.

(2) Provide documentation of the individual's proportionate share of the agreement if ownership of the property agreement is shared.

(F) Administrative agency responsibilities. The administrative agency shall:

(1) Accept the statements of persons to whom the property was conveyed or from persons who participated in the establishment of the property agreement only upon a finding that their statements are corroborated and credible.

(2) Use the date of recording as the effective date of the agreement if the individual fails to produce documentation verifying the date of signature.

(3) If the property agreement is not recorded, the administrative agency shall request that the individual verify transfer by recording the property agreement, unless the property agreement was created within the prior six months, provide documentation as required in (C)(1)(b) of this rule. If the individual does not provide documentation that the property agreement has been recorded, disregard the property agreement and consider the entire property as an available resource to the individual.

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