

Ensuring Compliance with Medicaid Rules

An irrevocable prepaid burial contract can be funded by trust or through life insurance that assigns funds to pay for the prepaid burial contract to a trust.

- ***The Purchaser Must Waive the Right to Terminate the Prepaid Burial Contract***

Someone that is anticipating Medicaid benefits eligibility should make sure that the contract is made irrevocable by explicitly waiving the right to cancel the contract. By waiving this right, funds used to purchase the irrevocable prepaid burial contract will not be considered in determining Medicaid eligibility up to the exemption limit of \$6,153, as adjusted for inflation, plus all amounts for "burial space".

- ***Prepaid Burial Contracts Funded by Life Insurance Must Assign Proceeds to a Trust***

- ***You can make the assignment irrevocable by explicitly waiving the right to cancel the contract.***

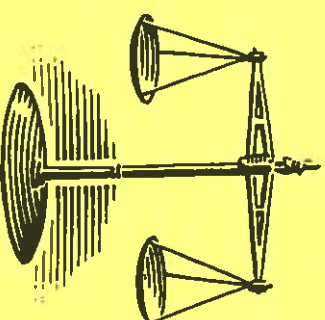
- ***Assign the life insurance proceeds to a trust. This can be done with the help of the funeral home at no additional cost.***

- ***Name the State of Illinois as residual beneficiary of any amounts remaining under the policy.***

The purchaser should ensure that the funeral home itself is not named as beneficiary under the life insurance policy. As Illinois law prohibits irrevocable assignments to funeral homes, an assignment may be in the form of a collateral assignment. Collateral assignments are considered revocable under Medicaid eligibility rules and are not exempt, so this should be avoided.

What to Know Before You Go

Funeral and Burial Services Arrangements for Medicaid Applicants



New Applicants and Referrals Should Call Our Legal Advice and Referral Center toll free at 1-877-342-7891 From 9:00 a.m. to 1:30p.m. Monday through Friday to speak directly to an attorney



This guide will provide information on how to comply with Medicaid eligibility rules when purchasing burial and funeral services for future use.

Medicaid's Prepaid Burial Contracts Exemption

In determining benefit eligibility, Medicaid exempts certain transfers made to purchase future burial and funeral services under a prepaid burial contract. The exempt amount, however, depends on whether the prepaid contract is revocable.

Illinois law requires that any payment to a funeral home under a prepaid burial contract be held in trust or funded by a life insurance. The prices must be guaranteed and the casket and vault models specifically described. These rules protect consumers by ensuring that funds paid under the prepaid contract are available when the services are needed.

- **Prepaid Contracts Are Generally Revocable**

Ordinary prepaid burial contracts can be terminated at any time prior to the death of the beneficiary, upon written demand. The funeral home will then return the entire amount held in trust. This means that prepaid burial contracts are revocable by default.

If the burial contract is revocable, the exempt amount is \$1,500, as adjusted annually for any increase in the Consumer Price Index (CPI), plus any amount designated for burial space.

- **Prepaid Contracts Can Be Made Irrevocable**

If the burial contract is made irrevocable, funds will still be held in trust but the purchaser waives the right to terminate the contract.

If the contract is irrevocable, the Medicaid exempt amount is \$6,171, as adjusted for inflation, plus any amount designated for burial space.

- **"Burial Space" Items Are Exempt**

Anything falling within the definition of "burial space" is exempt without regard to value when included in the prepaid burial contract. Burial space includes: gravesites, mausoleums, crypts, urns, caskets, vaults, burial plots, niches, and other places traditionally used for the burial of deceased persons. Any additions to or improvements on burial spaces are also exempt, including headstones, markers, plaques, burial containers, and arrangements for opening and closing the gravesite.

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Last revised 6/4/2015