

# Can Life Insurance Affect Your Medicaid Eligibility?

In order to qualify for Medicaid in Indiana, a single person can't have more than \$2,000 in countable assets. Many people forget about life insurance when calculating their assets, but depending on the type of life insurance and the value of the policy, it can count as an asset.

Life insurance policies are usually either "term" life insurance or "whole" life insurance. If a Medicaid applicant has term life insurance, it doesn't count as an asset and won't affect Medicaid eligibility because this form of life insurance does not have an accumulated cash value. On the other hand, whole life insurance accumulates a cash value that the owner can access, so it can be counted as an asset.

That said, Medicaid law exempts certain whole life insurance policies from the calculation of assets. If the face value of the person's policies is less than \$10,000, then the cash value won't count as an asset for Medicaid eligibility purposes if the beneficiary is a funeral home, for instance. However, in most other circumstances, the cash surrender value of policy counts, just like money in the bank.

For example, suppose a Medicaid applicant has a whole life insurance policy that will pay \$13,500 at death and currently has a \$6,700 cash surrender value (the amount you would get if you cash in the policy before death). That cash value would prevent the person from becoming eligible for Medicaid help.

Many people assure that the only option is to cash the policy in. In the example above, that would mean losing the \$13,500 for the person's surviving beneficiary. In this case, taking a loan against the policy may be a better approach. If you have a life insurance policy that may disqualify you from Medicaid, you have a few options:

- Surrender the policy and spend down the cash value.
- Transfer ownership of the policy to your spouse or to a special needs trust. If you transfer the policy to your spouse, the cash value would then be part of the spouse's [community resource allowance](#).
- Transfer ownership of the policy to a funeral home.
- Take out a loan on the cash value. This reduces the cash value and the death benefit, but keeps the policy in place.

Before taking any actions with a life insurance policy, you should talk to your attorney to find out what is the best strategy for you, and to make sure that you do not cause problems with Medicaid eligibility.