Department of HUMAN SERVICES

MEDICAL ASSISTANCE INCOME TRUSTS

AN INCOME TRUST is an arrangement by which a trustee holds income for the benefit of another person (the beneficiary). Iowa law refers to these trusts as medical assistance income trusts. They are also known as income assignment trusts; Medicaid Income Trusts; qualified income trusts; "Miller" Trusts from Miller v. Ibarra, 746 F. Supp. 19 (Co. 1990); or d4B trusts from federal law as they were statutorily created by 42 USC 1396p(d)(4)(B).

When to Use

Income Trusts are established for Medicaid applicants or members when their income exceeds regular Medicaid eligibility criteria, but is insufficient to pay their medical expenses. The funds in an Income Trust consist of only income that is assigned to the trust by the Medicaid recipient who established the trust and is the beneficiary.

Requirements for an Income Trust

- the trust must be irrevocable or the state's residual interest protected upon revocation, termination, or modification
- the grantor is also the beneficiary
- only income is assigned to the trust and the income must be the beneficiary's income
- the state must be the residual beneficiary of the trust

If these provisions are in the trust, then state law will override all other terms of the trust that do not comply with state law.

Limitations on Income

The beneficiary's total countable monthly income (including income assigned to the trust) must be less than the average statewide charge for a private pay resident or the beneficiary will not qualify for Medicaid.

Reimbursement to the State

Reimbursement must include all medical assistance provided and not just the medical assistance provided during the term of the trust.

Funeral and Burial Expenses

These may not be paid from the trust until after all medical assistance has been reimbursed to the state.

Income Assigned to the Trust

Income typically includes social security, IPERS, annuities, pension plans, or other retirement funds.

Distributions from an Income Trust

Distributions are prioritized in the following order:

1. reasonable administrative expenses not to exceed $10 without a court order;
2. a monthly amount for the beneficiary's personal needs, a spouse's or dependent's needs, or for unmet medical needs, all in amounts to be determined by your caseworker;
3. services for your medical providers that reduces the amount paid by Medicaid;
4. kept in the trust.

A Spouse or Dependent's Needs

As a beneficiary of an Income Trust may be married or have a dependent, some of the income may be necessary for the support of that person. Funds from the Income Trust may be disbursed for the support of a spouse or dependent and should be done upon the receipt of the income to avoid accumulating other person's funds in the Income Trust.

Submitting an Income Trust for Approval

The trust document should be sent to the Department of Human Services caseworker for the Medicaid applicant or member who will send the trust document to the Medicaid Trust Program for review, approval, or denial.

Annual Reports

Yearly reports showing the monthly and total yearly income placed in the trust and the monthly and total yearly expenditures should be sent to the Medicaid Trust Program at the below address for review.

Report Upon Death

Upon death of the beneficiary or other termination of the trust, the trustee is responsible for winding up the affairs of the trust and should send notice of the termination, and reason for termination, to the Medicaid Trust Program at the address below.

Final Payment

At the termination of the trust by death or otherwise, payment of the money left in the trust up to the amount of all medical assistance given to the beneficiary must be paid to "Iowa Department of Human Services." Payments should be mailed to the same address as the annual reports at:

Medicaid Trust Program Contact Information:

PO Box 36565
Des Moines, IA 50315
515-246-9748
855-318-7878 (TOLL FREE)
trust@dhs.state.ia.us