

Standard Process for calculating withdrawal amount for retirement funds

In order for an individual's retirement fund to be excluded from being a countable resource for purposes of the individual's Medicaid eligibility, it must meet an exclusion rule. One of those exclusion rules is that the individual is drawing on the retirement fund at a rate consistent with their life expectancy.

To provide consistency in determining the allowable withdrawal amount to meet this exclusion rule, both at the time of initial application and annual renewal, the Department of Vermont Health Access (DHVA) uses a standard process for calculating that amount. The amount of the allowable withdrawal is determined using the value of the fund and the age of the individual at a specific point in time based off the application/renewal date (or, if applicable, the retroactive date).

Initial application

How to determine point in time:

- Use the application month or retroactive month if applicable.
 - Example: date of application
 - Application received May 16, 2023 with no retroactive coverage requested.
 - Proof of value needed for May 2023.
 - Example: retroactive month
 - Application received May 16, 2023.
 - Retroactive coverage requested for March 2023.
 - Proof of value needed for March 2023.
- Use the determined point in time to determine the age of the customer and the value of the fund.

How to determine the value of the fund:

- Use the value of the fund for the application month or retroactive month if applicable.
- Verification of the value of the fund for the application month or retroactive month if applicable (the "valuation month") must be provided. If statements issued by the company do not align with the valuation month, DVHA will accept other documentation of value from the company.
 - Example:
 - Application received June 10, 2023 with no retroactive coverage requested.
 - June 2023 is the valuation month.
 - Statements for January, February, March, April, and May 2023 are received with the application.
 - The value of the fund for June 2023 must be used. Either the statement or other documentation of the June 2023 value must be provided.

How to determine age of applicant:

- Use the age the applicant is on the date the application is received by DVHA or the first day of the retroactive month if applicable.
 - Example: date of application
 - Application received May 16, 2023 with no retroactive coverage requested.
 - May 2023 is the valuation month.
 - The applicant's date of birth is 4/16/1942.
 - On May 16, 2023, the applicant is 81.
 - Example: retroactive month
 - Application received May 16, 2023.
 - Retroactive coverage requested for March 2023.
 - March 2023 is the valuation month.
 - The applicant's date of birth is 4/16/1942.
 - On March 1, 2023, the applicant is 80.

How to calculate amount to withdraw to meet life expectancy:

- Use the valuation month, the value of the fund in that month, and the age of the applicant in that month to calculate the amount needed to be withdrawn from the fund to meet the life expectancy.
- Use the Social Security Administration's (SSA) life expectancy chart to find the life expectancy based on the applicant's age broken down for male and female. Rounding to the nearest whole year is not permitted.
 - Example:
 - The SSA chart shows the life expectancy as 4.12 years.
 - Use 4.12 years and not 4 years.
 - Keep track of the Period Life Table year of the life expectancy chart used to determine the withdrawal amount in case that information is needed at the time of application.

Period Life Table, 2020, as used in the 2023 Trustees Report

Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy

- Divide the value of the fund by the life expectancy to determine the withdrawal amount.
 - Example:
 - Application received on March 16, 2023, with no retroactive coverage.
 - March 2023 is the valuation month.
 - The value of the fund in March 2023 is \$356,422.04.
 - Age of female applicant on March 16, 2023 is 82.
 - Life expectancy per 2020 SSA chart is 7.98 years.
 - $\$356,422.04 / 7.98 = \$44,664.41$ per year, or \$11,166.10 per quarter, or \$3,722.03 per month.

- The amount withdrawn must be at least the withdrawal amount based on the life expectancy and *cannot* be less than that amount.
 - Example:
 - Monthly amount based on life expectancy is \$3,722.0341.
 - Do not round up or down, just drop numbers after two decimal places.
 - The amount allowed must be at least \$3,722.03.
 - If the amount is less than \$3,722.03, the customer must change the withdrawal amount.
- **NO additional withdrawals** from the fund are allowed.
- Periodic withdrawals must be scheduled with the fund company and can be monthly, quarterly, or annually. If an applicant has not already set up their periodic withdrawals at the time of their application, eligibility may be granted back to their application month (if they are otherwise eligible) if they act timely to set up their withdrawals.
 - If the periodic withdrawals are scheduled **monthly**, the next withdrawal must be received within 1 month of being notified by DVHA of the withdrawal requirement.
 - If the periodic withdrawals are scheduled **quarterly**, the next withdrawal must be received within 3 months of the application month.
 - If the periodic withdrawals are scheduled **annually**, the next withdrawal must be received within 12 months of the application month or the retroactive month if applicable.

Annual renewals

- The withdrawal amount must be **recalculated at each annual renewal** to determine if the amount is still meeting life expectancy. If the periodic withdrawal amount is greater than or equal to the life expectancy amount, no change to the withdrawal amount is needed. If the periodic withdrawal amount is less than the life expectancy amount, the withdrawal amount must change to keep the retirement fund excluded as a resource. The withdrawal amount will only be recalculated at the annual renewal.
- DVHA will use the statement month that is the same as the renewal month at each renewal to value the fund if the renewal form is received timely.
 - Example:
 - Initial application month was December 2022 with no retroactive coverage.
 - Annual renewal is scheduled for November 2023 and the renewal form is received timely.
 - Statement month that will be used for annual renewal is November 2023. If the company doesn't issue a statement for that month, DVHA will accept other documentation from the company.
- If the annual renewal form is received after a case has been closed, a statement for the month the renewal form is received will be required if no retroactive coverage is requested. If retroactive coverage is requested, a statement for the retroactive month will be required.