

**TO:** Local District Commissioners, Medicaid Directors

**FROM:** Judith Arnold, Director  
Division of Coverage and Enrollment

**SUBJECT:** Treatment of U.S Savings Bonds During the Retention Period

**EFFECTIVE DATE:** Immediately

**CONTACT PERSON:** Local District Support:  
Upstate (518) 474-8887 NYC (212) 417-4500

The purpose of this GIS message is to inform local districts of the procedures to be followed for determining whether the value of a U.S. Savings Bond is an available resource when determining eligibility for Medicaid coverage of long-term care services.

When a Medicaid applicant/recipient (A/R) owns a U.S. Savings Bond, the bond must be evaluated to determine its availability and value. A bond is not cash, but a promise to pay cash at a future specified date. A U.S. Savings Bond is not transferable. It can only be sold back to the government. Some bonds must be held for a minimum period of time from the date of issue before they can be converted to cash. Generally, these bonds are not considered an available resource until after the minimum retention period has expired. For Series EE and I bonds, the minimum retention period is six months for bonds issued on or before January 1, 2003 and twelve months for bonds issued on or after February 1, 2003.

Federal regulations allow the United States Department of the Treasury to waive the minimum retention period in cases of hardship. Some examples of hardship situations are:

- Unusual or excessive medical expenses;
- Bankruptcy;
- Foreclosure;
- Eviction notice;
- Utility shut-off notice;
- Natural disaster (flood, fire, etc.); and
- Inability to meet essential expenses (food, clothing, house/rent).

Since individuals seeking Medicaid coverage of long-term care services are likely to meet undue hardship due to excess medical expenses, such individuals must request to have the minimum retention period waived, as a condition of eligibility for Medicaid.

Individuals with Electronic Savings Bonds may request early redemption by email on the United States Department of the Treasury website (<http://treasurydirect.gov>). For paper bonds, the A/R or the A/R's legal representative should contact a financial institution that routinely cashes saving bonds. The A/R must sign the bond in the presence of a certifying officer. The certifying officer must also sign the bond and affix the institution's official stamp or seal in the space provided. The bond(s) and a letter explaining the reason(s) for the hardship request will need to be mailed to the United States Department of the Treasury, Bureau of the Public Debt, PO Box 7012, Parkersburg, WV 26106-7012. When sending bonds for a hardship consideration, the front of the envelope should be marked "HARDSHIP", in capital letters, so the request may be expedited.

Pending notification of approval or disapproval of a hardship request, Medicaid eligibility must be determined by excluding the bond as an available resource. If a waiver of the minimum retention period is approved, the value of the bond is counted as a resource beginning the first day of the month following the month in which the bond is available. Districts should only count the amount actually received as a resource. Early redemption of a savings bond may result in a penalty being taken from the bond proceeds. Ordinary income taxes due on the interest earned on the savings bonds are not an allowable deduction from the bond proceeds.

If the individual receives a denial of his/her hardship request, the bond is to be excluded as an available resource for the duration of the minimum retention period. If a new bond is purchased with the proceeds from an unavailable bond, the individual is again required to apply for a hardship waiver. Districts should require verification of an individual's hardship request as well as a copy of any denial provided by the United States Department of the Treasury. If an A/R does not cooperate with the requirement to pursue a potentially available resource, the case can be denied/closed.

Districts should follow these procedures for Medicaid applications for long-term care services filed on or after the date of this GIS message. Long-term care services include community-based long-term care and nursing facility services, as identified in Administrative Directive 04 OMM/ADM-6 "Resource Documentation Requirement for Medicaid Applicants/Recipients (Attestation of Resources)."