

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

Christopher W. G., by and through his Conservators Gary G. and
Kathleen G. v. Frank Bisignano

Christopher W. G. · No. 2:24-cv-06826 · Decided September 23, 2025

SUMMARY

The United States District Court for the Central District of California affirmed the Commissioner of Social Security’s denial of Supplemental Security Income benefits to Christopher W. G. The court held that the plaintiff’s special needs trust did not qualify for exclusion from countable resources under 42 U.S.C. § 1396p(d)(4)(A) because its language potentially permitted payment of third-party debts and other obligations before Medicaid reimbursement. The action was dismissed with prejudice.

CASE DETAILS

COURT	United States District Court for the Central District of California
WRITING FOR THE COURT	Autumn D. Spaeth
JURISDICTION	United States District Court for the Central District of California
DECIDED	September 23, 2025
DOCKET	2:24-cv-06826
DISPOSITION	dismissed
PROCEDURAL POSTURE	Plaintiff sought judicial review under 42 U.S.C. § 405(g) of the Commissioner's final decision denying Supplemental Security Income benefits.
STANDARD OF REVIEW	The district court reviews the Commissioner's decision under 42 U.S.C. § 405(g), affirming factual findings supported by substantial evidence and applying the proper legal standards. Substantial evidence is more than a mere scintilla but less than a preponderance, and the court reviews the administrative record as a whole without substituting its judgment when the evidence reasonably supports either affirmance or reversal.
PRECEDENTIAL VALUE	unpublished and nonprecedential
PARTIES	Christopher W. G., by and through his Conservators Gary G. and Kathleen G. v. Frank Bisignano, Commissioner of Social Security

TOPICS

judicial review of agency action

administrative law

trusts

medicare medicaid

PRACTICE AREAS

Social Security

administrative law

trusts

public benefits

QUESTIONS PRESENTED

1. Whether the special needs trust satisfied the exception to resource counting under 42 U.S.C. § 1396p(d)(4)(A).
2. Whether substantial evidence supported the ALJ's determination that the trust permitted payment of third-party debts or other obligations before reimbursement to the state.

HOLDINGS

1. The special needs trust did not satisfy 42 U.S.C. § 1396p(d)(4)(A) because its language permitted payment of third-party debts and other obligations before reimbursement to the state for Medicaid assistance.

KEY QUOTATIONS

“The SNT does not specify these payments may be made only after reimbursing the state. Instead, the language “and other obligations” in the payback provision authorizes these payments be made prior to reimbursing the state.” (at 5)

“The ALJ’s conclusion that the SNT does not meet the exception requirements of 42 U.S.C. § 1396p(d)(4)(A) is supported by substantial evidence and is not clearly erroneous or contrary to law.” (at 6)

FACTUAL BACKGROUND

Plaintiff had a court-established special needs trust containing more than \$237,000, while the applicable SSI resource limit was \$2,000. The trust's payback provision stated that, after payment or provision for administration expenses and other obligations, the remaining trust estate would be payable to any state or state agency that had provided Medicaid assistance. The ALJ concluded that the phrase "and other obligations," together with provisions allowing payment of taxes and other expenses, permitted third-party payments before Medicaid reimbursement and therefore made the trust a countable resource.

PROCEDURAL HISTORY

Plaintiff applied for SSI benefits, and the application was denied initially and on reconsideration. After a hearing, the ALJ found that Plaintiff's special needs trust was a countable resource exceeding the SSI resource limit. The Appeals Council denied review on June 7, 2024, making the ALJ's decision the Commissioner's final decision. Plaintiff then filed this action, and the parties submitted briefs and the certified administrative record.

DISPOSITION

dismissed

CASES CITED

- Mayes v. Massanari, 276 F.3d 453, 458-59 (9th Cir. 2001) (as amended)
- Saelee v. Chater, 94 F.3d 520, 521 (9th Cir. 1996)
- Reddick v. Chater, 157 F.3d 715, 720-21 (9th Cir. 1998)
- Orr v. Colvin, No. 2:14-cv-1251-EFB, 2016 WL 1244252, at *4 (E.D. Cal. Mar. 30, 2016)

OPINION

C.W. Gustafson v. Martin OMalley

PER CURIAM.

1 2 3 4 5 6

7 UNITED STATES DISTRICT COURT

8 CENTRAL DISTRICT OF CALIFORNIA

9 10 11 CHRISTOPHER. W. G.,¹ by and through Case No. 2:24-06826 ADS his Conservators
Gary G. and Kathleen G., 12 Plaintiff,

13 MEMORANDUM OPINION AND ORDER

v. 14 FRANK BISIGNANO, Commissioner of 15 Social Security,² 16

17 I. INTRODUCTION

18 Plaintiff Christopher W. G., by and through his Conservators Gary G. and 19 Kathleen G.,
challenges the denial of his claim for Supplemental Security Income (“SSI”) 20 21 1 Plaintiff’s
name has been partially redacted in compliance with Federal Rule of Civil Procedure 5.2(c)(2)(B)
and the recommendation of the Committee on Court 22 Administration and Case Management of
the Judicial Conference of the United States. 2 Frank Bisignano became Commissioner of Social
Security on May 6, 2025. Under 23 Federal Rule of Civil Procedure 25(d), Frank Bisignano is
automatically substituted for Martin J. O’Malley as Defendant in this suit. 24 1 benefits by
Defendant Frank Bisignano, Commissioner of Social Security (hereinafter 2 “Commissioner” or
“Defendant”). Plaintiff contends that the Administrative Law Judge 3 (“ALJ”) erred in finding
Plaintiff’s special needs trust does not meet the exception 4 requirements set forth in 42 U.S.C. §
1396p(d)(4)(A) of the Social Security Act. For the 5 reasons stated below, the decision of the
Commissioner is affirmed, and this matter is 6 dismissed with prejudice.

7 II. PROCEEDINGS BELOW

8 On September 22, 2020, Plaintiff filed a claim for SSI benefits. (See Dkt. No. 15, 9
Administrative Record (“AR”) 225-30.)³ Plaintiff’s application was denied initially on
10 January 25, 2022, and upon reconsideration on August 17, 2022. (AR 43-44, 54-56.)
11 Plaintiff filed a written request for hearing before an ALJ on October 24, 2022. 12 (AR 57-58.)
A hearing was conducted by telephone before ALJ Randolph Alden on

13 June 6, 2023. (AR 22-42.) Plaintiff was represented by counsel at the hearing.

14 (AR 22-42.) Plaintiff's Conservator and father Gary G. testified. (AR 35-37.) Following 15 the hearing, the ALJ issued an unfavorable decision finding Plaintiff's countable 16 resource in the form of a special needs trust made him ineligible for SSI benefits. (AR 17 11-18.) On June 7, 2024, the ALJ's decision became the Commissioner's final decision 18 when the Appeals Council denied review. (AR 1-6.) 19 Plaintiff filed this action on August 12, 2024, challenging the ALJ's decision. 20 (Dkt. No. 1.) Defendant filed an Answer and a copy of the Certified Administrative 21 Record. (Dkt. No. 15.) Plaintiff filed an opening brief. (Dkt. No. 16.) Defendant filed an 22 23 3 Citations to the Administrative Record are to the AR number. Pinpoint citations to 24 other docketed documents are to the page numbers in the CM/ECF-generated headers. 1 opposition brief. (Dkt. No. 19.) Plaintiff filed a reply brief. (Dkt. No. 20.) This case is 2 ready for decision.4

3 III. FACTS RELEVANT TO THE APPEAL

4 A special needs trust for Plaintiff was established pursuant court order (the 5 "SNT"). (AR 116-29, 143-49.) As relevant to the appeal, the SNT contains the following 6 provisions: 7 The intent and purpose of this Trust is to provide a discretionary, spendthrift Trust, to supplement public resources and benefits when such 8 resources and benefits are unavailable or insufficient to provide for the Special Needs of Beneficiary. As used in this instrument, the term "Special 9 Needs" means the requisites for maintaining CHRISTOPHER's good health, safety, and welfare when, in the discretion of the Trustee, such requisites 10 are not being provided by any public agency, office, or department of the State of California, or any other state, or of the United States of America. 11 12 (AR 116-17, Recitals, ¶ C.) 13 This Trust shall terminate upon the death of CHRISTOPHER. In accordance with the 42 U.S.C. 1396p(d)(4)(A) and Probate Code Section 14 3603(b), upon early termination of the Trust or death of [C. W.], whichever occurs first, and after payment or provision has been made for expenses of 15 administration and other obligations payable by the Trust, the remaining Trust estate shall be payable to any state or agency of a state, which has 16 provided medical assistance to [C. W.] under a state plan under Title XIX of the Social Security Act, up to an amount equal to the total medical assistance 17 paid on behalf of [C. W.] under such state plan. 18 (AR 121-22, Article II, ¶ 3.) 19 The Trustee shall pay any inheritance, estate, or other death taxes, if any, including interest and penalties, that may be payable by reason of the death 20 of any beneficiary of this Trust and be attributable to assets included in the Trust estate. The Trustee shall pay CHRISTOPHER's last illness and 21 funeral expenses if other satisfactory provisions have not been made for payment of such expenses. The Trustee shall make no payments for 22 expenses incurred prior to CHRISTOPHER's death if the Trustee shall determine, in its discretion, that payment therefor is the obligation of any 23 4 The Parties filed consents to proceed before a United States Magistrate Judge pursuant 24 to 28 U.S.C. § 636(c), including for entry of final Judgment. (Dkt. Nos. 7, 8.) 1 county, state, federal, or other governmental agency (except as otherwise provided in this instrument). 2 3 (AR 122-24, Article II, ¶ 7.)

4 III. SUMMARY OF ALJ DECISION AFTER HEARING

5 On August 24, 2023, the ALJ concluded Plaintiff's countable resource in the form of a 6 special needs trust made him ineligible for SSI benefits. (AR 11-18.) The ALJ identified 7 that Plaintiff's SNT had a balance of \$237,307.24 as of June 2021, exceeding the 8 applicable \$2,000 resource limit. (AR 16.) The ALJ concluded the SNT did not meet 9 the criteria for exclusion under the special needs trust exception. (AR 16-17.) The ALJ 10 supported his conclusion with the following reasoning: 11 The Trust does not meet the criteria for resource exclusion as it does not list the State (Medicaid) as the first payee after expenses of administration upon 12 termination of the Trust or death of the recipient. For purposes of the third element of the special needs Trust exception the State(s) must be listed as 13 the first payee(s) and have priority over payment of other debts and administrative expenses (POMS SI 01130.203.B.1.h). The Trust must 14 provide payback to any State(s) that may have provided medical assistance under the State Medicaid plan(s) and not be limited to any particular 15 State(s). Id. Here, Article II, paragraphs 3 and 7 of the Trust, provide a payback provision for any State or agency of a State that has provided 16 medical assistance to the recipient after the payment or provision has been made for expenses of administration and other obligations payable by the 17 Trust (emphasis added). (Ex. 1D pg. 6-9; 12D) 18 The claimant argued that the Trust has a proper pay pack [sic] provision, citing to SI 01120.203(B)(1). (Ex. 4B) The claimant reasoned that the 19 Article to be evaluated is Article II, section 3, which states that, "[a]fter administration expenses and taxes due, the state will be reimbursed 20 Medicaid expenses." (Ex. 1D pg. 7-8; 4B) The claimant cited SI 01120.203(E)(1) and (B)(10) in support of a contention that payment of 21 allowable administrative expenses, prior to repaying the State, was permissible. 22 While I agree that the payment of enumerated administrative expenses are 23 permissible, this matter turns on the full language of the provision of the Trust that claimant cites, which states that "[a]fter payment or provision 24 has been made for expenses of administration and other obligations payable 1 by the Trust, the remaining Trust estate shall be payable to any state or agency" (Ex. 1D pg. 7) The clause allowing for payment of 2 administrative expenses and "other obligations" language is vague enough to permit payment of prohibited expenses prior to Medicaid payback 3 (POMS SI 01120.203(E)(2)). This appears particularly true when read in conjunction with the language at Article II, paragraph 7 regarding payment 4 of inheritance, estate, or other taxes. (Ex. 1D pg. 9) I therefore find that inclusion of the phrase "and other obligations" allows payment of third- 5 party debts prior to Medicaid payment. (Ex. 1D pg. 7) I further find that for this reason, the Trust does not meet the criteria for exclusion under the 6 above cited provisions and is a countable resource as written. 7 (AR 16-17.)

8 IV. STANDARD OF REVIEW

9 A United States District Court may review the Commissioner's decision to deny 10 benefits pursuant to 42 U.S.C. § 405(g). The District Court must affirm an ALJ's 11 findings of fact if they are supported by substantial evidence and if the proper legal 12 standards were applied. *Mayes v.*

Massanari, 276 F.3d 453, 458-59 (9th Cir. 2001) (as 13 amended). Substantial evidence is more than a mere scintilla, but less than a 14 preponderance. *Saelee v. Chater*, 94 F.3d 520, 521 (9th Cir. 1996). To determine 15 whether substantial evidence supports a finding, the reviewing court “must review the 16 administrative record as a whole, weighing both the evidence that supports and the 17 evidence that detracts from the Commissioner’s conclusion.” *Reddick v. Chater*, 157 F.3d 715, 720 (9th Cir. 1996). If the evidence can “reasonably support either affirming 19 or reversing,” the reviewing court “may not substitute its judgment” for that of the 20 Commissioner. *Id.* at 720-21.

21 V. ANALYSIS

22 Plaintiff raises the following issue for review: whether the ALJ erred in 23 determining that the Plaintiff’s Special Needs Trust (the “SNT”) did not meet the 24 1 exception requirements of 42 U.S.C. § 1396p(d)(4)(A) of the Social Security Act. (Dkt.

2 No. 16 at 6.)

3 A. Legal Standard 4 SSI benefits is a needs-based program. For a trust to be exempt from resource 5 counting, it must provide that “the State will receive all amounts remaining in the trust 6 upon the death of such individual up to an amount equal to the total medical assistance 7 paid on behalf of the individual under a State plan. . . .” 42 U.S.C. § 1396p(d)(4)(A). 8 The Social Security Administration’s Program Operations Manual System (POMS) 9 interpreting this statute states: 10 To qualify for the special needs trust exception, the trust must contain specific language that provides that, upon the death of the individual, the 11 State(s) will receive all amounts remaining in the trust, up to an amount equal to the total amount of medical assistance paid on behalf of the 12 individual under the State Medicaid plan(s). The State(s) must be listed as the first payee(s) and have priority over payment of other debts and 13 administrative expenses, except as listed in SI 01120.203E in this section. 14 POMS SI 01120.203(B)(1)(h). A finding by the Commissioner that a trust does not meet 15 the exception requirements of 42 U.S.C. § 1396p(d)(4)(A) must be upheld when it is 16 supported by substantial evidence and is not clearly erroneous or contrary to law. *Orr v. 17 Colvin*, No. 2:14-cv-1251-EFB, 2016 WL 1244252, at *4 (E.D. Cal. Mar. 30, 2016). 18 B. Substantial Evidence Supports the ALJ’s Decision 19 The ALJ found the SNT did not meet the exception requirements of 42 U.S.C. § 20 1396p(d)(4)(A). (AR 16-17.) Specifically, the ALJ concluded the “inclusion of the phrase 21 ‘and other obligations’ [in Article II, paragraph 3] allows payment of third-party debts 22 prior to Medicaid payment. (AR 17.) Plaintiff argues the ALJ erred by not reading the 23 SNT as a whole. (Dkt. No. 16 at 9.) Plaintiff contends any ambiguity the ALJ found 24 within Article II, paragraph 3 of the SNT should have been clarified by the intent and 1 purpose of the SNT. (*Id.*) Defendant argues Article II, paragraph 3 unambiguously fails 2 to meet the exception requirements when read alone and with the SNT as a whole. (Dkt.

3 No. 19 at 4.) Defendant also points out the intent and purpose of the SNT makes no

4 mention of reimbursing Medicaid programs. (*Id.*) Plaintiff also argues the ALJ erred by 5 relying on the POMS interpretation of 42 U.S.C. § 1396p(d)(4)(A) because Plaintiff 6 contends the statute

is not ambiguous. (Dkt. No. 16 at 11-12.) Defendant responds that 7 the POMS interpretation gives “straightforward effect” to the requirements set forth in 8 the statute. (Dkt. No. 19 at 6.) Defendant further argues Plaintiff fails to show that the 9 POMS interpretation is inconsistent with the statute. (Id. at 6-7.) 10 The Court agrees with the ALJ and Defendant. Substantial evidence supports the 11 ALJ’s determination that the SNT permits payments to third-parties before reimbursing 12 the state. The ALJ interpreted the vague phrase “and other obligations” included in the 13 payback provision in light of the SNT as a whole. As the ALJ observed, Article II, 14 paragraph 7 permits payment of “inheritance, estate, or other death taxes.” (AR 17.) 15 The SNT does not specify these payments may be made only after reimbursing the state. 16 Instead, the language “and other obligations” in the payback provision authorizes these 17 payments be made prior to reimbursing the state. Contrary to Plaintiff’s argument, the 18 statement of intent and purpose does not provide a different interpretation. Thus, the 19 ALJ reasonably concluded the SNT fails to require reimbursement to the state of “all 20 amounts remaining in the trust upon the death of such individual up to an amount equal 21 to the total medical assistance paid on behalf of the individual under a State plan.” 42 22 U.S.C. § 1396p(d)(4)(A) (emphasis added). The ALJ’s conclusion that the SNT does not 23 meet the exception requirements of 42 U.S.C. § 1396p(d)(4) (A) is supported by 24 1 substantial evidence and is not clearly erroneous or contrary to law. Accordingly, the 2 ALJ’s conclusion must be upheld.

3 V. CONCLUSION

4 For the reasons stated above, the decision of the Social Security Commissioner is 5 AFFIRMED, and the action is DISMISSED with prejudice. Judgment shall be entered 6 accordingly. 7 8 DATED: September 23, 2025 9 /s/ Autumn D. Spaeth

THE HONORABLE AUTUMN D. SPAETH

10 United States Magistrate Judge 11 12 13 14 15 16 17 18 19 20 21 22 23 24