

UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Weatherbee ex rel. Vecchio v. Richman

351 F. App'x 786 (3d Cir. 2009) · Decided November 12, 2009

SUMMARY

The Third Circuit affirmed the District Court's ruling that an annuity purchased by a community spouse did not constitute a countable resource for purposes of the institutionalized spouse's Medicaid eligibility. The court held that the federal Medicaid statutes preempted a more restrictive Pennsylvania statute and rejected the Department of Public Welfare's argument that the annuity could be treated as a resource because it might be sold on a secondary market. The court also concluded that any lack of notice regarding conversion of the motion to dismiss into summary judgment was harmless.

CASE DETAILS

COURT	United States Court of Appeals for the Third Circuit
WRITING FOR THE COURT	Nygaard, Circuit Judge; Fisher; Nygaard; Smith
JURISDICTION	Federal
DECIDED	November 12, 2009
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the District Court's denial of the Pennsylvania Department of Welfare's motion to dismiss, conversion of that motion into a motion for summary judgment, entry of relief precluding denial of Medicaid benefits to Weatherbee, and closure of the case.
STANDARD OF REVIEW	The court reviewed the District Court's legal conclusions concerning Medicaid eligibility and preemption; it evaluated any notice error in converting the motion to dismiss into summary judgment for harmlessness and prejudice.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Pennsylvania Department of Welfare v. Theodore E. Weatherbee, ex rel. Cheryl L. Vecchio

TOPICS

medicare medicaid

statutory interpretation

federalism

summary judgment

appellate procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether an annuity purchased by the community spouse could be treated as a resource under federal Medicaid law to deny the institutionalized spouse eligibility for benefits.
2. Whether Pennsylvania's statute narrowing the annuity exemption was preempted because it imposed eligibility requirements more restrictive than federal Medicaid law.
3. Whether the District Court erred by converting the Department's motion to dismiss into a motion for summary judgment without sufficient notice, and, if so, whether the error was prejudicial.

HOLDINGS

1. An annuity that otherwise complies with federal law and exchanges a resource for guaranteed income cannot be treated as a resource under 42 U.S.C. § 1396p(e)(4) to deny Medicaid eligibility.
2. Pennsylvania's statute, 62 P.S. § 441.6(b), was preempted because it narrowed the federal annuity exemption and imposed an eligibility restriction inconsistent with federal Medicaid law.
3. Even assuming the District Court erred by failing to provide sufficient notice before converting the motion to dismiss into a motion for summary judgment, reversal was unwarranted because the Department failed to show prejudice and any error was harmless.

KEY QUOTATIONS

“We find that the District Court properly stated that the changes brought about by the Deficit Reduction Act are not ambiguous and must be read within the larger context of the longstanding rule that community spouse income is not available to an institutionalized spouse.” (787)

“The eligibility requirements established by the states may be more liberal than those of the Federal government, but they may not be more restrictive.” (788)

FACTUAL BACKGROUND

The community spouse purchased an annuity in connection with an institutionalized spouse's application for Medicaid long-term-care benefits. The Pennsylvania Department of Welfare treated the annuity as a resource and denied eligibility, relying in part on a Pennsylvania statute and on the possibility that the annuity could be sold on a secondary market. The District Court concluded that the annuity provided guaranteed income rather than an available resource and that the state restriction conflicted with federal Medicaid law.

PROCEDURAL HISTORY

Weatherbee sought declaratory and injunctive relief concerning Medicaid eligibility. After a hearing, the District Court converted the Department's motion to dismiss into a motion for summary judgment, denied the motion, precluded the Department from denying benefits based on the annuity, and closed the case. The Department appealed, challenging the Medicaid treatment of the annuity and the adequacy of notice before conversion to summary judgment.

DISPOSITION

affirmed

CASES CITED

- James v. Richman, 547 F.3d 214, 218 (3d Cir. 2008)
- In re Rockefeller Center Properties, Inc. Securities Litigation, 184 F.3d 280, 288 (3d Cir. 1999)

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