Overview

- Medicaid LTSS expenditures a large and growing part of state budgets
- States may respond by changing eligibility rules to control LTSS costs
- Modeling eligibility rules helps us:
  - Understand which components of eligibility play biggest role
  - Potential impact on access if states restrict eligibility
- Component of MN LTSS Projection Model (MN-LPM)
  - SHADAC projection model to estimate Minnesota Medicaid LTSS utilization and expenditures in 2020 and 2030
  - Funded by Minnesota Department of Human Services
Medicaid Financial Eligibility for LTSS is Complicated

• More complicated than MAGI
• Three financial eligibility tests: income, assets, home equity
• Excluded versus countable assets and income
• Two ways of counting income with different disregards, deductions, and allowances

LTC Income Calculation

Community Income Calculation
Approach

• Scope: Elderly population (age 65 or older)
• Model financial eligibility, ignoring medical need for LTSS
• Process based on MN Medicaid Eligibility Policy Manual and consultation with MN Medicaid eligibility staff
• Use thresholds and limits most commonly used across states, drawn from 2015 Kaiser Family Foundation survey of Medicaid eligibility
• Model eligibility under special income rule used in 44 states
• Model at national level

Data Source: Health and Retirement Study

- Longitudinal household survey of Americans age 50 or older, conducted by University of Michigan and sponsored by the National Institute on Aging and the Social Security Administration since 1992
- 10,388 persons age 65 or older in 2014 sample (18,747 total)
- Rich data on income, assets, and health care expenditures

Health and Retirement Study, RAND HRS Longitudinal File 2014 (V2) public use dataset. Produced and distributed by the University of Michigan with funding from the National Institute on Aging (grant number NIA U01AG009740). Ann Arbor, MI, (2018).
Income Test

• To qualify, most individuals must spend nearly all of their income on their care — spenddown

• The amount of income individuals must spend on their care is determined using two different income counting methodologies

LTC Income Calculation

Community Income Calculation
Income Test: LTC Income Calculation vs. Community Income Calculation

**LTC Income Calculation**
- Income at or below $2,199 per month
  - OR
  - Has community spouse
    - OR
    - Long-term nursing facility resident

**Community Income Calculation**
- Income above $2,199 per month
  - AND
  - No community spouse
    - AND
    - Community resident
Income Test: Income Eligibility Process

LTC Income Calculation

Allowances

Medical Spenddown

HCBS Allowance
$2,199 per month

Personal Needs Allowance
$50 per month

Community Spouse Allowance
up to $2,981 per month

$0 Threshold
Asset Test

- Value of individual’s countable assets must be no more than the specified asset limit after allowances
- Asset allowance for community spouse
- Value of primary residence is excluded in many cases
- $2,000 most common limit (38 states); highest is $4,000 (MS, DC); lowest is $1,500 (OH)

Home Equity Test

- The net value of the individual’s primary residence cannot exceed a limit set by the state
- Net value: fair market value minus the amount of any mortgages
- Home equity limit does not apply if a dependent relative lives in the home
- $552,000 is most common and lowest limit (40 states); $828,000 is highest (9 states)
Modeling Results

• Outcome: number people financially eligible for Medicaid LTSS
• Results of three scenarios:
  1. Status Quo = most common allowances and limits across states
  2. Restricted Income = most restrictive income rules across states
  3. Restricted Assets = most restrictive asset rules across states
# Status Quo Financial Eligibility

<table>
<thead>
<tr>
<th>Allowance / Limit</th>
<th>Status Quo Amount</th>
<th># States That Have Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income (Monthly)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Needs Allowance</td>
<td>$50</td>
<td>12</td>
</tr>
<tr>
<td>HCBS Allowance</td>
<td>$2,199</td>
<td>19</td>
</tr>
<tr>
<td>Community Spouse Income Allowance</td>
<td>$2,981</td>
<td>38</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Spouse Asset Allowance</td>
<td>$119,220</td>
<td>47</td>
</tr>
<tr>
<td>Asset Limit</td>
<td>$2,000</td>
<td>38</td>
</tr>
<tr>
<td><strong>Home Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Equity Limit</td>
<td>$552,000</td>
<td>40</td>
</tr>
</tbody>
</table>

Status Quo Financial Eligibility

(Millions of people)

- Elderly Adults: 46.3
- Meet Home Equity Test: 45.7
- Meet Home Equity & Income Tests: 24.8
- Meet Equity, Income, & Asset Tests: 10.0

21.6% of 65+ population

Source: SHADAC Analysis of the 2014 RAND HRS
# Restricted Income Eligibility Scenario

<table>
<thead>
<tr>
<th>Income (Monthly)</th>
<th>Allowance / Limit</th>
<th>Status Quo Scenario</th>
<th>Restricted Income Scenario</th>
<th>Percent Diff.</th>
<th>States Where Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personal Needs Allowance</td>
<td>$50</td>
<td>$30</td>
<td>40%</td>
<td>AL, IL, NC, SC</td>
</tr>
<tr>
<td></td>
<td>HCBS Allowance</td>
<td>$2,199</td>
<td>$600</td>
<td>73%</td>
<td>CA</td>
</tr>
<tr>
<td></td>
<td>Community Spouse Income Allowance</td>
<td>$2,981</td>
<td>$1,991</td>
<td>33%</td>
<td>AL, FL, ME, NJ, NM, NC, OR, SD, VT</td>
</tr>
</tbody>
</table>

| Assets           | Community Spouse Asset Allowance         | $119,220           | No change                  |               |                          |
|                  | Asset Limit                              | $2,000             | No change                  |               |                          |

| Home Equity      | Home Equity Limit                        | $552,000           | No change                  |               |                          |

Restricted Income Eligibility Scenario

(Millions of people)

Source: SHADAC Analysis of the 2014 RAND HRS
## Restricted Asset Eligibility Scenario

<table>
<thead>
<tr>
<th>Income (Monthly)</th>
<th>Allowance / Limit</th>
<th>Status Quo Scenario</th>
<th>Restricted Asset Scenario</th>
<th>Percent Diff.</th>
<th>States Where Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personal Needs Allowance</td>
<td>$50</td>
<td>No change</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HCBS Allowance</td>
<td>$2,199</td>
<td>No change</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community Spouse Income</td>
<td>$2,981</td>
<td>No change</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allowance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Community Spouse Asset</td>
<td>$119,220</td>
<td>$66,480</td>
<td>79%</td>
<td>SC</td>
</tr>
<tr>
<td></td>
<td>Allowance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset Limit</td>
<td>$2,000</td>
<td>$1,500</td>
<td>25%</td>
<td>OH</td>
</tr>
<tr>
<td>Home Equity</td>
<td>Home Equity Limit</td>
<td>$552,000</td>
<td>No change</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Restricted Asset Eligibility Scenario
(Millions of people)

<table>
<thead>
<tr>
<th>Category</th>
<th>Status Quo</th>
<th>Restricted Asset Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elderly Adults</td>
<td>46.3</td>
<td>46.3</td>
</tr>
<tr>
<td>Meet Home Equity Test</td>
<td>45.7</td>
<td>45.7</td>
</tr>
<tr>
<td>Meet Home Equity &amp; Income Tests</td>
<td>24.8</td>
<td>24.8</td>
</tr>
<tr>
<td>Meet Equity, Income, &amp; Asset Tests</td>
<td>10.0</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: SHADAC Analysis of the 2014 RAND HRS
Why does restricting income eligibility have a larger impact on access?

- Income allowances more broadly applied than asset allowance
  - 82% of population receive one or more income allowance (e.g. Personal Needs Allowance, HCBS Allowance, Community Spouse Income Allowance)
  - 9% of population receive a Community Spouse Asset Allowance
- Status quo income rules more generous than asset rules, so more room to restrict eligibility
Will states tighten their financial eligibility rules for Medicaid LTSS to control costs?

• Many states will face pressure to control Medicaid spending as population ages

• Restricting Medicaid LTSS eligibility rules could have a large impact on costs

• Reduced access likely has negative implications for health and utilization patterns

• To date, most states have not chosen more restrictive rules

• Program is already well targeted under existing rules
Alternative policy interventions

• LTSS benefit in an existing insurance product
  • Ex: Minnesota evaluating effects of limited home-care benefit embedded in supplemental Medicare plans

• New social insurance program for long-term care
  • Mandatory or voluntary
  • Ex: CLASS Act, Hawaii LTSS Program
Thank you!

Robert Hest, MPP
Research Fellow
State Health Access Data Assistance Center (SHADAC)
University of Minnesota - School of Public Health
hestx005@umn.edu

Check out our website at www.shadac.org and follow us on twitter: @shadac!
Medicaid LTSS expenditures a large and growing part of state budgets

FIGURE 5: COMPOSITION OF TOTAL STATE EXPENDITURES BY FUNCTION, FISCAL 1987 TO 2016

Medicaid LTSS expenditures a large and growing part of state budgets

Figure 11. Medicaid LTSS Expenditures Targeted to Older Adults and People with Physical Disabilities, by Service Category, FY 1995–2015 (in billions)

Income Test: Community Income Calculation Disregards

Community Income Calculation

First $65 of monthly earned income

Remaining half of monthly earned income

Some less common disregards and deductions are not modeled
Income Test: Medical Spenddown

• Individuals can deduct qualifying health care expenses from their income, including:
  
• Health insurance premiums
    • Medicare premiums
    • Private health insurance premiums (supplemental Medicare coverage)
    • Long-term care insurance premiums
• Most out-of-pocket medical expenses
Asset Test: Countable vs. Excluded Assets

Countable assets

• Cash assets
• Investments and retirement savings
• Second home
• Assets that could be converted into cash

Excluded assets

• Primary residence
• One vehicle used for transportation
• Household goods and personal effects
• Business assets
• Pre-paid burial expenses
• Annuities
• Certain types of trusts
Modeling the Asset Test

1. Begin with total net assets
2. Subtract net value of homestead
3. Subtract net transportation assets (capped at sample mean)

4. Has community spouse?
   - Yes:
     - Spouse has LTSS utilization?
       - Yes: Deduct Community Spouse Asset Allowance
       - No: Spouse has ADL/Cognitive morbidity?
         - Yes: Eligible Assets
         - No: Net assets no greater than $2,000?
           - Yes: Eligible Assets
           - No: Ineligible Assets
   - No: Applicant has LTSS utilization?
     - Yes: Deduct Community Spouse Asset Allowance
     - No: Spouse has ADL/Cognitive morbidity?
       - Yes: Eligible Assets
       - No: Net assets no greater than $2,000?
         - Yes: Eligible Assets
         - No: Ineligible Assets