Modeling Financial Eligibility for Medicaid Payment of LTSS

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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

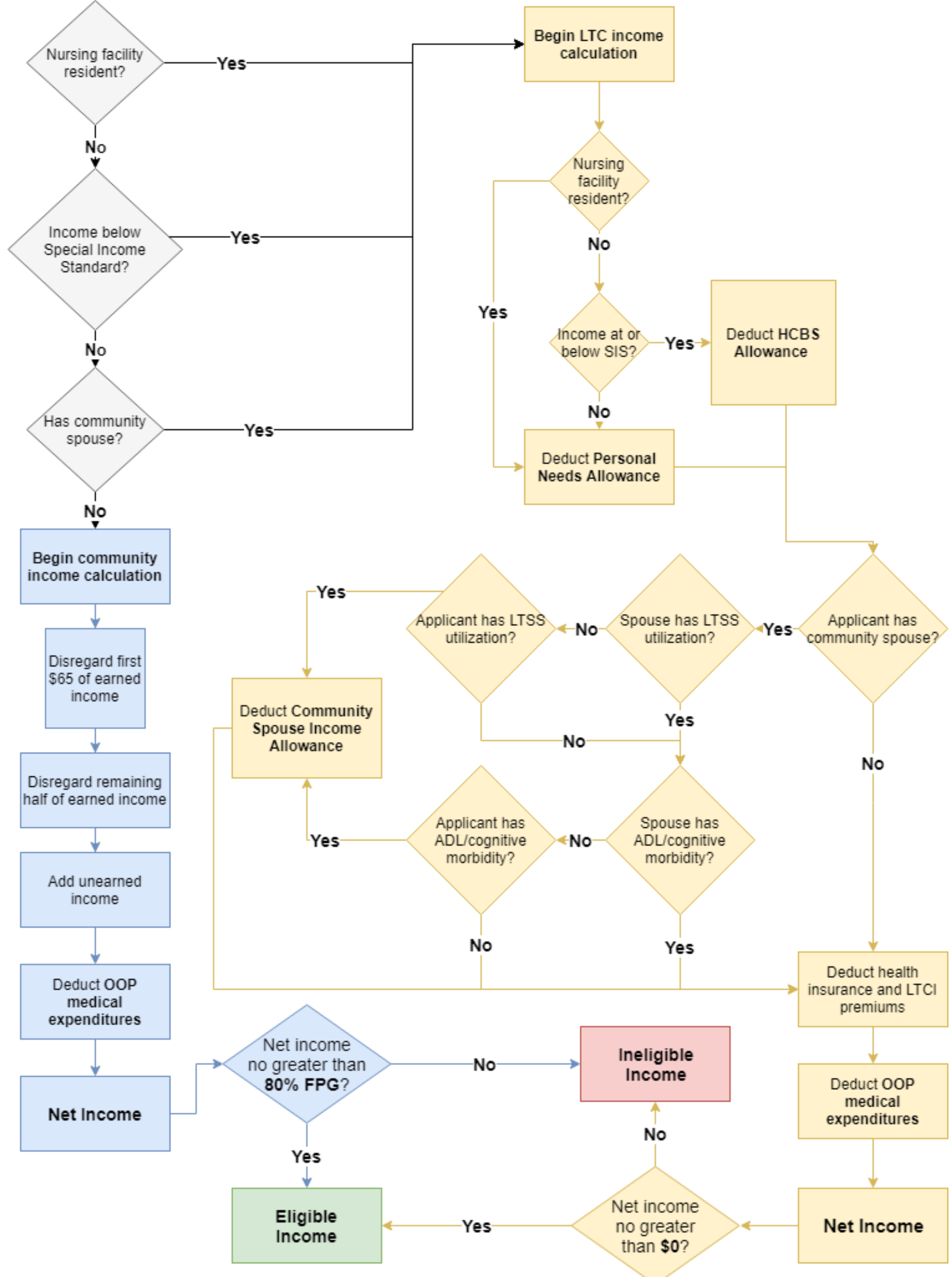
- Scope: Elderly population (age 65 or older)
- Model <u>financial</u> eligibility, ignoring medical need for LTSS
- Process based on MN Medicaid Eligibility Policy Manual and consultation with MN Medicaid eligibility staff
- Use thresholds and limits most commonly used across states, drawn from 2015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

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

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).



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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

Assets

Home Equity

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

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Income Test: Income Eligibility Process

LTC Income Calculation

Allowances

Medical Spenddown

$0 Threshold

HCBS Allowance
$2,199 per month

or

Personal Needs Allowance
$50 per month

Community Spouse Allowance
up to $2,981 per month

Income

Assets

Home Equity

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)

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

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Income

Assets

Home Equity

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)

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

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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

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

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

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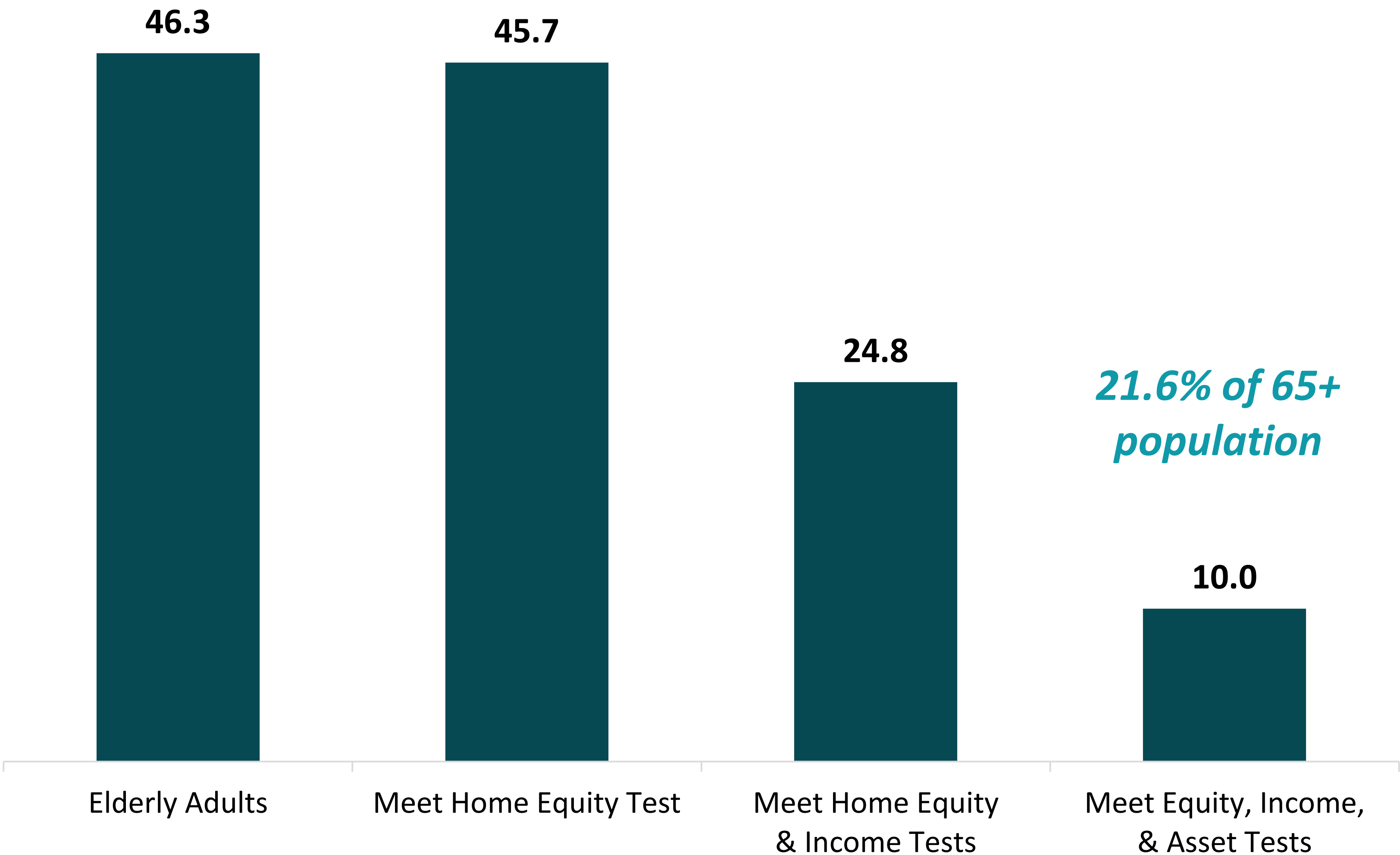
Status Quo Financial Eligibility

(Millions of people)



Source: SHADAC Analysis of the 2014 RAND HRS

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Restricted Income Eligibility Scenario

	Allowance / Limit	Status Quo Scenario	Restricted Income Scenario	Percent Diff.	States Where Implemented
Income (Monthly)	Personal Needs Allowance	$50	$30	40%	AL, IL, NC, SC
	HCBS Allowance	$2,199	$600	73%	CA
	Community Spouse Income Allowance	$2,981	$1,991	33%	AL, FL, ME, NJ, NM, NC, OR, SD, VT
Assets	Community Spouse Asset Allowance	$119,220	No change		
	Asset Limit	$2,000	No change		
Home Equity	Home Equity Limit	$552,000	No change		

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

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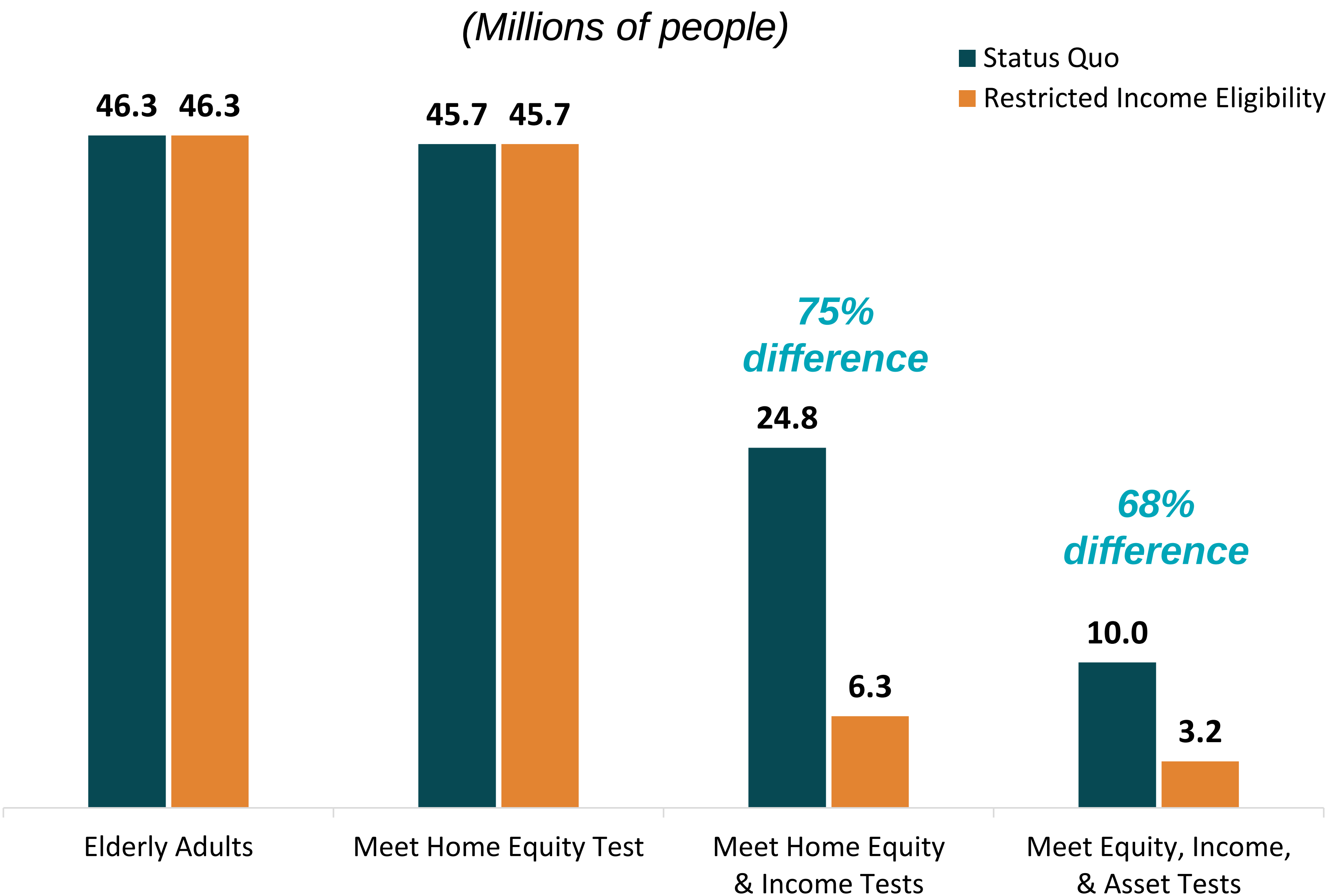
Restricted Income Eligibility Scenario



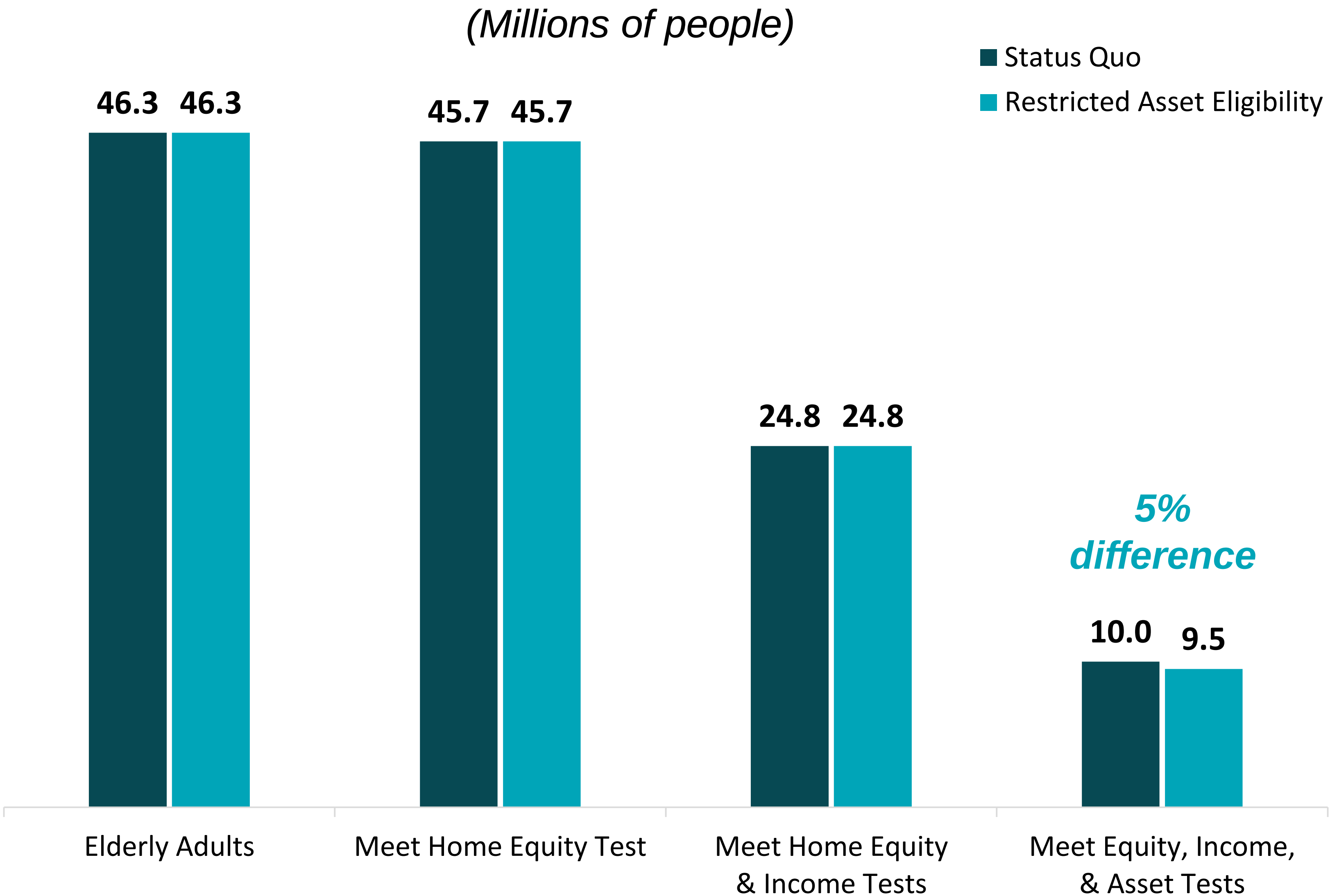
Source: SHADAC Analysis of the 2014 RAND HRS

Restricted Asset Eligibility Scenario

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

Watts M et al. Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015. KFF. 2016.

Restricted Asset Eligibility Scenario



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

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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!

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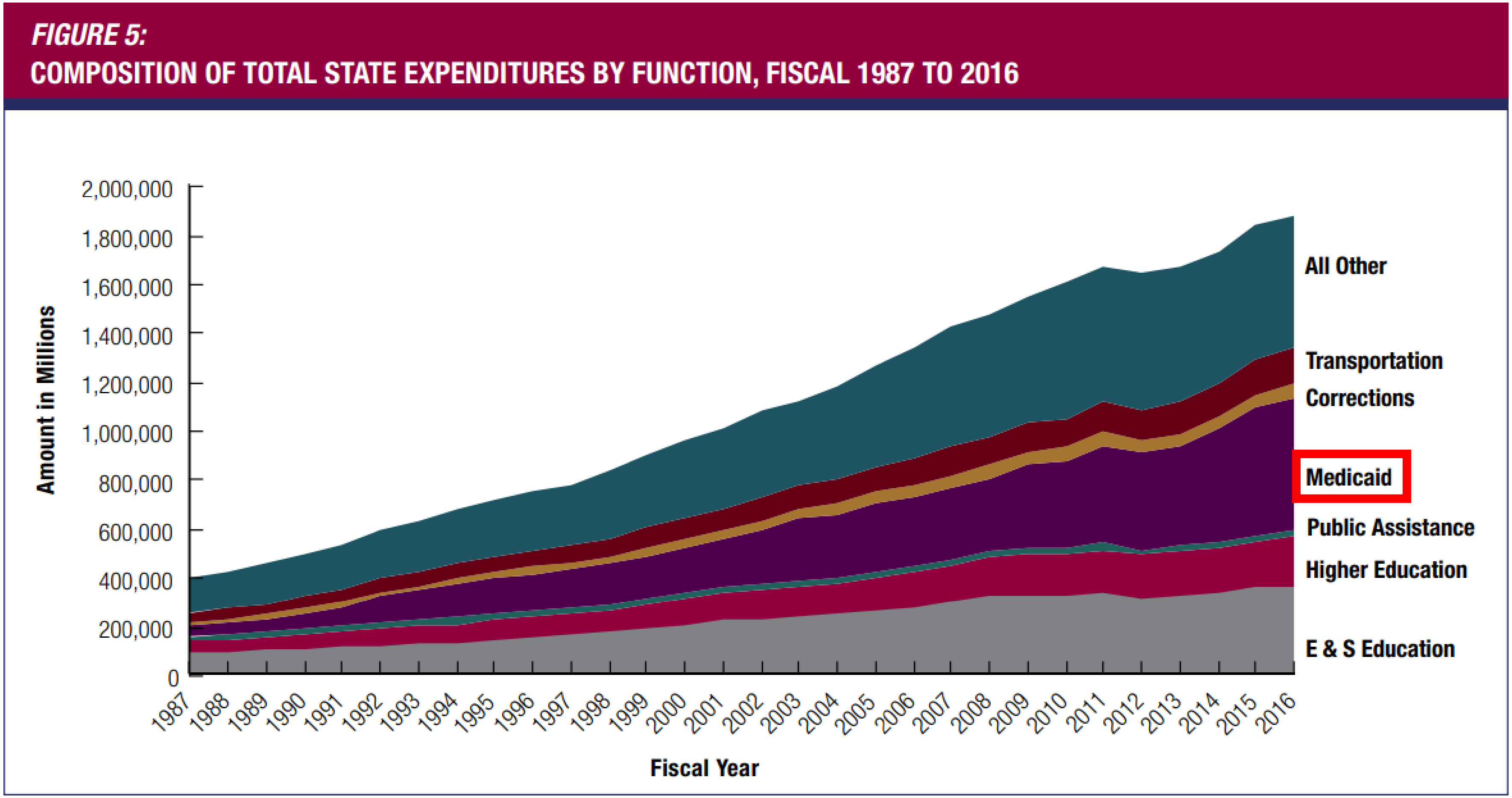
Backup Slides

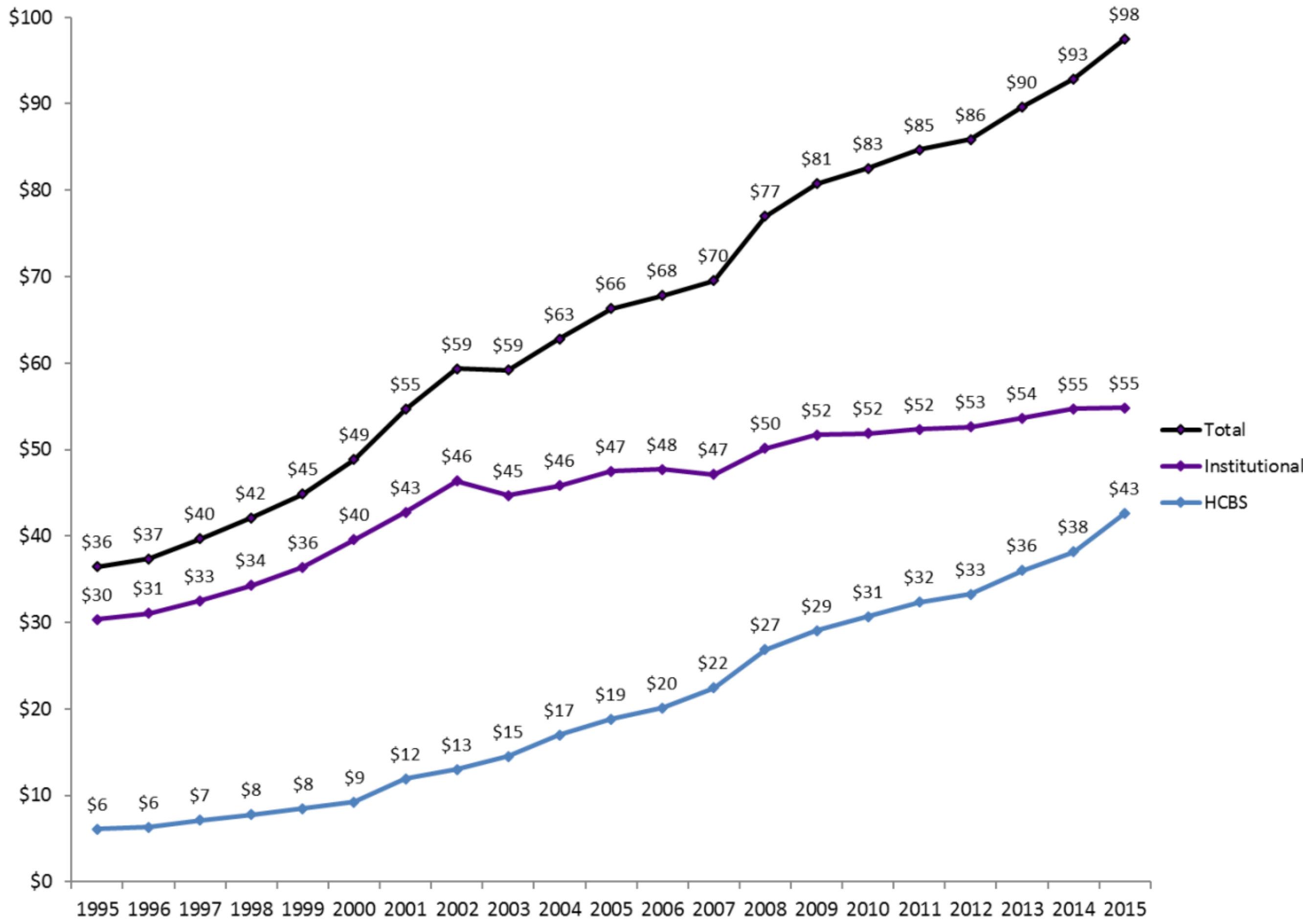
Medicaid LTSS expenditures a large and growing part of state budgets



National Association of State Budget Officers (NASBO). State Expenditure Report: FY2016. NASBO. 2017.

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)



Eiken S et al. Medicaid Expenditures for LTSS in FY 2015. Truven. 2017.

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