

In Brief

Medicaid Eligibility Policy for Aged, Blind, and Disabled Beneficiaries

Medicaid was an important source of health insurance for 12.2 million aged, blind, and disabled people in 2001. Medicaid provides different levels of coverage based on income and assets, but in general, it is restricted to people with low incomes and limited resources. The types and amounts of income and resources that are counted make a big difference in how generous or restrictive the nominal eligibility standards are. Although federal law requires Medicaid programs to cover certain low-income aged, blind, and disabled people, states also have a variety of options that allow them to extend such coverage to aged, blind, and disabled people who do not qualify under mandatory coverage categories. The flexibility to use optional coverage categories, coupled with the ability to use flexible methods for determining the countable value of income and resources, results in Medicaid eligibility policies for aged, blind, and disabled persons that vary substantially from state to state.

This *In Brief* summarizes findings from an AARP Public Policy Institute Issue Paper written by Brian K. Bruen and his colleagues from The Urban Institute.¹ The paper, based on a survey of state Medicaid officials conducted by the National Association of State Medicaid Directors between October 2001 and March 2002, describes state Medicaid eligibility policies for aged, blind, and disabled beneficiaries in the fifty states and the District of Columbia, and documents state policy choices regarding Medicaid coverage for these populations. The primary focus is on income and resource standards and the methodologies that states use to count them.

Principal Findings

- Between 1998 and 2001, states had modestly liberalized their rules to cover more of the low-income aged, blind, and disabled populations.
- In most states, Supplemental Security Income (SSI) beneficiaries are automatically eligible for Medicaid. However in 2001, 11 states used the “209(b)” option, which allows them to use more restrictive income and resource standards and methodologies and definitions of disability and blindness. The same number of states used the 209(b) option in 1998.
- In 2001, 36 states and the District of Columbia provided Medicaid eligibility to some people who receive State Supplemental Payments, which are cash payments to certain SSI beneficiaries and other people with incomes too high to qualify for SSI. The same number of states used this option in 1998.
- In 2001, 18 states and the District of Columbia provided Medicaid coverage to aged and disabled persons under an option that allows states to cover persons

¹ Brian K. Bruen, Joshua M. Wiener, and Seema Thomas. *Medicaid Eligibility Policy for Aged, Blind, and Disabled Beneficiaries*. AARP Public Policy Institute, Issue Paper #2002-14 (November 2003).

with incomes up to 100 percent of the federal poverty level. Only 11 states used this option in 1998.

- In 2001, 33 states and the District of Columbia used the medically needy option to provide Medicaid coverage to aged, blind, and disabled persons. This option offers coverage to persons with incomes slightly higher than allowed under the Aid to Families with Dependent Children program or to those who have high medical expenses. The same number of states used this option in 1998.
- In part because long-term care is so expensive, almost all states offer Medicaid eligibility to institutionalized persons with higher incomes than are typically allowed for persons living in the community. This more liberal eligibility is accomplished primarily through use of the medically needy option or the “special needs cap,” which provides Medicaid coverage to persons with incomes up to 300 percent of the federal SSI payment level. In 2001, 39 states used the special needs cap, and 25 of these also had medically needy programs. In 38 states, the institutional eligibility rules also applied to Medicaid home and community-based services waivers.
- When one member of a married couple is institutionalized, Medicaid has special rules establishing minimum and maximum income and resource levels to protect the spouse still living in the community. These rules are designed to ensure that the community spouse is not impoverished. In 2001, 23 states allowed the community spouse to keep the maximum amount of resources permitted under federal law.
- On a mandatory basis, Medicaid provides limited benefits—for example, assistance paying the Medicare Part A and Part B premiums and Medicare cost sharing—to several categories of low-income aged, blind, and disabled people with incomes and resources too high to qualify for full Medicaid benefits. In 2001, 19 states and the District of Columbia used less restrictive definitions of income, and 20 states and the District used less restrictive definitions of resources for eligibility under some of these categories.

Conclusions

Federal law gives states substantial flexibility in providing Medicaid coverage for aged, blind, and disabled people, which results in great variation in eligibility rules across states. Medicaid coverage rules are complex and, even within a single state, there can be many pathways to coverage. This complexity reflects the piecemeal evolution of Medicaid and the different roles that it plays in providing coverage to this population.

Despite cost and other barriers, as of 2001, states had expanded Medicaid coverage to a larger number of aged, blind, and disabled people than in 1998. Many states now use less restrictive income and resource methodologies, effectively lowering eligibility thresholds. In addition, in 2001, seven more states than in 1998 used the option to provide eligibility to older people with incomes up to the federal poverty level. By extending Medicaid coverage to more aged, blind, and disabled people, states can provide additional security to people who often have considerable unmet needs. Most states have numerous Medicaid coverage options that they do not use. At the same time, the current state fiscal crisis makes additional eligibility expansion unlikely in the near term and may lead to eligibility reductions in some states.