

## MEDICAID AND LONG-TERM SERVICES AND SUPPORTS FOR OLDER PEOPLE

### Introduction

The Medicaid program was designed to provide health care and nursing home services to the poor. Today, approximately one-third of all Medicaid spending pays for long-term care (LTC), making Medicaid our nation's largest source of payment for such services and supports. Medicaid funding is shared between federal and state governments. Each state, consistent with federal law, has flexibility in designing and administering its Medicaid program.

Medicare – the nearly universal source of acute health care coverage for people age 65 and older – covers few LTC services. Therefore, Medicaid's role in providing LTC is vitally important to people with disabilities.

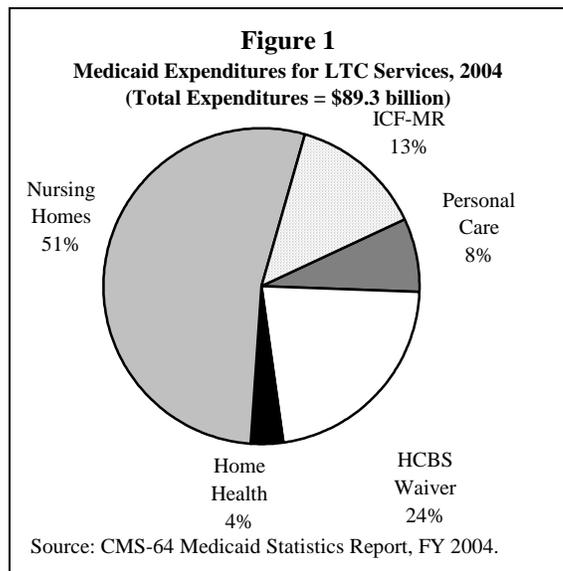
### Services

Each state's Medicaid program must pay for nursing home care for eligible people age 21 and older. Medicaid also is required to pay for home health services (skilled nursing and, at the state's option, a number of therapies) for people who would qualify for nursing facility coverage.

State Medicaid programs have the option of covering other LTC services including personal care (help with daily activities such as bathing and dressing), intermediate care facilities for the mentally retarded (ICF/MR), and home- and community-based services (HCBS) under a "waiver" of federal Medicaid rules. Using the Medicaid waiver option, states provide a range of services, which may include personal care; transportation; respite care; and homemaker, chore, and other related services.

### Eligibility

To qualify for Medicaid, individuals must meet strict income and asset rules. In most



states, aged or disabled adults who are eligible for Supplemental Security Income (SSI) are also eligible for Medicaid. In 2006, the federal SSI limits for individuals are \$603 per month in countable income and no more than \$2,000 in countable assets.

Special income eligibility rules pertain to people who receive Medicaid LTC services in a nursing home or through a waiver program. Individuals whose incomes are not adequate to cover their health and LTC costs, but exceed the SSI standard, can usually qualify for these LTC services. However, they must contribute nearly all their income to pay for their care. In addition to meeting financial eligibility criteria, participants must meet the state's functional eligibility criteria to receive Medicaid-covered LTC services. State criteria vary, but generally include health status as well as physical and cognitive functioning.

### Preventing Spousal Impoverishment

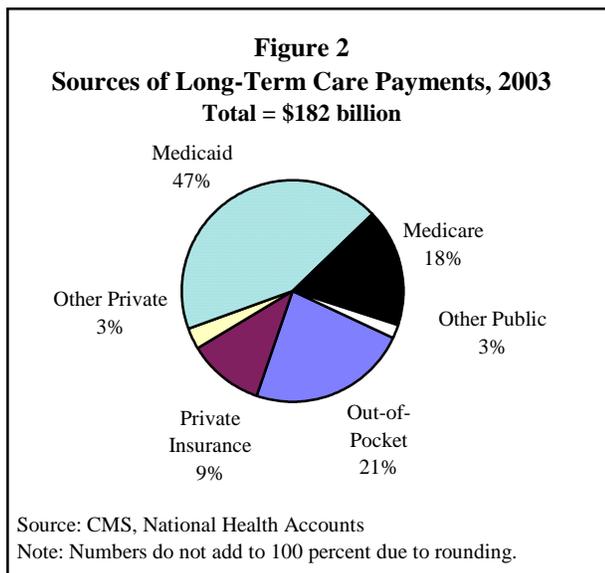
Special income eligibility rules pertain to nursing home residents whose spouses reside in the community. To prevent the high cost

of LTC from impoverishing the spouses of nursing home residents, Congress enacted special laws that *require* states to protect the income and assets of community-dwelling spouses. In 2006, each state must allow a spouse to retain \$1,604 in income per month (this amount will be updated in July, 2006) and states *may* allow a spouse to protect as much as \$2,489 per month in 2006. In addition, states must allow the spouse to retain the *greater* of \$19,908 in assets or half the couple’s joint assets up to \$99,540. States are allowed to apply these rules to the spouses of individuals who receive HCBS under a “waiver,” but not all states exercise this option.

### Medicaid Spending

In 2004, the Medicaid program spent \$89.3 billion for LTC. Of this amount, \$57.6 billion (64 percent) paid for institutional care and \$31.7 billion (36 percent) paid for HCBS. **Figure 1** illustrates Medicaid LTC expenditures, by type of service.

Medicaid, the single largest payer of LTC services in the United States, paid the largest share (47 percent) of long-term care costs in 2003. **Figure 2** illustrates the sources of payment for LTC in the United States.



Because the average private pay cost of nursing home care was more than \$64,000 per year in 2005, most people with an extended stay rely on Medicaid for at least a portion of the cost. About one-third of people who enter a nursing home are eligible for Medicaid upon admission; another third deplete their assets paying for care and then turn to Medicaid to pay for the portion of care that exceeds their income.

### Issues and Concerns

States have increased their provision of HCBS; however, more progress is needed to rebalance LTC systems. In 2004, Medicaid provided nursing home services to 950,000 persons (most of them age 65 and older) at any given point in time. In 2002, 484,087 people were served by HCBS waivers for the elderly (only) or the elderly/disabled.<sup>1</sup>

Because Medicaid was designed as a program for the poor, its eligibility criteria are quite restrictive. Many individuals must deplete their life savings before they can qualify for Medicaid to pay for the services they need.

Congress included provisions in the Deficit Reduction Act of 2005 to make it more difficult for individuals to shelter or give away their assets to qualify for Medicaid. Among the changes, Federal law now requires a five-year “look-back” period to document that assets were not transferred for less than fair market value or for the purpose of qualifying for Medicaid.

People who make impermissible transfers during this look back period will be ineligible for Medicaid LTC services for a period of time. The duration of the penalty is based on the amount of assets transferred and will begin, not from the date of the transfer, but from the time they would otherwise have been eligible for Medicaid. Individuals who are unaware of these rules may inadvertently disqualify themselves by making charitable contributions or helping family members. Many may fail to keep adequate records going back five years. While the law includes hardship exemptions for people whose life or health may be endangered by the denial of services, it remains to be seen how states will implement these provisions.

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<sup>1</sup> Kitchener, M., T. Ng, and C. Harrington. 2005. *Medicaid 1915(c) Home and Community-Based Service Programs: Data Update*. Washington DC: The Kaiser Commission on Medicaid and the Uninsured, July.