

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

### Introduction

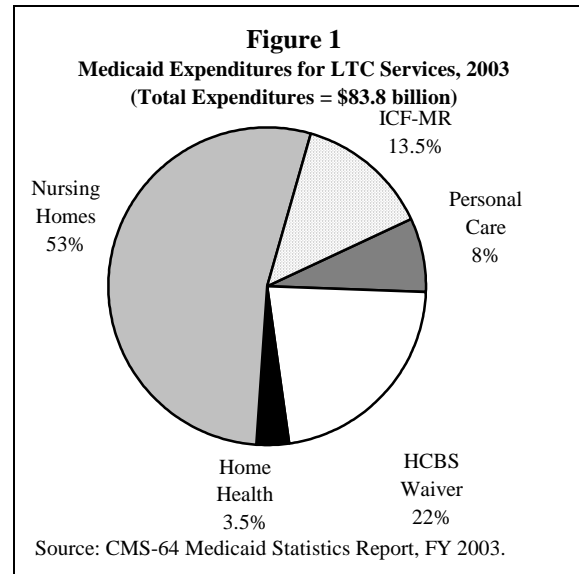
The Medicaid program was designed to provide coverage for health care and nursing home services to the poor. Today, approximately one-third of all Medicaid spending pays for long-term care (LTC), making Medicaid our nation's largest source of payment for such services and supports. Medicaid funding is 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 long-term care services. Therefore, Medicaid's role in providing coverage for long-term care is critically important to older people with disabilities.

### Services

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

State Medicaid programs have the option of covering other long-term care 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 2005, the federal SSI limits for individuals are \$579 per month in countable income and no more than \$2,000 in countable assets.

Special income eligibility rules pertain to persons who receive Medicaid long-term care services in a nursing home or through a waiver program. Individuals whose income is not adequate to cover their health and long-term care costs, but exceeds the SSI standard, can usually qualify for these long-term care services. However, these individuals 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 long-term care services. State criteria vary, but generally include health status as well as physical and cognitive functioning.

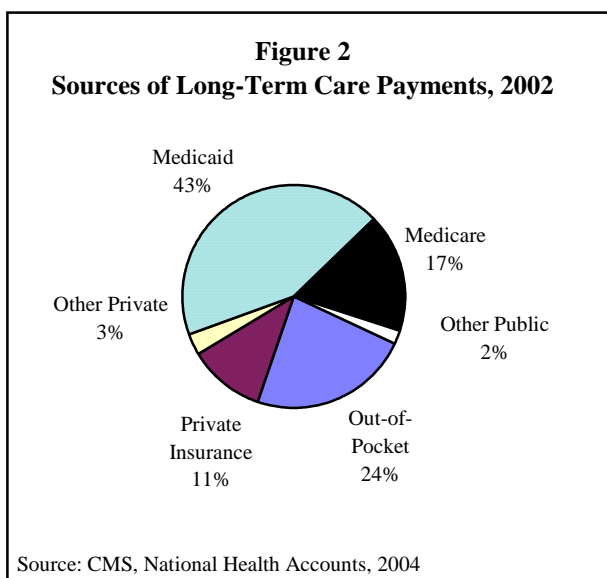
## Preventing Spousal Impoverishment

Special income eligibility rules pertain to nursing home residents whose spouses reside in the community. To prevent the high cost of long-term care 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 2004, each state must allow a spouse to retain \$1,561 per month (this amount will be updated in July, 2005) and states *may* allow a spouse to protect as much as \$2,378 per month in 2005. In addition, states must allow the spouse to retain the *greater* of \$19,020 in assets or half the couple's joint assets up to \$95,100. States are allowed to apply these rules to the spouses of individuals who receive home and community-based services under a "waiver," but not all states exercise this option.

## Medicaid Spending

In 2003, the Medicaid program spent \$83.8 billion for long-term care. Of this amount, \$56.1 billion (67 percent) paid for institutional care and \$27.8 billion (33 percent) paid for home- and community-based care. **Figure 1** illustrates Medicaid long-term care expenditures, by type of service.

Medicaid, the single largest payer of long-term care services in the United States, paid the largest share (43 percent) of long-term care costs in 2002. **Figure 2** illustrates the sources of payment for long-term care in the United States.



Because the average private pay cost of nursing home care was nearly \$58,000 per year in 2003, 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

Although most people who need long-term care prefer to remain at home, Medicaid spending for long-term care remains heavily weighted toward institutional care. States have increased services in home- and community-based settings; however, more progress is needed. In 2003, Medicaid provided nursing home services to nearly 1 million persons (most of them age 65 and older). In 2001, home- and community-based waiver programs for the aged and disabled served 451,220 persons.

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.

Finally, some policymakers believe that individuals attempt to shelter or give away their assets to qualify for Medicaid. Federal law requires a three-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. Some policymakers advocate a longer "look-back." Individuals who are unaware of these Medicaid rules may inadvertently disqualify themselves for a period of time by failing to anticipate the protracted recordkeeping requirements.

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