Medicaid Reform Tools For States Under a Per Capita Cap

PROTECTING MEDICAID RESOURCES FOR TRULY NEEDY

Every state is unique. That requires the flexibility to customize Medicaid programs to fit the needs of their diverse populations and the ability to refocus valuable resources on the truly needy. As Congress examines changes to Medicaid, adjustments should provide stability and certainty, while also giving states the ability to provide a soft landing for individuals currently in the program.

1 Grandfathering for Benefit & Eligibility Changes

PROBLEM:

States face skyrocketing Medicaid costs, but have limited flexibility to preserve limited resources for the truly needy. Current rules prevent states from making changes to benefits or eligibility prospectively through a state plan amendment. If a state wishes to eliminate an eligibility category, it is forced to remove all individuals enrolled under that group at once. This process is administratively complex and politically painful, leaving states with few options to unwind expansions.

SOLUTION

65% of voters support this reform

States should have the flexibility to make eligibility and plan design changes prospectively. This would allow them to effectively unwind past expansions in just a few years by closing the program to new applicants, while still preserving coverage for those currently enrolled. A similar process is used when making changes in other policy areas, such as pension reform. States should be free to make these prospective changes as needed.

2 Protect Medicaid for Truly Needy by Restoring Asset Tests

PROBLEM:

ObamaCare banned states from checking assets when determining eligibility for most Medicaid applicants. Under the new rules, individuals applying for coverage under the Modified Adjusted Gross Income (MAGI) standards are subject to no asset test, though seniors and individuals with disabilities who receive institutional care are still subject to the traditional asset test. This change allowed able-bodied adults with unlimited financial resources to qualify for Medicaid. One insurance broker in Iowa acknowledged that he has clients with up to $5 million in assets that have enrolled in Medicaid as a result of this change.

SOLUTION

58% of voters support this reform

States should have the flexibility to check assets as part of the eligibility process. This would allow states to preserve limited resources for the truly needy, rather than squandering them on individuals with significant financial resources. This would also give states an additional tool to combat welfare fraud, as access to bank accounts would allow caseworkers to flag income that would otherwise go unreported.

3 More Frequent Eligibility Checks

PROBLEM:

ObamaCare limited how often states could verify eligibility for most Medicaid enrollees to just once per year unless they receive information that circumstances have changed. But life changes that affect eligibility happen much more frequently and often go unreported. According to federal data, nearly 10 percent of all Medicaid spending is improper, with most improper Medicaid payments since 2010 caused by eligibility errors. This waste, fraud, and abuse not only costs taxpayers billions, it also robs limited resources from the truly vulnerable.

SOLUTION

States should have the flexibility to check Medicaid eligibility more frequently. States that actively receive notice of life changes - leading to an eligibility redetermination - have saved millions of dollars. These states have identified individuals who have found work, received raises, moved out of state, or even died, but who would otherwise have remained enrolled on the program. The AHCA requires Medicaid expansion states to redetermine eligibility every 6 months for the expansion population. States should have the same option for any eligibility group.

75% of voters support this reform

Note: AHCA requires Medicaid expansion states to re-determine eligibly every 6 months for the expansion population. This extends that same option to states for any Medicaid populations.

4 Home Equity Exemption Flexibility

PROBLEM:

Medicaid was intended to serve only the truly needy. However, eligibility expansions and loopholes have turned the program into a middle-class entitlement. Many attorneys help middle-class and affluent seniors plan their estates in ways to qualify for Medicaid. Although federal law restricts long-term care eligibility to individuals with limited countable assets, numerous exemptions and exclusions enable people with substantial resources to qualify for the program. Under current law, at least $560,000 in home equity is exempt from Medicaid's asset limit on those applying for long-term care. In some states, the exemption is as high as $840,000.

SOLUTION

61% of voters support this reform

States should have the flexibility to adjust plans to fit the diverse populations they serve, ultimately benefiting taxpayers and preserving valuable resources for the truly needy.

BOTTOM LINE

States should have the ability to be nimble and adjust plans to fit the diverse populations they serve, ultimately benefitting taxpayers and preserving valuable resources for the truly needy.

REFERENCES:

Jonathan Ingram, "Stop the scam: How to prevent welfare fraud in your state", Foundation for Government Accountability (2015).

Kirsten Colello, "Medicaid financial eligibility for long-term services and supports," Congressional Research Service (2017).

*Note: Asset tests still apply for individuals obtaining Medicaid eligibility through another program (e.g. foster care children, or SSI/SSDI recipients) and seniors.