

October 28, 2022

# Maintenance Needs Allowances for Beneficiaries Receiving Home- and Community-based Services

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Medicaid and CHIP Payment and Access Commission



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# Overview

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  - Eligibility for long-term services and supports (LTSS)
    - Special income level pathway
  - Maintenance needs allowance
- Analysis of maintenance needs limits relative to household spending
- Preliminary findings
- Next steps



# Introduction

# Introduction

- MACPAC staff was interested in understanding what it costs for home- and community-based services (HCBS) beneficiaries to live in the community relative to their states' maintenance needs limits
- The analysis updates a 2017 study by the Urban Institute that examined maintenance needs allowance limits relative to household expenditures

The background is a solid teal color. It features several large, semi-transparent, overlapping geometric shapes in a lighter shade of teal. These shapes include a large circle on the left side, a vertical rectangle in the center, and another large circle on the right side. The word "Background" is written in white, bold, sans-serif font, centered horizontally and positioned in the upper-left quadrant of the image.

**Background**

# Functional Eligibility Criteria

- Medicaid eligibility determinations for LTSS generally focus on level of care (LOC) criteria rather than the existence of specific clinical conditions
- States use functional assessment tools to determine functional eligibility and to create a care plan
- Functional criteria are typically defined by everyday activities that an individual is unable to do without assistance, including:
  - Activities of daily living (ADLs) such as eating, bathing, and dressing
  - Instrumental activities of daily living (IADLs) such as housework, grocery shopping, and medication management
- Most HCBS programs require an institutional LOC

# Financial Eligibility Criteria

- Includes both income and asset limits
- Countable income includes earned income (e.g., wages) and unearned income (e.g., Social Security benefits, trusts)
  - Some income is excluded, such as the first \$65 of monthly income plus one-half of the remaining amount
- Countable assets include cash and other liquid resources (e.g., stocks and bonds)
  - Some assets are excluded, such as a primary residence and one automobile

# Special Income Level Pathway

- Optional eligibility pathway for individuals who have income up to 300 percent of the Supplemental Security Income (SSI) benefit rate and who meet LOC criteria for nursing facility or other institutional care
- 42 states and DC have this pathway
- Typically uses the SSI asset limits: \$2,000 for an individual and \$3,000 for a couple
- Subject to post-eligibility treatment of income rules
  - Deductions include the monthly maintenance needs allowance, and for married beneficiaries, an additional amount for the maintenance needs of the spouse, referred to as a spousal income allowance



# Maintenance Needs Allowance

- An amount of income, determined by states, that individuals are allowed to retain after enrolling in Medicaid; intended to support community living (42 CFR 435.726(c))
  - Allowance limits are set based on a state's reasonable assessment of need
  - Can be used to pay for room and board and other expenses not covered by Medicaid (e.g., utilities, home maintenance, groceries)
  - No federal minimum exists
- In fiscal year (FY) 2018, allowance limits ranged from \$100 to \$2,250 per month
  - Median: \$2,024 per month

The background is a solid teal color with several large, semi-transparent, overlapping geometric shapes in various shades of teal. These shapes include a large circle on the left, a vertical rectangle in the center, and another large circle on the right, creating a layered, abstract design.

# **Analysis of Maintenance Needs Limits Relative to Household Spending**

# Methodology

- Our study updates a 2017 Urban Institute study; we replicated their methodology and updated for more current data; we also extended their work with a sub-analysis of LTSS need (Johnson and Linder 2017)
- Analyzed financial resources and household expenditures relative to state allowance limits
  - Study population: 65+, community-based, income no greater than 400 percent of the federal poverty guideline (FPG), had no long-term care insurance, and had complete ADL information
  - Data: Health and Retirement Study (HRS) survey and the accompanying Consumption and Activities Mail Survey (CAMS)

# Study Limitations

- **Not limited to Medicaid-eligible individuals:** The sample count would have been too small to support further analysis if limited to Medicaid-only or HRS respondents who are dually eligible for Medicaid and Medicare
- **HCBS eligibility:** We were unable to identify if respondents were accessing or were eligible for HCBS
- **Small sample size:** Our LTSS need (some difficulty with 2 to 5 ADLs) population served as a proxy for HCBS need, however our resulting LTSS need population was small
- **Other factors affecting spending:** Factors (e.g., cost of living, number of dependents in the household) not captured in the analysis may affect household expenditures

# Resources of the Study Population

- Individuals with income at or below 400 percent of the FPG had limited resources
  - Median annual income: \$16,984
  - Median assets: \$29,000
- Individuals with an LTSS need (some difficulty with 2 to 5 ADLs) have less resources than those with no LTSS need (some difficulty with 0 to 1 ADLs)
  - Median annual income (LTSS need): \$12,738
  - Median annual income (no LTSS need): \$17,370

# Preliminary Findings

# Preliminary Findings

- **Household Expenditures:** Most household expenditures, 86.1 percent, were for essential expenditures (e.g., housing costs). Half of all households spent more than 82.9 percent of their income on essential expenditures
  - Households with an LTSS need had lower household spending than those with no LTSS need
- **State Allowance Limits:** About 40 percent of households spent more than their allowance limit on essential expenditures
  - In households with an LTSS need, at least half had essential expenditures that exceeded their allowance limit

*Study limitations: Not limited to a Medicaid-eligible population, unable to identify use of HCBS, small sample of LTSS need population, and other factors affecting spending (e.g., cost of living) are not captured*



# **Preliminary Finding: Household Expenditures**




# Household Expenditures

- Most household spending, 86.1 percent (mean), is directed towards essential expenditures; non-essential expenditures comprised 13.2 percent
- Median annual essential expenditures were \$21,352
  - Income below 200 percent of the FPL guideline: expenditures below \$18,500
  - Income between 200 and 399 percent of the FPL guideline: expenditures above \$24,500
- Median annual essential expenditures as a percentage of income was at least 60 percent of household income for all households
  - Half of our study population spent more than 82.9 percent of their income on essential expenditures

# Household Expenditures

## *Sub-analysis: LTSS need*

- Median annual essential expenditures were lower for those with an LTSS need (\$16,702) relative to households with no LTSS need (\$21,682)
- Spending on housing differed by LTSS need
  - Spending on housing represented 52.4 percent of total spending for households with an LTSS need, compared to 45.3 percent for households with no LTSS need



# **Preliminary Finding: Spending Relative to State Allowance Limits**

## Percentage of Households Spending More than the Allowance Limit

Characteristic	All Households			
	Essential Spending Exceeds Allowances by			
	Any amount	25% or more	50% or more	100% or more
<b>All</b>	<b>39.6%</b>	<b>30.4%</b>	<b>23.1%</b>	<b>14.4%</b>
<b>Household income relative to the FPL guideline</b>				
Less than 100%	31.5	22.2	14.8	†
100–199%	36.5	28.6	22.6	14.8
200–299%	45.6	34.4	24.3	12.4
300–399%	44.6	35.5	30.1	24.9
<b>Annual maintenance needs allowance in state (unmarried respondents)</b>				
\$12,000 or less	82.7	76.9	71.5	54.5
\$12,001–\$15,000	71.6	55.9	43.8	27.9
\$15,001–\$25,000	44.9	29.2	†	–
More than \$25,000	26.4	16.9	11.0	†
<b>Annual maintenance needs and spousal income allowances in state (married respondents)</b>				
\$44,000 or less	35.4	22.5	21.1	†
\$44,001–\$50,000	21.2	†	†	–
\$50,001–\$58,000	10.2	8.8	†	–
More than \$58,000	†	–	†	†

**Notes:** FPL is federal poverty limit. LTSS is long-term services and supports. ADL is activity of daily living. IADL is instrumental activity of daily living.

Table includes all respondents (married and unmarried). Estimates represent households. The table includes respondents who are age 65 and older (and if married, whose spouse is age 65 and older), who live in a community setting, who do not have long-term care insurance, whose annual household income is no greater than 400 percent of the federal poverty guidelines, who had complete information about expenditures and limitations to activities of daily living, and whose expenditures did not exceed \$100,000 in any of the categories listed.

– Indicates not applicable (the estimate was suppressed due to HRS restricted data disclosure guidelines).

† Estimate not reported due to small sample size or unreliability because it has a relative standard error greater than or equal to 30 percent.

**Source:** SHADAC analysis of 2016 and 2018 RAND HRS, 2017 CAMS samples, 2022. Limited to CAMS respondents.

# Percentage of Households Spending More than the Allowance Limit

## *Sub-analysis: LTSS need*

Essential Spending Exceeds Allowances by	Household with LTSS Need (%)	Household with no LTSS Need (%)
Any amount	50.9*	38.5
25% or more	40.8*	29.3
50% or more	31.9*	22.2

**Notes:** LTSS is long-term services and supports. Table includes all respondents (married and unmarried), and as a result captures both maintenance needs and combined maintenance needs/spousal income allowance limits.

Estimates represent households. The table includes respondents who are age 65 and older (and if married, whose spouse is age 65 and older), who live in a community setting, who do not have long-term care insurance, whose annual household income is no greater than 400 percent of the federal poverty guidelines, who had complete information about expenditures and limitations to activities of daily living, and whose expenditures did not exceed \$100,000 in any of the categories listed.

\* Difference from no LTSS need is statistically significant at the 0.05 level.

**Source:** SHADAC analysis of 2016 and 2018 RAND HRS, 2017 CAMS samples, 2022. Limited to CAMS respondents.



**Takeaway**

# Takeaway

- For community-based individuals age 65 and older, most household spending was for essential expenditures compared to non-essential expenditures
- For some households, essential expenditures exceeded allowance limits
- Because our analysis was not Medicaid-specific, there is still some ambiguity around the allowance limits and their role in meeting the needs of Medicaid beneficiaries in the community
- Further research is needed to understand how allowance limits are set and how they affect household spending for Medicaid beneficiaries and their decisions to live in the community or in an institution, recognizing that the allowance limits are one of many factors affecting such choices

# Next Steps



# Next Steps

- Staff would appreciate feedback on Commissioner interest in exploring this topic further
- Areas for further research:
  - State approaches to determining maintenance needs allowance limits
  - State approaches to making a “reasonable assessment of need”
  - Identify policy considerations

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