Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 1091 (Senator Forehand)
Finance

Maryland Medical Assistance Program - Eligibility for Long-Term Care Services - Individuals with Substantial Home Equity

This emergency bill modifies eligibility criteria for long-term care services such as nursing home services.

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) could increase beginning in FY 2006 to the extent more people become eligible for Medicaid. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: When determining eligibility of an individual for long-term care services, the individual is not ineligible unless the individual's equity interest in the individual's home exceeds $750,000. This asset limit does not apply to an individual if the individual's child (who is under age 21 or who is blind or permanently and totally disabled) or spouse is lawfully residing in the individual's home. The specified amount must be increased each year beginning in 2011, based on the percentage increase in the Consumer Price Index for all urban consumers, rounded to the nearest $1,000. The bill specifies waiver conditions and states that this asset limit may not be construed to prevent an individual from using a reverse mortgage or home equity loan to reduce the individual's total equity interest in the home.

The bill must be construed to apply retroactively and applies to individuals who are determined eligible for Medicaid with respect to nursing home services or other long-term care services based on an application filed on or after January 1, 2006.

Current Law: A person applying for Medicaid long-term care services, such as admittance to a nursing home, must divest all but a minimum level of assets ($2,000) before coming eligible. Countable assets include savings accounts and investments but exclude the home, one car, life insurance with a face value of less than $1,500, and certain other items. The federal Deficit Reduction Act of 2005 specifies that individuals with more than $500,000 in home equity are ineligible for Medicaid long-term care services (retroactive to January 1, 2006).

Background: The federal Act attempts to achieve about $2.4 billion in federal savings over the next five years, in part, by specifying that individuals with more than $500,000 in home equity are ineligible for Medicaid nursing home benefits. The new law gives states the option to raise this threshold to $750,000. Changes in the treatment of home equity are expected to affect less than 0.5% of unmarried nursing home applicants (since home equity is not considered if a spouse is living in the home).

State Fiscal Effect: Medicaid expenditures (50% general funds, 50% federal funds) could increase, beginning in fiscal 2006, because the bill raises the home equity threshold from the new federal limit of $500,000 (retroactive to January 1, 2006) to $750,000. Previously, Medicaid did not have any equity limitation in place, and the federal cap is expected to generate savings in the Medicaid program because fewer people would be eligible. The bill increases the equity cap, potentially making more people eligible for Medicaid coverage. There are insufficient data to reliably estimate the number of potential enrollees that could be impacted by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Deficit Reduction Act of 2005: Implications for Medicaid* (February 2006), Kaiser Family Foundation; Department of Health and Mental Hygiene (Medicaid); Department of Legislative Services

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ncs/jr

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