SB 197

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 197 (Senator Forehand, *et al.*)
Finance

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

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This bill modifies Medicaid eligibility criteria for individuals applying for nursing facility services or other long-term care services.

Fiscal Summary

State Effect: Potentially significant increase in Medicaid expenditures (50% general funds, 50% federal funds) beginning in FY 2008. Any increase would depend on the extent to which more people become eligible for Medicaid long-term care services, and cannot be reliably estimated at this time. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: When determining the eligibility of an individual for Medicaid long-term care services, the individual is eligible if the individual's equity interest in the individual's home does not exceed $750,000. This asset limit does not apply to an individual if the individual's dependent child or spouse resides in the home. The $750,000 asset limit must be increased annually beginning in 2011 based on inflation. 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 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 July 1, 2007.

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 becoming eligible. Countable assets include savings accounts and investments but exclude 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). This provision does not apply if the spouse or dependent child of the individual resides in the home. The Act authorizes states to raise this home equity limitation up to $750,000. The amount of the limitation selected by a state must be increased each year beginning in 2011, based on the percentage increase in the Consumer Price Index for All Urban Consumers (all items; U.S. city average), and rounded to the nearest $1,000. The home equity limitation does not prevent an individual from using a reverse mortgage or home equity loan to reduce the individual's total equity interest in the home.

The Department of Health and Mental Hygiene has elected to impose a $500,000 home equity threshold for Medicaid long-term care services. Regulations to implement this eligibility requirement are under development.

Background: The Deficit Reduction Act of 2005 attempts to achieve about $2.4 billion in federal savings over the next five years, in part, by specifying that individuals with significant home equity are ineligible for Medicaid nursing home benefits. 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).

Prior to the Deficit Reduction Act of 2005, Medicaid did not have any home equity limitation in place. The limitation is expected to generate savings in the Medicaid program because fewer people would be eligible for long-term care services.

State Fiscal Effect: Medicaid expenditures (50% general funds, 50% federal funds) could increase beginning in fiscal 2008. This increase is attributable to additional individuals becoming eligible for Medicaid due to the rise in the home equity limitation from $500,000 to $750,000. There are insufficient data to reliably estimate the number of potential enrollees that could be impacted by the bill.

Additional Information

Prior Introductions: SB 1091 of 2006, an identical bill, received an unfavorable report from the Senate Finance Committee.

Cross File: None.

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

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