



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #481

Income Limit for Medically Needy Recipients (DHFS -- Medical Assistance)

CURRENT LAW

Wisconsin has adopted the federal option under medical assistance (MA) to extend MA eligibility to certain persons who may have too much income to qualify under a categorically needy group, such as individuals who receive supplemental security income (SSI). This medically needy option allows individuals to "spend down" to become eligible for MA by incurring medical and/or remedial expenses to offset their excess income, thereby reducing their countable income to a level below the maximum MA income limits.

The income limit for eligibility under the medically needy option will stay at the same nominal amount unless the state increases the income limit. Currently, the medically needy income limit for single persons is \$592 per month. This same limit applies to couples.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Federal law prohibits a state from establishing a medically needy income limit that exceeds 133% of the state's AFDC payment, as of July 16, 1996, for the same family size. Federal law allows use of the two-person AFDC standard for a single person.

2. From 1996 to 1999, the income limit for an individual under the medically needy standard increased each year because the 133% limit was higher than the categorical income limit. However, in calendar year 2000, the categorical limit exceeded the 133% limit for the medically

needy. As a result, the income limit for medically needy individuals reached the limit of \$592 per month on January 1, 2000, and has remained at that level.

3. A two-person medically needy family has been subject to the same income limit of \$592 per month since 1997. Medically needy families with three or more persons have also been subject to the same income limit since 1997, although that limit increases with family size.

4. The income limit establishes the amount of income that a medically needy household can retain for living expenses, such as rent, food and clothing. The income limit under MA is based on countable income. MA regulations allow various deductions and disregards for determining countable income.

5. Many of the eligibility groups under MA have their income threshold tied to a payment level or index that is adjusted each year. Persons who receive SSI are automatically eligible for MA. The income threshold for SSI is adjusted annually to reflect inflation. Persons who qualify for MA based on Healthy Start criteria (pregnant women and children) have an income threshold that is tied to the federal poverty level.

6. Low-income families that would meet the state's AFDC standard, as of July 16, 1996, are categorically eligible for MA. Because the AFDC standard is set at the 1996 level, the income threshold for this group, as well as medically needy groups, has an income threshold that is not automatically adjusted. However, many low-income families that are ineligible for MA may enroll in BadgerCare, which has an income standard that is based on the federal poverty level. Effectively, only medically needy low-income families and medically needy elderly and disabled are subject to a income standard that does not increase to reflect changes in inflation or the federal poverty level.

7. In calendar year 2001, a single person who receives SSI is subject to an income threshold of \$613.78 per month. An aged or disabled person with income below this level may receive an SSI payment to bring that person up to this income threshold, assuming asset limits and other conditions of SSI are met. In contrast, an elderly or disabled person with income above this limit but with high medical expenses must spend down to \$592 per month before MA will cover that person's medical expenses. Spend down is computed over a six-month period. This difference will grow each year since SSI payments are adjusted annually for inflation.

8. Although the difference for the income threshold is not yet large for a single individual, it is sizable for a two-person household. A two-person household could receive an SSI payment of \$928.05 per month while a two-person medically needy elderly or disabled household must spend down to \$592 per month before MA covers their medical expenses. A medically needy elderly or disabled couple would be allowed \$336 less per month for living expenses than a couple eligible for SSI.

9. A low-income family may be eligible for BadgerCare if their income were less than 185% of the federal poverty level. For a two-person family, the income threshold would be \$1,790

per month. However, if this family had gross income over this limit but had high medical expenses, the family would need to spend down to \$592 per month before MA would cover the medical costs.

10. Most medically needy persons are elderly or disabled. The number of AFDC-related medically needy is less than 2% of non-institutionalized medically needy persons.

11. Federal law allows states to increase the state's AFDC standard by up to the increase in the CPI since July 16, 1996. Between that date and December, 2000, the CPI increased approximately 10.8%. Projected inflation for calendar years 2001 and 2002 are 3.3% and 2.1%, respectively, according to the April, 2001 forecast by Data Resources Inc. (DRI). Wisconsin could increase its AFDC standard by the full amount of these increases or by some smaller amount. Alternatively, Wisconsin could simply start increasing the AFDC standard beginning at some point in the next biennium.

12. State law restricts the medically needy income limit to being no more than the limit for the categorically needy group. As a result, increases in the AFDC standard would never cause the medically needy income standard to be higher than the categorically needy standard for any household size.

13. If the AFDC standard were increased by the increase in the CPI over the prior year, beginning on January 1, 2002, MA benefits costs would increase by \$948,200 (\$391,100 GPR and \$557,100 FED) in 2001-02 and \$1,936,100 (\$803,500 GPR and \$1,132,600 FED) in 2002-03.

14. If the AFDC standard were increased by the increase in the CPI, beginning on January 1, 2003, MA benefits costs would increase by \$1,206,700 (\$500,700 GPR and \$706,000 FED) in 2002-03.

ALTERNATIVES TO BASE

1. Provide \$391,100 GPR and \$557,000 FED in 2001-02 and \$803,500 GPR and \$1,132,700 FED in 2002-03 to begin increasing the AFDC standard by the increase in the CPI in the prior year, beginning on January 1, 2002.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$1,194,600	\$1,689,700	\$2,884,300
<i>[Change to Bill</i>	<i>\$1,194,600</i>	<i>\$1,689,700</i>	<i>\$2,884,300]</i>

2. Provide \$500,800 GPR and \$706,000 FED in 2002-03 to begin increasing the AFDC standard by the increase in the CPI in the prior year, beginning on January 1, 2003.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$500,800	\$706,000	\$1,206,700
<i>[Change to Bill</i>	<i>\$500,800</i>	<i>\$706,000</i>	<i>\$1,206,700]</i>

3. Maintain current law.

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