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[Effect on Medicaid of Restoring Eligibility to Those Who Lost It because of Cost-of-Living Increases in Old-Age, Survivors, and Disability Insurance]. HRD-77-88; B-164031(3). May 20, 1977. Released May 27, 1977. 10 pp.

Report to Sen. John Melcher; by Robert F. Keller, Acting Comptroller General.

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Congressional Relevance: Sen. John Melcher.
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The wide variation in State Medicaid eligibility standards makes it difficult to assess the possible effects on the Social Security Act's title XIX (Medicaid) program of an amendment which would restore Medicaid eligibility to those who lost it because of the 1974, 1975, and 1976 cost-of-living increases in social security retirement, survivors, and disability benefits. Findings/Conclusions: The title II cost-of-living increases effective in July of 1974, 1975, and 1976 could have resulted in an individual losing Federal Supplemental Security Income (SSI) payments, mandatory State supplement payments, optional State supplement payments, or Aid for Dependent Children payments. If these increases caused a person to lose Federal SSI, but State mandatory and/or optional supplements were retained, the person's Medicaid eligibility would not have been affected. The worst that could happen to an SSI or Medicaid recipient who resides in one of the 33 states which uses the January 1972 criteria or one that covers the medically needy is that the person's spend-down amount would increase. In the other 16 states, it is possible for a person to have lost Medicaid benefits because of the cost-of-living increases. Using the most recently published data on Medicaid expenditures, the estimated maximum cost of restoring Medicaid eligibility to those who lost it because of the cost-of-living increase of July 1976 would be about $23 million, somewhat more than half of which would be Federal funds. No data were available about individuals who lost benefits because of the earlier cost-of-living increases. (SC)

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C.

Released 5/27/77

B-164031(3) MAY 20 1977

The Honorable John Melcher
United States Senate

Dear Senator Melcher:

Your letter of February 3, 1977, requested information on the possible effects on the Social Security Act's title XIX (Medicaid) program of an amendment which would restore Medicaid eligibility to those who lost it because of the 1974, 1975, and 1976 cost-of-living increases in social security retirement, survivors, and disability benefits. Because of the wide variation in State Medicaid eligibility standards, it is difficult to respond with precise figures to your questions.

We will first discuss the current Medicaid eligibility requirements for individuals eligible for payments under the Federal Old-Age, Survivors, and Disability Insurance Benefits program (title II) and/or (1) the Supplemental Security Income program (SSI) under title XVI or (2) the Aid to Families with Dependent Children program (AFDC) under title IV of the Social Security Act. Then we will respond directly to your questions.

RELATIONSHIP BETWEEN MEDICAID AND CASH BENEFIT PROGRAMS

Under current law most citizens over 65 years of age and many citizens who are disabled (including those disabled by blindness) are entitled to benefits under title II of the Social Security Act. During fiscal year 1976 about 20.2 million retired persons and their dependents, about 7.4 million survivors, and about 4.4 million disabled persons and their dependents received benefits under title II. Eligibility for title II benefits does not entitle a recipient to Medicaid.

Persons with dependent children receiving benefits under title II (usually survivors benefits) can also be eligible for AFDC payments if their benefits do not exceed the income ceiling for the AFDC program. Also, aged and disabled individuals receiving title II benefits at the lower end of the payment scale can also be eligible for cash payments under

SSI. Low income aged and disabled persons not eligible for title II benefits can be eligible to receive SSI benefits. Individuals receiving SSI benefits are usually eligible for Medicaid and, except in Arizona which has no Medicaid program, entitlement to AFDC benefits always imparts entitlement to Medicaid. During June 1976, about 2.2 million aged persons and about 2.1 million disabled persons received federally administered SSI cash assistance, and about 11.2 million persons received AFDC cash assistance. We were not able to obtain information on the number of persons receiving both title II and SSI or AFDC benefits.

SSI eligibility criteria

There are three types of SSI payments. Federal SSI payments have been made to individuals whose gross income after July 1, 1976, less certain disregarded income, is at a rate less than $167.80 per month. For persons with an eligible spouse, the ceiling is $251.80 a month in combined income. To receive Federal SSI payments, an eligible individual cannot possess more than $1,500 in liquid assets and an eligible couple cannot have more than $2,250 in combined liquid assets. The Federal SSI payment is the difference between the individual's income and the maximum income allowed for eligibility. For example, if an unmarried disabled individual has an income after disregards of $100 per month and meets the liquid assets criteria, they would be entitled to monthly SSI benefits of $67.80 ($167.80 - $100 = $67.80).

The second type of payment is a State mandatory supplement. This payment has been required for a State to claim Federal sharing in its Medicaid expenditures after December 1973. The State mandatory supplement is the amount necessary to raise the payment level of an individual who received public assistance in December 1973 to the level they received in December 1973. This provision was enacted to insure that an individual's income was not lower after State/Federal assistance programs for the aged, blind, and disabled were federalized under SSI in January 1974. For example, if the State payment level to an aged individual in December 1973 was $200 per month, the mandatory supplement that State would now be required to pay would be $32.20 ($200 - $167.80 = $32.20). Also, if an aged, blind, or disabled individual who received assistance in December 1973 presently had a monthly income above the Federal SSI payment level of $167.80 but below the State's December 1973 payment level, the State would have to make a mandatory supplement payment. For example, if an unmarried aged person has a monthly income of $190 and the State had a December 1973 payment level of $200, that State would be required to make a mandatory supplement payment of $10 to that individual. As of March 1, 1977, every State but Texas had a mandatory supplement.

In March 1977, about 118,000 persons received federally administered 1/ State mandatory supplements totaling about $9.2 million. The average payment per recipient was $78.19. The number of recipients ranged from 10 in Montana to 54,319 in New York, and the total amount of payments ranged from $305 in Montana to about $4.6 million in New York. The average payment per recipient ranged from $11.11 in Mississippi to $112.93 in California. Social Security Administration officials estimated that the number of recipients of State mandatory supplements decreases about 2 percent per month.

The third type of SSI payment is a State optional supplement. If a State feels that the Federal SSI payment, plus any mandatory supplement payment, is insufficient to meet the needs of its aged, blind, and disabled citizens, the State can make an additional supplement payment. The State can make an optional supplement regardless of whether an individual receives Federal or State mandatory SSI payments. For optional supplement payments, States are permitted to impose eligibility requirements in addition to those under SSI. As of January 1, 1977, 41 States and the District of Columbia made optional supplement payments to at least some aged, blind, and disabled persons.

In March 1977, about 1.5 million persons received federally administered State optional supplements totaling about $98.4 million, with an average payment per recipient of $66.88. The number of recipients ranged from 440 in Delaware to 622,086 in California, and the total payments from $22,063 in the District of Columbia to about $6.1 million in California. The average payment for each recipient ranged from $12.26 in Maine to $98.24 in California.

AFDC eligibility criteria

AFDC income eligibility criteria are established by each State. As of July 1976, the income ceiling after disregarded income for AFDC eligibility for a family of four ranged from $187 to $519 a month. Resource limits also vary widely among

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1/The Federal Government administers State supplement payments for about 85 percent of the persons who receive them.

the States. Thus, whether a person with dependent children who receives title II survivors benefits is also eligible for AFDC depends on both the level of the title II payment and the State the person resides in.

Medicaid eligiblity criteria

To be eligible for Medicaid, an individual must be

--over 65 years of age (aged),

--blind,

--totally and permanently disabled (disabled), or

--a member of a family with children deprived of parental support.

Being in one of these categories is called having a categorical relationship. After meeting the categorical relationship requirement, an individual must be below the State's Medicaid income and resources limits in order to qualify for benefits.

If an individual is receiving Federal SSI benefits and/or a State mandatory supplement payment, they are normally automatically eligible for Medicaid. 1/ However, at its option, a State can choose to apply the more restrictive Medicaid eligibility criteria for SSI recipients, namely the eligibility requirements of the old cash assistance program for the aged, blind, and disabled as they existed in January 1972. If a State chooses to use the January 1972 criteria, it must make SSI beneficiaries eligible for Medicaid if they spend their income and resources above the January 1972 level on medical care. This is referred to as the spend-down program. For example, if a State's mandatory supplement level plus Federal SSI payment level is $200 per month and the State's January 1972 payment level was $175 per month, the State would have to cover an SSI recipient under Medicaid after the person had spent $25 for medical care if they were below the resource limit. A State can also, at its option, cover under Medicaid individuals who receive only a State optional SSI supplement. In addition, a State can cover aged, blind, and disabled individuals under Medicaid if they are institutionalized in a medical facility and their incomes do not exceed 300 percent of the Federal SSI payment level. However, the 300-percent

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1/As of January 1, 1977, this applies to 35 States and the District of Columbia.

eligibility criteria is not necessary in States that use the January 1972 criteria because individuals that would be covered under the 300-percent criteria are covered under the spend-down program. This is also true in States that have a medically needy program (discussed below) because a spend-down program is also required for States with a medically needy program.

Finally, persons can be eligible for Medicaid benefits in one additional way. States have the option of covering under Medicaid persons who are "medically needy," that is, who have a categorical relationship and whose income exceeds by not more than a third the income eligibility level for AFDC cash assistance for a family of the same size.

If a State chooses to cover the medically needy, it must also allow people to spend down to the eligibility level. This means that an individual must be permitted to spend his income and resources which are above the medically needy level on medical care. Once the individual has spent down to this level, he then becomes eligible for Medicaid. As of January 1, 1977, 29 States and the District of Columbia covered medically needy persons under Medicaid.

An example of medically needy persons is an aged couple with an income of $275 per month residing in a State with an AFDC income eligibility level for a family of two of $225 and a medically needy income level of $300 (133-1/3 percent of $225). This couple would be eligible for Medicaid payments for all covered medical care since their income is less than the medically needy income eligibility level. An example of a spend-down eligible is a single disabled person with an income of $6,000 per year residing in a State with an AFDC income eligibility level for a family of one of $1,800 per year and a medically needy income level of $2,400 per year. This person would be assigned an annual spend-down amount of $3,600 ($6,000 - $2,400 = $3,600). 1/ Once the person had expended $3,600 on covered services, Medicaid would pay the remainder of their covered medical bills. For example, if during the year the person incurred medical expenses of $7,000, they would be liable for paying the first $3,600 in bills and Medicaid would pay the remainder.

1/The spend-down amount does not have to be based on a full year, but can be based on a shorter period of time. In the example, the spend-down amount could be set at $1,800 per 6 months.

As you pointed out in your letter, section 503 of Public Law 95-566 requires the States to provide Medicaid benefits to persons who would have been eligible for Federal SSI payments, State mandatory SSI supplement payments, and /or State optional SSI supplement payments, except for income received because of cost-of-living increases in title II benefits received after June 1977.

The questions raised in your letter relate to restoring Medicaid benefits to persons who lost them because of title II cost-of-living increases before July 1977. Three such increases occurred in July of 1974, 1975, and 1976.

We also note that section 2(a) of Public Law 94-585 requires States to maintain their mandatory and optional SSI supplements at least at the December 1976 level regardless of cost-of-living increases in the Federal SSI payment level. (Federal SSI payments are adjusted for changes in the cost-of-living at the same time and at the same percentage as title II benefits.) The effect of section 2(a) is to prevent States from terminating their mandatory or optional SSI supplements (which could in turn terminate Medicaid coverage) merely because the Federal SSI payment level is raised to account for inflation.

Possible effects of title II increases on Medicaid eligibility

The title II cost-of-living increases effective in July of 1974, 1975, and 1976 could have resulted in an individual losing Federal SSI payments, mandatory State supplement payments, optional State supplement payments or AFDC payments. If these increases caused a person to lose Federal SSI but they retained State mandatory and/or optional supplements, the person's Medicaid eligibility would not have been affected. However, if the State the person lives in had chosen to use the January 1972 criteria, their spend-down amount could be increased.

If the title II cost-of-living increases resulted in a person no longer being entitled to any of the three types of SSI payments or to AFDC payments, the person would become ineligible for Medicaid unless they are living in a State that (1) used the January 1972 criteria for SSI recipients, (2) covered the medically needy, or (3) used the 300-percent criteria and the person was institutionalized. In the first case, the person's spend-down amount could increase. In the second case, the person would be covered under the medically needy program. And in the third case, the person would lose Medicaid eligibility only if the cost-of-living increase raised their income above the maximum amount allowed for institutionalized persons.

In summary, the worst that could happen to an SSI recipient who resides in a State which uses the January 1972 criteria or any Medicaid recipient who resides in a State that covers the medically needy is that the person's spend-down amount would increase. As of January 1, 1977, 33 States and the District of Columbia had a medically needy program and/or used the January 1972 criteria. In the other 16 States, it is possible for a person to have lost Medicaid benefits because of the title II cost-of-living increases.

ESTIMATED NUMBER OF PERSONS WHO WOULD BE AFFECTED AND COST TO MEDICAID

Statistics on the number of persons who lost Medicaid because of cost-of-living increases in title II payment levels are limited. While some information is available for SSI recipients, none is available for AFDC recipients.

We were able to obtain data which showed that 63,000 individuals who received federally administered SSI benefits in June 1976 did not receive benefits in July 1976; this is 1.5 percent of the persons who received benefits in June 1976. Information on the people who lost State-administered State supplementary benefits was not available. Also, these 63,000 persons include everyone who lost SSI benefits, not just those who lost SSI benefits because of title II cost-of-living increases. Therefore, this figure includes persons who died, were no longer considered disabled, had increased work-related income, etc. Furthermore, the 63,000 figure could not be broken down by State. As previously discussed, whether loss of SSI benefits results in loss of Medicaid eligibility depends on the State in which the person resides.

Information on the number of persons who receive benefits under both the AFDC and title II programs is not maintained by HEW. However, GAO made a review for the Subcommittee on Fiscal Policy of the Joint Economic Committee. The results of this review are included in the Joint Committee print entitled, "Studies In Public Welfare--Additional Material for Paper No. 6: How Public Welfare Benefits are Distributed in Low Income Areas," dated August 6, 1973. The individuals surveyed lived in one of six areas--referred to in the study for confidentiality purposes as Eastern City, South Atlantic City, Southern

City, Midwestern City, Western City, and Rural Counties. The areas were each comprised of low income census tracts within the cities or counties. Of the 1,758 households sampled, 221 contained at least one individual receiving AFDC. These 221 households included 1,114 individuals; out of this subsample, 18 households (8.1 percent) and 95 individuals (8.5 percent) were in households where both AFDC and title II benefits were received. However, these percentages may overstate the percentage of AFDC families who also receive title II benefits because a household could consist of more than one family. For example, if an AFDC mother and child lived with the mother's parents who received title II benefits, the two families would count as one household and would show up as a household receiving both benefits when in reality no one family received both benefits. Based on this study for the Joint Economic Committee then, the best available estimate for the percent of AFDC families that also receive title II benefits is about 8 percent. Using this 8 percent estimate on the 11.2 million AFDC recipients, about 900,000 individuals resided in families that may have received both AFDC and title II benefits in July 1976.

If it is assumed that no larger a proportion of AFDC recipients lost AFDC benefits because of the title II cost-of-living increases than the proportion of SSI recipients who lost SSI benefits between June and July 1976 (about 1.5 percent), a maximum of about 13,000 persons would have been affected.

If it is assumed that the persons who lost AFDC or SSI benefits because of title II cost-of-living increases are distributed around the Nation in the same manner as AFDC and SSI recipients, 68 percent of the individuals who lost AFDC benefits resided in States that cover the medically needy and 72 percent of the SSI recipients resided in States that cover the medically needy or use the January 1972 criteria. As previously mentioned, the worst that could happen to Medicaid recipients in such States would be to have their spend-down amount increased. Taking this into account, a maximum of about 4,000 AFDC recipients who lost AFDC benefits would have also lost Medicaid benefits, and a maximum of about 18,000 SSI recipients who lost SSI benefits would have also lost Medicaid benefits.

The most recently published data on Medicaid expenditures per recipient were those for fiscal year 1975. These data show Medicaid costs of about $1,200 per year for each SSI beneficiary and Medicaid costs of about $260 per year for each AFDC beneficiary. Using this data, the estimated maximum cost of restoring Medicaid eligibility to those who lost it because of the title II cost-of-living increase of July 1, 1976, would be about $23 million, somewhat more than half of which would be Federal funds.

Factors which affect this estimate are:

--Not all of the 63,000 persons who lost SSI benefits in July 1976 did so because of the title II cost-of-living increase. Some lost SSI benefits for such reasons as increased earnings or death. Because the 63,000 figure was used to estimate the number of persons who lost AFDC benefits, this number would also be affected. Errors due to this factor would result in the overall cost estimate being overstated.

--The Medicaid cost per recipient figures used to derive the estimate were from fiscal year 1975 data. Because of inflation, and possibly increased use of services, these costs are low. Errors due to this factor would result in the overall cost estimate being understated.

--The Medicaid cost per recipient figures only reflect costs for Medicaid eligibles who actually received Medicaid services. Some Medicaid eligibles do not receive Medicaid services in a given year. Errors due to this would result in an overstatement of the overall cost estimate.

--To the extent that any of the assumptions made in the analysis are wrong, they would affect the overall cost estimate.

We could find no data about individuals who lost AFDC or SSI benefits because of the July 1, 1974, and July 1, 1975, title II cost-of-living increases. Therefore, we cannot estimate the cost of restoring Medicaid eligibility to these people.

EFFECT ON STATE MEDICAID PROGRAMS OF RESTORING ELIGIBILITY UNKNOWN

You also asked if rest ion of Medicaid eligibility to these individuals could re in States reducing the scope of their Medicaid programs. While this is a possibility, we have no way of assessing what impact such a restoration would have on the scope of State Medicaid programs.

Sincerely yours,

R.F. Keller

ACTING Comptroller General
of the United States