



Highlights of [GAO-07-280](#), a report to congressional requesters

## Why GAO Did This Study

The Medicaid program paid for nearly one-half of the nation's total long-term care expenditures in 2004. To be eligible for Medicaid long-term care, individuals may transfer assets (income and resources) to others to ensure that their assets fall below certain limits. Individuals who make transfers for less than fair market value (FMV) can be subject to a penalty that may delay Medicaid coverage. The Deficit Reduction Act of 2005 (DRA) changed the calculation and timing of the penalty period and set requirements for the treatment of certain types of assets. GAO was asked to provide data on the extent to which asset transfers for less than FMV occur.

GAO examined (1) the financial characteristics of elderly nursing home residents nationwide, (2) the demographic and financial characteristics of a sample of Medicaid nursing home applicants, (3) the extent to which these applicants transferred assets for less than FMV, and (4) the potential effects of the DRA provisions related to Medicaid eligibility for long-term care. GAO analyzed data from the Health and Retirement Study (HRS), a national panel survey, and from 540 randomly selected Medicaid nursing home application files from 3 counties in each of 3 states (Maryland, Pennsylvania, and South Carolina). State and county selections were based on the prevalence of several factors, including population, income, and demographics.

[www.gao.gov/cgi-bin/getrpt?GAO-07-280](http://www.gao.gov/cgi-bin/getrpt?GAO-07-280).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathryn G. Allen at (202) 512-7118 or [allenk@gao.gov](mailto:allenk@gao.gov).

## MEDICAID LONG-TERM CARE

# Few Transferred Assets before Applying for Nursing Home Coverage; Impact of Deficit Reduction Act on Eligibility Is Uncertain

## What GAO Found

Nationwide, HRS data showed that, at the time most elderly individuals entered a nursing home, they had nonhousing resources of \$70,000 or less—less than the average cost for a year of private-pay nursing home care. Overall, nursing home residents covered by Medicaid had fewer nonhousing resources and lower annual incomes, and were less likely to have reported transferring cash than non-Medicaid-covered nursing home residents.

Similar to the nationwide results, GAO's review of 540 Medicaid nursing home applications in three states showed that over 90 percent of the applicants had nonhousing resources of \$30,000 or less and 85 percent had annual incomes of \$20,000 or less. One-fourth of applicants owned homes, with a median home value of \$52,954. Over 80 percent of applicants had been living in long-term care facilities for an average of a little over 4 months at the time of their application. Of the 540 applicants, 408 were approved for Medicaid coverage for nursing home services the first time they applied and 122 were denied. Of the denied applicants, 56 were denied for having income or resources that exceeded the standards, 41 of whom submitted subsequent applications and were eventually approved, primarily by decreasing the value of their nonhousing resources. For about one-third of these applicants, at least part of the decrease in nonhousing resources could be attributed to spending on medical or nursing home care.

Approximately 10 percent of approved applicants in the three states (47 of 465) transferred assets for less than FMV, with a median amount of \$15,152. The average length of the penalty period assessed for the 47 applicants was about 6 months. However, only 2 of these applicants experienced a delay in Medicaid eligibility as a result of the transfers because many applicants' assessed penalties had expired by the time they applied for coverage.

The extent to which DRA long-term care provisions will affect applicants' eligibility for Medicaid is uncertain. DRA provisions regarding changes to penalty periods could increase the likelihood that applicants who transfer assets for less than FMV will experience a delay in Medicaid eligibility, but the extent of the delay is uncertain. Several factors could affect the extent to which DRA penalty period provisions actually delay eligibility for Medicaid. These factors include whether an applicant transferred assets for less than FMV before or after the DRA was enacted and a potential increase in requests for waived penalty periods due to undue hardship—circumstances under which individuals are deprived of medical care, food, clothing, shelter, or other necessities of life. Other DRA provisions may have limited effects on eligibility. For example, provisions pertaining to home equity may have limited impact because few applicants whose files GAO reviewed had home equity of sufficient value to be affected.

CMS, Maryland, and South Carolina generally agreed with the report's findings; Pennsylvania did not provide comments.