



# REMOVE UTAH'S MEDICAID ASSET TEST

## ELIMINATE BARRIERS TO SELF-SUFFICIENCY

A Utah Health Policy Project Fact Sheet

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### SUMMARY

Medicaid is a means-based entitlement program designed to provide health coverage to low-income children, parents and people with disabilities. Unlike many states, which only look at household income, Utah uses two criteria to determine a family's financial means: income and assets. The income standard is fairly straightforward: As long as household income falls under the limit for a given eligibility category, the standard is met. The second test, the "asset test," however, is problematic. It is expensive to administer, weeds out very few applicants, and sends the wrong message to families: *that they should not save for their future.*<sup>i</sup>

However, there is good news. It is extremely cost-effective for the state to remove the Medicaid asset test this year. The Children's Health Insurance Program Reauthorization Act (CHIPRA) provides bonus payments to states that increase the number of children enrolled in Medicaid. By removing the Medicaid asset test, Utah will be able to enroll significantly more children in its Medicaid program and, as a result, be much more likely to qualify for these bonus payments.

### BACKGROUND

Personal savings and assets are critical for helping families transition from poverty to self-sufficiency. Rather than discouraging and penalizing recipients who try to save, public benefit programs like Medicaid should encourage savings. The asset test prevents Medicaid enrollees from saving for college, retirement or building an emergency fund for when the car breaks down. These are precisely

### FREQUENTLY ASKED QUESTIONS

#### What is the asset limit for Medicaid?

For most of the state's Medicaid eligibility categories, the asset limit is \$2,000 for an individual, \$3,000 for a couple, and \$25 for each additional member of the household.<sup>ii</sup>

#### What types of assets are considered?

Anything of value is considered an asset. Utah allows for several exemptions from the asset limit, including one vehicle and one home that is occupied by the client. However, Utah does not make an exemption for most retirement or saving plans.

#### How many states have removed the asset test?

47 states have removed the asset test for children, 44 states have removed the test for pregnant women, and 23 states have removed the asset test for parents.<sup>iii</sup>

#### Does CHIP have an asset test?

No, Utah does not have an asset test for our CHIP program.

#### Won't removing the asset test be expensive?

By removing the asset test in 2010, Utah will qualify for additional federal Medicaid bonus payments that will help offset the cost of removing the test.

the kind of assets that will help families move off of welfare dependency – and Medicaid.

In addition to helping low-income Utahns save and achieve financial independence, removal of the Medicaid asset test will also help the state budget. Given that the vast majority of Medicaid applicants do not *have* assets to speak of, the test is not worth the significant administrative cost.<sup>ii</sup> Further, CHIP does not have an asset test – *even though it serves families at higher income levels!* This lack of consistency across programs makes it difficult to consolidate the applications of multiple public programs into a single application. Both of these costly and counter-productive inefficiencies could be mitigated with the elimination of the Medicaid asset test.

This increased administrative burden to both the state and the client, is the primary reason most states decided to only look at income when determining Medicaid eligibility for children.<sup>iii</sup>

### **CHIPRA makes removing the asset test cost effective**

Removing the asset test this year makes particularly good sense for Utah. CHIPRA, which passed Congress earlier this year, provides performance bonuses to states that remove barriers to eligibility and enroll additional children into Medicaid. The bonus payments are intended to help states who are very successful in enrolling additional eligible children in Medicaid.

Currently, about 1/3 of children enrolled in CHIP, which does not have an asset test, are from families with household incomes of less than 100% poverty. These are children that, but for the asset test, would be enrolled in Medicaid. By removing the test, 13,000 kids would shift from the state's CHIP program into Medicaid. This shift in enrollment would count towards the increase in Medicaid enrollment required to qualify for CHIPRA.

Because of the higher federal match rate for CHIP, in years past this shift would come at significant cost to the state. However, because of the performance bonus payments, this cost is greatly reduced.



Julie and Marshall Christensen have a daughter with a rare and severe form of epilepsy called Dravet Syndrome. Even with private insurance, they were going bankrupt trying to pay their bills. When their daughter qualified for Medicaid, it gave them much needed coverage. However, Medicaid's \$3,000 asset limit prevents them from saving for their children's future. Julie is frustrated that this government program forces her family to stay poor.

*"I've been judgmental about people on welfare before, thinking 'just get off,' but now I see how the system forces you to stay on it," says Julie.*

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To be eligible for a performance bonus, it is not enough to enroll more kids into Medicaid. States must also adopt at least 5 of 8 enrollment simplification measures n.

- 12-month continuous coverage
- No asset test (or simplified asset verification)
- No face-to-face interview requirement
- Joint application and the same information verification process for separate Medicaid and CHIP programs
- Administrative or *ex parte* renewals
- Presumptive eligibility
- Express Lane eligibility
- Offer a premium assistance option

Utah currently only meets two of the criteria (no face-to-face interview and administrative renewals) and, further, our enrollment is not increasing at sufficient rate in to qualify for the performance bonus. However, removal the asset test will allow the state to meet additional criteria. By removing the asset test Utah will automatically satisfy the joint application criterion. This in turn will make it easier for the state to implement express lane eligibility, because eligibility requirements for Medicaid will be more closely aligned with requirements for other public programs like food stamps and free and reduced school lunch.

## CONCLUSION

Two of the principal objectives of Utah’s health system reforms are to “optimize public programs” and find administrative simplifications. Removing the Medicaid asset test allows Utah to meet both of these worthy goals. Further, because of federal bonus payments, it has never been more cost-effective to remove the asset test.

## ENDNOTES

<sup>i</sup> Parrish, L., New America Foundation, “To Save, Or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets” (2005), available at [www.newamerica.net/files/to%20save%20or%20not%20to%20save.pdf](http://www.newamerica.net/files/to%20save%20or%20not%20to%20save.pdf)

<sup>ii</sup> Orszag, P., “Asset Tests and Low Saving Rates among Lower-Income Families,” Center on Budget and Policy Priorities, Washington, DC, 2001

<sup>iii</sup> The asset limit varies depending on category. Federal law prohibits applying an asset test for children under the age of 6. For pregnant women in Utah the asset limit is \$5000.

<sup>iv</sup> Ross, D.C., Marks, C., “Challenges of Providing Health Coverage for Children and Parents in a Recession: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2009”, Kaiser Commission on Medicaid and the Uninsured, (January 2009).

<sup>viii</sup> Vernon Smith et al., *Eliminating the Medicaid Asset Test for Families: A Review of State Experiences*, Kaiser Commission on Medicaid and the Uninsured, April 2001