



HJR 22 UTAH'S MEDICAID ASSET TEST (REP. CHAVEZ-HOUCK)

REMOVING BARRIERS TO SELF-SUFFICIENCY

A Utah Health Policy Project Fact Sheet

February 23, 2009

SUMMARY

To ensure that it serves those who are truly in need, Medicaid is a means based entitlement program. The state determines a family's means using two criteria: 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 much less useful. It is expensive to administer, and it sends the wrong message to families: that they should not save for their future. The asset test simply creates a barrier that prevents low-income Utahns from breaking out of the cycle of poverty and staying healthy in the process.ⁱ

BACKGROUND

Personal savings and assets are a critical prerequisite for long-term self-sufficiency. Therefore, rather than discouraging and penalizing recipients who try to save, public benefit programs like Medicaid should encourage savings and asset accumulation.

In addition to helping low-income Utahns seek 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 cost of administration. Further, some programs like CHIP do not have an asset test—*even though they serve family 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.

CONCLUSION

One of the tenets of Utah's health system reforms is to "optimize public programs." As the state proceeds down the reform path, we should optimize Medicaid by removing the asset test.

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.ⁱⁱ

What types of assets are considered?

Anything of material value is considered an asset. Utah allows for several exemptions from the asset limit, including one vehicle and one home that is being occupied by the client. However, unlike many states, 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.ⁱⁱⁱ

Will Medicaid end up serving families who don't really need it?

No. Families generally do not have savings anywhere near the asset limit, thus the test itself functions as a pointless barrier to cost-effective care. A 1998 Federal Reserve survey found that families with incomes below \$20,000 had median financial assets of \$600, and 25% of them had zero financial assets.^{iv}

ENDNOTES

ⁱ 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

ⁱⁱ 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.

ⁱⁱⁱ 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).

^{iv} Orszag, P., “Asset Tests and Low Saving Rates among Lower-Income Families,” Center on Budget and Policy Priorities, Washington, DC, 2001.