



How Medicaid Asset Limits Impact Aging Coloradans

The Bell Policy Center’s [2021 State of Aging](#) report highlights the immense [financial challenges](#) faced by many older Coloradans. Of particular concern are the difficulties in affording long-term care services. Most people who reach the age of 65 ([nearly 70 percent](#)) will need some type of external help to meet their daily needs as they age. Unfortunately, this care can be overwhelmingly expensive, especially in the absence of supportive programs and assistance.

Medicaid provides an essential social safety net for those in need of financial assistance to afford long-term care. However, very restrictive eligibility requirements, particularly related to allowable assets, limit the number of Coloradans who can take advantage of this vital program. In the following brief, and in partnership with the [Colorado Cross-Disability Coalition](#) (CCDC), we explore the challenges with Colorado’s current Medicaid asset limit specifically as it relates to older Coloradans, and a range of potential policy alternatives.

Long-Term Care: Essential, But Expensive Supports

[Long-term care](#) refers to a broad range of services to support those in need of daily assistance. It includes services like help with eating, bathing, and dressing provided in one’s home, but also the more intensive support of nursing and assisted living care. Long-term care is complex, but several of the more important aspects to keep in mind are below:

Long-term care is expensive

Whether provided in one’s home or an out-of-home setting, long-term care services are expensive. Two important facts stand out in the chart below: these services can cost thousands of dollars per month, and long-term care in Colorado is generally more expensive than the national average.

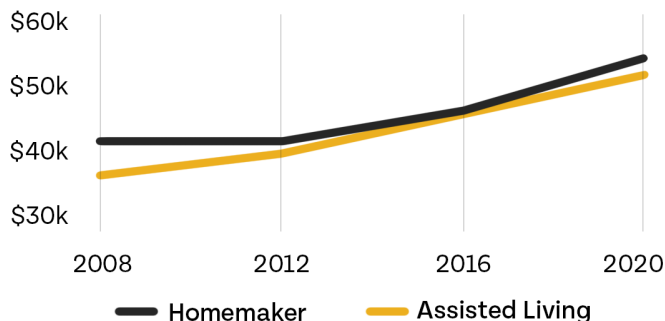
Monthly Cost of Long-Term Care Services, 2021 (Rounded to nearest \$100)

	Homemaker Services	Adult Day Health Care	Assisted Living	Nursing Facility (Semi-Private Room)
Nationwide	\$5,000	\$1,700	\$4,500	\$7,900
Statewide	\$6,400	\$2,000	\$4,800	\$8,600
Denver	\$6,800	\$2,300	\$5,500	\$8,700
Pueblo	\$5,300	N/A	\$3,800	\$8,000
Grand Junction	\$5,400	\$1,200	\$4,300	\$8,500
Greeley	\$5,600	N/A	\$4,400	\$9,700

Source: [Genworth](#)

Concerningly, long-term care costs are growing quickly. As shown below, between 2008 and 2020, homemaker service costs increased by 30 percent while assisted living care grew by more than 40 percent. Notably, these rates are higher than inflation, which, cumulatively, was approximately [20 percent](#), over this same period of time.

National Annual Cost of Long-Term Care per Person (2008-2020)



There are limited programs to help mitigate the cost of long-term care:

Though long-term care is expensive and often needed, there are few public and private resources to defray the cost. This becomes acutely obvious in the chart below:

Public & Private Resources to Defray Long-Term Care Costs for Older Coloradans

Provider	Qualifications & Cost	Covered Services	Who's Covered
Medicare Original: A national government health insurance program	<ul style="list-style-type: none"> Must be 65 + or have a qualifying disability For most individuals, monthly premiums are capped at \$170/month 	<ul style="list-style-type: none"> Long-term care is not covered. However, some nursing home care is provided for short periods of time. 	<ul style="list-style-type: none"> The vast majority of Coloradans 65 and older (96 percent) have Medicare
Medicare Advantage: Private health insurance plans which include everything in Original Medicare plus additional services	<ul style="list-style-type: none"> Eligibility for Medicare Plans exist on the private market and thus vary in cost 	<ul style="list-style-type: none"> Relatively recent changes to Medicare Advantage rules allow these plans to offer some long-term care services, particularly those provided in one's home and community Not all plans have elected to offer long-term care services 	<ul style="list-style-type: none"> Approximately 44 percent of those with Medicare in Colorado have a Medicare Advantage plan It's unknown how many individuals with a Medicare Advantage plan have long-term care coverage
Medicaid Long-Term Care: A state/federal government health insurance program that provides medical coverage to those with limited income and resources	<ul style="list-style-type: none"> To receive long-term care, individuals must: <ul style="list-style-type: none"> Be at risk for institutionalization Be 65+ Have income that's less than 300% of Supplemental Security Income (SSI)/month (currently this is \$2,523/individual & \$3,783/couple) Have countable assets less than \$2,000 / individual & \$3,000/ couple Long-term care services do not have co-pay or premium requirements 	<ul style="list-style-type: none"> Provides access to a full suite of long-term care services such as home and institutional care 	<ul style="list-style-type: none"> Approximately 8 percent of Coloradans 65 and older were enrolled in Medicaid during 2020-2021
Long-Term Care Insurance: Privately provided insurance specifically designed to support long-term care needs	<ul style="list-style-type: none"> As these plans are offered through the private market, eligibility and costs are determined by individual insurance providers 	<ul style="list-style-type: none"> Specific service coverage can vary significantly across insurance providers 	<ul style="list-style-type: none"> Approximately 3 percent of US adults had some type of long-term care insurance in 2020 There are a variety of significant and long-standing problems with the long-term care insurance market that make this an unappealing and risky option for many Coloradans

A lack of financial support for long-term care is prominently felt by middle-income older Coloradans:

As showcased above, there is limited financial assistance to help individuals and families afford long-term care. This is especially true for those in the middle class who make too much money and have too many assets to qualify for Medicaid, but may not have the funds to purchase additional coverage through the private market. Without assistance, individuals are left to pay for long-term care out-of-pocket. Unfortunately, as we document in our [State of Aging report](#), this can put unmanageable strains on already tight budgets, especially for older Coloradans of color.

Percentage of Family Income Needed to Afford 10 Hours of Home Care Services in Colorado Based upon the median household income of Coloradans 65+

Statewide	White (Non-Hispanic)	Hispanic	Black	American Indian	Asian American & Pacific Islander
24%	23%	31%	37%	27%	21%

Source: Bell Policy Center [State of Aging report](#)

The Impoverishing Implications of the Medicaid Asset Limit

The sections above showcase the gaps in how long-term care is financed, which culminate in the overarching problem that there is too little financial assistance for much needed support. Inherently, this contributes to increased financial insecurity for many older Coloradans and their families. In considering potential solutions to address this problem, it's essential to examine the opportunities and limitations within our current systems—and there's perhaps no better starting point than Medicaid.

As noted above, Medicaid requires that individuals meet both asset and income requirements. Ostensibly, these are in-plan to ensure support is provided to those with the greatest financial need. However, in reality these limitations, especially the asset limit, functionally keep recipients in poverty. With such minimal allowable income and assets, in order to receive needed care, individuals can do little more than eke out a subsistence living. More specifically, the asset limit prevents individuals from saving money for unexpected events or making the essential investments needed for a healthy, stable life. This has been demonstrated through multiple studies:

- [Medicaid asset limits](#) have been found to lower household wealth by 16 percent.
- Asset limits, in general, have been shown to lower the likelihood an individual [has a bank account](#). As the Bell has documented, the lack of a bank account enhances [financial insecurity](#).
- Notably, as programs with asset limits disproportionately serve individuals from communities of color, these limits have been found to increase [racial disparities](#).



Studying the Medicaid Asset Limit in Colorado

While asset limits have been broadly studied, there is virtually no information regarding their specific impact on older Coloradans in need of long-term care. To fill this gap, the Bell partnered with CCDC to explore the impacts of Medicaid's asset limit on the well-being of older Coloradans.

To gather relevant information, we developed a survey for statewide distribution. Specifically meant for older Coloradans who've had experience with the Medicaid asset limit in some capacity, the survey asked about the limit's impact on their financial, physical, and emotional well-being, as well as on their ability to prepare for the future. Forty-nine people responded to the survey. Most respondents were from the Denver metro area (including Denver, Jefferson, Adams, and Arapahoe counties). However, there were also responses from individuals in other areas, such as El Paso, Teller, Broomfield, Mesa, Montezuma, and Cheyenne counties. Approximately 60 percent of respondents had been part of the Medicaid program for five or more years.

Summary of survey results:

The survey resulted in several interesting findings, including those highlighted below:

- Approximate 80 percent of those enrolled in Medicaid reported spending down, or intentionally reducing, their assets at least once a year in order to remain in the program. Concerningly, more than 40 percent of these individuals said they reduce their assets five or more times a year.
- When considering the Medicaid asset limit's impacts on their life, the average respondent said the limit:
 - Significantly impacted their ability to save for retirement (the average respondent rated the impact as a 4 of 5, with 5 indicating an extreme impact)
 - Moderately impacted their sense of financial security (the average respondent rated the impact as a 3 of 5, with 5 indicating an extreme impact)
- When asked for specific examples of how the limit impacted their lives, individuals reported they:
 - Had to move money between accounts and spend down each month in order to continue receiving long-term care services
 - Were unable to save for significant, and unfortunately common expenses, like funerals

This survey shows the Medicaid asset limit creates a challenge for many older Coloradans. In exchange for long-term care they wouldn't be able to afford otherwise, individuals have to subject themselves to a life of inescapable and required poverty. Notably, these asset limits have an especially significant impact on older Coloradans who, despite having a limited income, were able to accumulate a modest amount of savings and assets over their lifetime. Unfortunately, their savings aren't enough to cover the significant cost of long-term care, and which they now have to spend down in order to receive any type of financial support for needed services.

Meaningful Policy Alternatives:

Though our Medicaid system is not working optimally to ensure affordable, accessible long-term care, the good news is that the program's asset limit can be changed by members of the legislature. Below, we explore several possible asset limit alternatives, and their potential impacts on enrollment.¹

Summary of Asset Limity Policy Alternatives

	Status Quo (2020-2021)	Inflation Adjusted	Medicare Saving Program ²	Flat \$10k & \$20k
Asset Limit for a Single Individual	\$2,000	\$3,900	\$7,600	\$10,000
Total # Enrolled Individuals	42,000	42,600	43,800	45,200
Enrollment Change from Status Quo	-	600	1,800	3,200

Inflation Adjusted:



Eligibility for long-term care through Colorado’s Medicaid program is tied to the federal Supplemental Security Income (SSI) asset requirements. Notably, SSI eligibility has not been adjusted since 1989. An obvious implication of this is the asset limit has not kept up with inflation; even though wages and the cost of living have increased, the asset limit has not. As a result, individuals have to be relatively more impoverished today than in 1989 to qualify for Medicaid. Had the Medicaid asset limit kept up with inflation, in 2020, the allowable limit would have increased significantly to \$3,900 for a single individual. This new asset limit would allow approximately 600 additional older Coloradans to receive long-term care through Medicaid.

Medicare Savings Program:



A secondary policy alternative would tie Colorado’s Medicaid asset limit to the one used for the [Medicare Savings Program](#) (MSP), which provides Medicare premium, deductible, and co-insurance assistance to older Coloradans with limited incomes. The asset limit for this program is notably higher than that for Colorado’s Medicaid program and is also adjusted upward on a regular basis. Using eligibility requirements from 2018, an asset limit tied to MSP would allow approximately 1,800 additional older Coloradans to receive long-term care through Medicaid.

Flat \$10k for individuals and \$20k for couples:



A final policy option worth considering would increase the asset limit to \$10,000 for individuals and \$20,000 for couples. This would quintuple the current asset limit, and allow more than 3,000 older Coloradans to receive long-term care services through Medicaid.

It’s important to note that changing the asset limit will impact a small percentage of the thousands of older Coloradans currently using, or who are in need of, long-term care. However, adjusting up Colorado’s asset limit can be an important part of expanding access to long-term care, especially for those who are most economically insecure.

A Way Forward:

Long-term care is unaffordable for too many older Coloradans. While Medicaid provides an essential social safety net for many, restrictive asset requirements not only limit the number of enrollees but actively harms the financial well-being of those in the program. The good news, however, is that meaningful policy solutions exist. By examining and adopting these options, we have the ability to create a state that adequately provides the services Coloradans need to thrive, both physically and financially, as they age.

Endnotes

1 The following estimates are based upon an analysis conducted by Cornelio, McInerney, Mellor, Roberts, and Sabik which appeared in Health Affairs, “[Increasing Medicaid’s Stagnant Asset Test for People Eligible for Medicare and Medicaid will Help Vulnerable Seniors.](#)” The analysis below assumes that Colorado would experience a similar percentage increase in total enrollees as found in the nationwide analysis for each policy option.

2 Eligibility requirements and estimates reflect 2018 qualifications; however, it should be noted the asset limit for the Medicare Savings Program has since increased. Numbers rounded to nearest hundred