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Beyond Spend-down:

The prevalence and process of transitions to Medicaid

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Policy context of study

- Dually eligible Medicare enrollees are disproportionately costly for Medicaid
  - Minority of Medicaid enrollees
  - High costs primarily owing to need for long term services and supports
- Policy concerns are two-fold
  - Some believe asset transfer to gain eligibility is widespread in the middle class
  - Others believe more accessible prefunding options could reduce need for "spend-down" to eligibility
- Both suggest a need for updated analyses of the rate and process of transitions to Medicaid

Study aims

- To provide new estimates of the rate and timing of Medicaid transitions in a representative cohort
  - Descriptive estimates of Medicaid at baseline and transitions over 4 years
  - Estimated relationship between baseline characteristics and probability of transition to Medicaid within a 4-year period
  - Estimated relationship between time-variant factors (health spending and utilization, nursing home entry) and timing of transitions

Data

- Nationally representative cohort of Medicare enrollees age 65+ from the National Long Term Care Survey 2004
  - Detailed interview respondents (n=~6,000) for overall estimates of Medicaid status
  - Community residing population age 65+ and not enrolled in Medicaid at baseline for transition estimates (n=~4,300)
- Linked administrative data
  - Beneficiary and claims data for Medicare (2004-2009) and Medicaid (2004-2007)
  - Minimum data set (MDS) assessments for nursing home admissions after baseline
- State Medicaid program characteristics compiled from various published sources

Medicaid enrollment

- Transition measure is full benefit enrollment, not estimated eligibility
- Relies on data from 3 sources
  - Monthly Medicaid eligibility indicators for 2004-07 from MAX PS file
  - Monthly duals eligibility indicator for 2006-08 from Medicare beneficiary files (derived from MSIS)
  - Monthly Medicare "buy-in" indicators from beneficiary file 2004-09
- Decision rules for transition
  - Based primarily on MAX indicators
  - MAX data suggest few "false positives" from buy-in and duals indicators, but about 20% "false negatives"
  - Assumed continuous enrollment after transition based on MAX analyses

Overview of Medicaid enrollment

	Percent enrolled at baseline	Percent enrolling within 4 years
All Medicare aged	14	5
Disability		
None	10	3
Receiving no help	13	7
Help with IADLs only	21	10
Help with 1-2 ADLs	27	11
Help with 3+ ADLs	33	11
Institutional resident	63	7
Cognitive status		
Not impaired	12	4
Impaired	38	12

Community residents enrolling over 4 years:
Place and timing of transition

Place of transition	Percent of transitions	Time to transition (months)
All	100	21
Community	56	20
Nursing home		
At admission	10	19
After admission	34	23

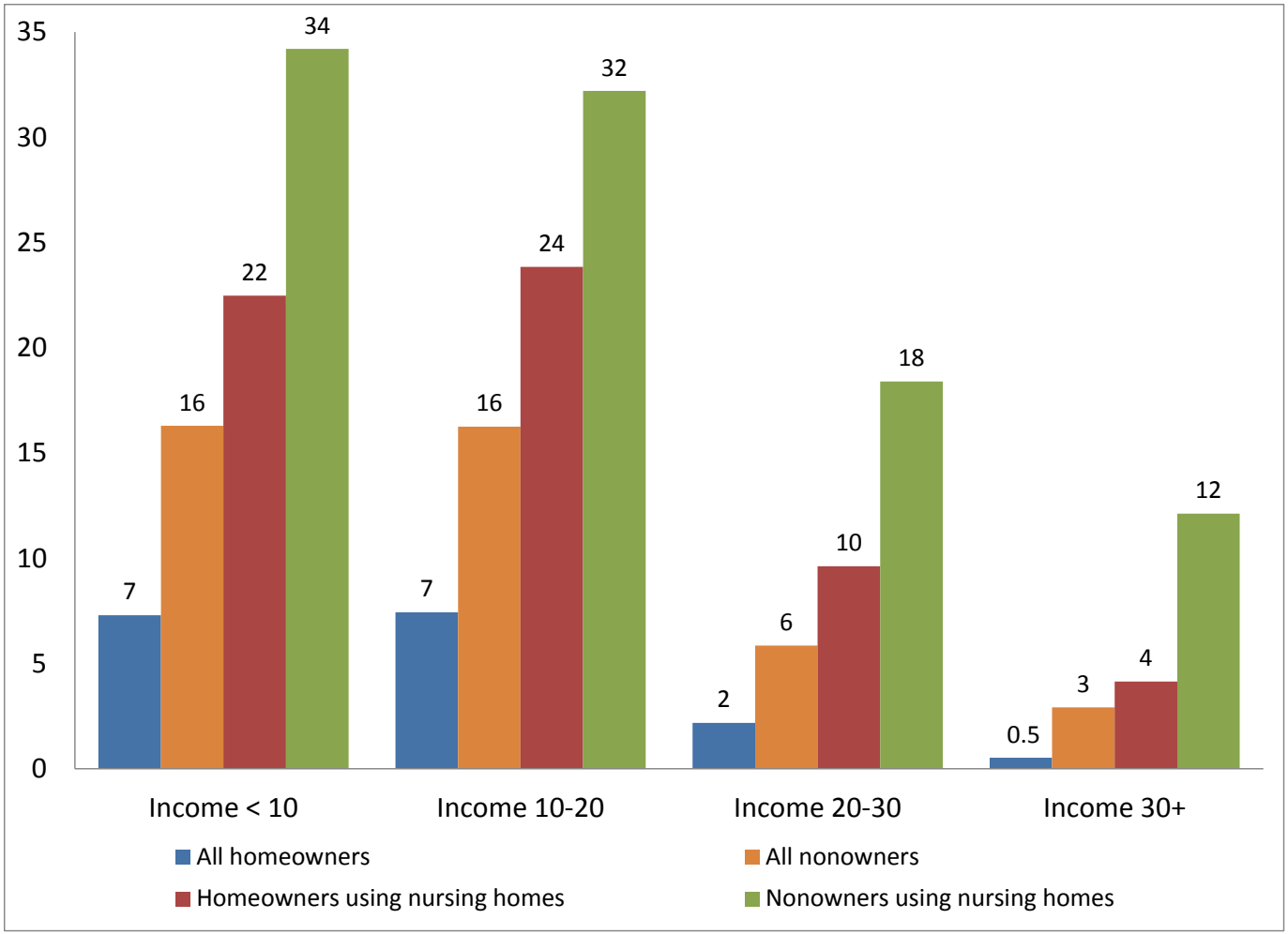
Key predictors of Medicaid transition over 4 years

	Marginal effect
Nursing home entry during analysis period	0.081 **
Income < $10,000	0.064 **
Income $10,000 -<$20,000	0.055 **
Home value less than $75,000	0.024 **
Not a homeowner	0.021 **
Cognitively impaired	0.027 **
Help with 3+ ADLs	0.020 *
% of Medicaid LTSS spending in community >median	0.013 **
Medically needy program	0.012 **
Spousal protection income max AND resource >= 75th%ile	0.011 *
Community residential care	0.033 *
Retirement community/housing	0.028 **
Lives alone	-0.009 *
Black, nonhispanic	0.062 **
Less than high school education	0.012 *

Omitted categories: nonHispanic White/other; lives with spouse; traditional community residence; income $30,000 or more, housing value $150,000 or more, some college education, no disability, self-reported health excellent or good, and none of selected health conditions or events.

**(*) Significantly different from zero at the 5%(10%) confidence level.

Predicted Medicaid transition rate over 4 years by home ownership, income & nursing home use



Summary of major findings

- 5% of community residents transition to Medicaid over 4 years
  - 56% percent of transitions occur in the community
  - 10% occur at nursing home admission, and 34% occur an average 9 months after admission
- Nursing home use is by far the greatest predictor of transition followed by low income & assets
  - Nearly 30% of the poor and near poor who used nursing homes transitioned vs about 6% of nonusers
  - Homeowners were less likely to transition, but even higher income homeowners were 8 times more likely to transition if they used nursing homes (4% vs 0.5% for nonusers).
- Baseline cognitive impairment associated with 3 percentage point increase in cumulative risk of transition
- More generous state eligibility standards and HCBS commitment associated with higher risk of transition

Study limitations

- We cannot observe changes over time in baseline characteristics
  - Functional status
  - Living arrangement, home ownership, informal supports may occur in response to functional changes
- Financial information is limited to baseline income and home ownership and value at baseline
  - Home ownership, value correlated with other wealth accumulations, and may capture baseline economic status relative to others
  - Cannot capture "spenddown" and other changes in wealth, income
- We do not account for potential endogeneity of the nursing home entry decision

Implications for policy

- Current efforts and trends toward changing the locus of LTSS from nursing homes to community settings may be able to reduce the rate of transitions
- Increased provision of Medicaid HCBS modestly increases the rate of transitions but may have long-term beneficial effects on costs
- Policies to improve access to affordable prefunding earlier in life might be able to bridge gaps between financial means and care needs for those with modest retirement income and resources
- Increased supports for informal caregivers may be able to reduce nursing home admissions and Medicaid transitions