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Note: Since the release of this report, the Affordable Care Act changed the law to include Social Security benefits as income when calculating Medicaid eligibility. For updated information on calculating household income both for Medicaid and for health reform's premium tax credits, see <http://www.healthreformbeyondthebasics.org/category/issues/determining-household-income/>

Health Reform Expands Medicaid Coverage For People with Disabilities

By Judith Solomon

The new health reform law will cover over 30 million uninsured Americans, including 16 million low-income adults and children through Medicaid. A substantial number of the people who will gain Medicaid coverage under health reform have disabilities or chronic health care conditions. Medicaid is particularly well-suited for these individuals because it is both affordable and comprehensive, covering a number of services that they need (such as case management and mental health care and therapy services) but that private insurance typically does not cover or covers only to a limited extent.

How Does Eligibility for Medicaid Change in 2014?

In most states today, to be eligible for Medicaid, an adult must not only have a low income but must also be 65 or over, pregnant, a parent living with a dependent child, or a person with a disability that meets Supplemental Security Income (SSI) disability standards. Generally, adults who are not in one of these categories are not eligible for Medicaid regardless of how poor they are.

The health reform law establishes a new group of individuals that all states must cover through Medicaid beginning in 2014. It includes people with incomes below 133 percent of the poverty line (about \$14,000 for an individual) who are: under 65 years of age, not pregnant, not enrolled in or entitled to Medicare, and not already required to be covered by Medicaid under federal law. These individuals' assets will not be considered in determining their eligibility, so small bank accounts or life insurance policies will not disqualify them from receiving Medicaid.

In addition, for most people, health reform will change the rules regarding how income is counted in determining their Medicaid eligibility. The new rules will be aligned with the rules for determining eligibility for the new subsidies that the health reform law provides to help low- and moderate-income people purchase coverage through the new health insurance exchanges. This change will make more people with disabilities eligible for Medicaid.

How Will These Changes Benefit People With Serious Disabilities?

Currently, a person whose disability meets SSI disability standards can generally qualify for Medicaid. People who receive SSI disability benefits qualify for Medicaid automatically in most states. However, low-income people with disabilities who have other income or assets, such as a pension or a small savings account, may be ineligible because their income or assets put them modestly over the Medicaid limits.

Health reform will allow many of these individuals to qualify by increasing Medicaid's income eligibility limit to 133 percent of the poverty line and by not applying an asset test to the new eligibility group.



What About People Receiving Social Security Disability Benefits?

Unlike SSI disability benefits, which are based on financial need, Social Security disability benefits (often called Title II benefits) are based on an individual's work history and earnings. People receiving these benefits do not become eligible for Medicare until the 25th month after they begin receiving Social Security; during this waiting period, many beneficiaries with modest incomes are uninsured. Despite their limited incomes, they often do *not* qualify for Medicaid, since in most states, Medicaid eligibility for people with disabilities ends at or below the poverty line.

Under health reform, many of these uninsured individuals will become eligible for Medicaid because of the increase in Medicaid's eligibility limit to 133 percent of the poverty line and because of a change in how their Social Security benefits are considered in determining eligibility. Under the new rules, Social Security benefits will *not* count as income for most beneficiaries with modest incomes for the purposes of determining Medicaid eligibility. Many low-income people with disabilities who are within the two-year waiting period for Medicare thus will be able to qualify for Medicaid coverage during that period.

This change will rectify one of the most indefensible gaps in health coverage in the United States — the lack of coverage for many severely disabled low-income people during the first years of their disability. After 24 months, when these individuals become eligible for *Medicare*, they will no longer qualify for Medicaid. (Many will be eligible at that point for assistance with Medicare cost-sharing that is provided through state Medicaid programs.)

Will These Changes Help Other People with Disabilities or Chronic Conditions?

A substantial number of low-income people under 65 who are not the parents of a dependent child have disabilities or chronic conditions that are not severe enough to meet the standards for receiving SSI or Social Security disability benefits. They consequently are often uninsured. These people are left out of Medicaid because they do not qualify as elderly, disabled, or parents.

But under health reform, people no longer have to fit into such a category to qualify for Medicaid. Low-income individuals with disabilities and chronic conditions that do not meet the SSI disability standards will become eligible for the program as long as their income is below 133 percent of the poverty line.

How Do These Changes Apply to Adults Who Need Long-Term Services and Supports?

The health reform law makes no change in the eligibility rules that apply to these individuals. Adults seeking Medicaid coverage for long-term services and supports, including care in a nursing home or home- and community-based services, must meet current Medicaid rules for determining financial eligibility, including any asset test their state uses. They also must be at least 65 or meet the standards for having a disability.

How Will Medicaid Benefits for Newly Eligible People with Disabilities Be Financed?

The federal government will pay most of the cost. During the first three years that these provisions are in effect (2014-2016), it will pay 100 percent of the Medicaid costs of covering people with disabilities whom the health reform law makes newly eligible for Medicaid. Federal support will then phase down modestly over the following several years, so that for 2020 and all subsequent years, the federal government will pay 90 percent of the costs of covering these individuals.