Data Appendix for “California Billionaires on Medicaid”

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I collected data from the Health and Retirement Survey (HRS)—a nationally representative survey of a large sample of individuals and households approaching retirement or already retired, including those institutionalized, fielded every two years—on the income and asset holdings in 2020 of individuals over age 65 and those with disabilities who would be potentially eligible for long-term care benefits from Medicaid. I used the RAND HRS Longitudinal file for 2020 and winsorized asset and household income values at the 0.005 level to exclude severe outliers. I implemented three income tests, related to three broad types of long-term care benefits available under Medicaid in California. The first income test is for certain *community supportive services* if the individual needs assistance with activities of daily living; the relevant annual income limits to be eligible in 2020 were approximately $20,000 for an individual and $30,000 for a couple. The second test is for *home health care benefits for an individual with severe inabilities or cognitive impairments*; the relevant income limits are $20,000 for an individual and about $70,000 for a couple with one member not applying for benefits and living in the community and therefore getting a generous monthly maintenance needs allowance, as well as both getting an allowance to pay Medicare premiums. The third income test is for *nursing home care* which is essentially the cost of that care, which was roughly $100,000 annually in 2020 in California for an individual and $200,000 for a couple entering a home.

For each of these sets of income limits separately, I drilled down on those who would be eligible under allowable asset limits, starting with $2,000 for an individual and $3,000 for a couple and then successively removed non-countable assets, roughly according to national and current and proposed California rules, that is, business and vehicle assets (valued less than $30,000), owner-occupied housing valued, in 2020, at less than $585,000, $878,000 or with no limit, all retirement assets (including IRAs, Keoghs, 401k, 403b and 457 accounts from current employers) in payout status (that is, if the individual is age 72 and older, and all other assets less than $130,000 for an individual and $195,000 for a couple, and, finally, with no limit. (Note that I ignored the category of a couple with a one Medicaid applicant who under current California rules can actually qualify for nursing home and home health care if their assets are below about $280,000). Using the population weights provided by the HRS, we get the percentage of the relevant national population that would be eligible for Medicaid under national and California rules for income and assets. See Table 1 below. I also calculated these percentages by quinquennial age group and gender.

I then applied by age and gender rates of cognitive impairment and inability to perform at least one activity of daily living, to get an estimate of the population that would be both financially and medically eligible for Medicaid long-term care at least at the basic tier of some community benefits. These rates of ADL limitations come from a 2014 Boston College Center for Retirement Research working paper by Friedberg, et al., based on the 2004 National Long Term Care Survey (NLTCS); see Table 2. Although the NLTCS is a bit dated and has been superseded by the annual National Health and Aging Trends Study (NHATs), the limitations rates calculated by Friedberg are actually below those from the NHATS for 2011 and 2020. I use the published Friedberg data because it is finer, by age and gender, than the published NHATS data.

Table 1. Medicaid eligible shares of retired or disabled population 2020 HRS

|  |  |  |  |
| --- | --- | --- | --- |
| **Eligibility Restriction, non-married (married)** | **% of 65+/disabled population which qualifies with $20k/$30k income limits (in-home care)** | **% of 65+/disabled population which qualifies with $20k/$70k income limits (in-home care)** | **% of 65+/disabled population which qualifies with $100k/$200k income limits (nursing home care)** |
| Assets < $2,000 ($3,000) | 7.88 | 8.87 | 11.91 |
| Assets < $2,000 ($3,000), less value of primary residence if value of primary residence is < $585,000, vehicular assets, and business assets | 15.02 | 19.10 | 27.21 |
| Assets < $2,000 ($3,000), less value of primary residence if value of primary residence is < $878,000, vehicular assets, business assets, and retirement assets | 15.99 | 21.02 | 31.13 |
| Assets < $2,000 ($3,000), less primary residence of any value, vehicular assets, business assets, and retirement assets | 16.01 | 21.12 | 31.23 |
| Assets < $130,000 ($195,000), less value of primary residence, vehicular assets, business assets, and retirement assets (Phase I) | 22.82 | 38.85 | 67.00 |
| No asset testing (Phase II) | 24.69 | 46.71 | 91.89 |

Table 2. Cognitive impairment or disability to perform ADL, 2004 NLTCS Health Status (%)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 65-69 | 70-74 | 75-79 | 80-84 | 85-89 | 90-94 | 95+ | All 65+ |
| Men | 5.6 | 8.7 | 14.1 | 18.3 | 31.8 | 46.3 | 67.6 | 13.7 |
| Women | 9.6 | 10.8 | 18.0 | 30.4 | 44.4 | 60.3 | 79.9 | 22.7 |

Source: Friedberg, et al. (2014)

These calculations result in eligibility rate estimates of the national population for Medicaid long-term care benefits medically, successively under various income and asset tests. I finally applied proportions of the California population to the national population by age and gender to these statistics to get the affected California population, taken from the 2020 Census. I focused on the change in the Medicaid eligible population for the final two steps representing the most recent and proposed asset test rule changes. This produces the number of newly eligible California Medicaid recipients of long-term care benefits under the three sets of income tests. The first set may be regarded as a lower bound of the impact because although the medical need is less severe and therefore less costly, clearly the income restriction is more severe. Hence, all three sets of calculations for income tests may be regarded as a range of the impact. Also, the asset tests modeled here indicate immediate eligibility for Medicaid; many with asset levels just above the stated amounts would quickly become eligible by spending down or transferring assets.

The final step is a simple calculation of the cost of the California Medicaid liberalization. This is done by taking the average per person annual cost implicit in the California budget numbers—about $11,000—and applying to our estimate of the number newly eligible. I will note that $11,000 seems low for the annual cost of nursing home and home care and other benefits in California, although not all eligible people will get the benefits for the full year, Medicaid pays less than commercial rates, and for nursing home care, recipients contribute whatever income they have.

As a point of methodological comparison, when initially estimating the cost of the proposal in 2020 for the California legislature, the state health agency said it would create 18 thousand newly eligible beneficiaries and cost Medicaid $224 million annually. This was based on data from denied and discontinued applicants, not those who did not bother to apply because they knew they would be denied as having too high new worth. If the ultimate $400 million budget estimate is based on this methodology and data, it is clearly in error.

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