kaiser commission on medicaid and the uninsured

ISSUE PAPER

November 2005

Asset Transfer and Nursing Home Use

Issue

Medicaid paid for nearly half of the $183 billion spent nationally for long-term care in 2003 (GAO, 2005). The aging of the population will increase need for long-term care services, and consequently federal Medicaid expenditures in the near future. While anticipating that Medicaid spending for long-term care will increase because of demographic trends, policy makers also are concerned that some individuals transfer assets just for the purpose of qualifying for Medicaid coverage for long-term care, thus unduly increasing Medicaid costs. At present, opinions differ over the extent to which individuals transfer assets to achieve Medicaid coverage and the impact of the practice on Medicaid spending.

The Health and Retirement Survey (HRS) provides a unique opportunity to examine these questions. Using the 2000-2002 wave of the HRS, the GAO (2005), for example, reported that about one-fifth of all elderly households transfer cash assets to offspring or other family members, and that the median amount transferred is $3,000. Our analysis of HRS data focused on asset transfer patterns of a specific subgroup of the elderly population, persons admitted to nursing homes. We found that the rate of asset transfer by Medicaid nursing home patients varied from 9%-19% depending on the time period preceding their entry into nursing homes. Regardless of the timing of the transfers, the amount of assets transferred by those individuals was, on average, small--sufficient to cover about one month of private nursing home care. Transfer behavior was much more common among persons who did not qualify for Medicaid coverage in the short term, and thus had less of an incentive to shelter assets.

New Data

Our analyses used multiple waves of the HRS spanning 1995 through 2004. Because the HRS did not query reasons behind asset transfers, it is not possible to directly connect asset transfers and Medicaid coverage for long-term care. To gain insight on how asset transfers coincided with nursing home admission, however, we tabulated the extent of asset transfer among individuals who entered nursing homes. We produced separate tabulations for individuals who became Medicaid nursing home patients, and others whose nursing home care was financed by private and other sources, to determine if asset transfers were more common among Medicaid patients. Finally, we used multiple waves of HRS data to tabulate the incidence of asset transfers for differing periods of time prior to nursing home admission to better understand whether asset transfers were most likely at the time of nursing home admission and whether individuals who entered nursing homes had a history of transferring assets.

Findings

On average, the amount of assets transferred by Medicaid nursing home patients is small

Table 1 presents the proportion of Medicaid and non-Medicaid nursing home patients who transferred assets at various times relative to nursing home admission, and the dollar amounts of those transfers. The first panel in Table 1 shows that 9.2% of people who became nursing home patients and Medicaid eligible in the same HRS wave (2-year period) had transferred non-housing cash assets during that period. Among the Medicaid nursing home patients with asset transfers, the mean amount transferred was $5,380, while the median amount transferred was $1,400. The maximum amount transferred by individuals in this group was $30,000 (not shown in the table). In the HRS wave just before the one in which they entered nursing homes (on average 2 years earlier), 18.7% of the individuals who eventually became Medicaid nursing home patients transferred assets, averaging $8,202. The next row in Table 1 presents information on the extent of cash transfers two HRS waves (on average 4 years) before nursing home admission. Even this many years before nursing home admission, 13.1% of persons who eventually became Medicaid nursing home patients made asset transfers to offspring or other family members.

Table 1: Asset Transfer Patterns of Medicaid and Non-Medicaid Nursing Home Users by Years Relative to Admission, 1995- 2004

Time to Nursing Home Admission	Percent with Transfer	Transfer Amount among Those Making Transfers	
		Mean	Median
Medicaid eligible in period of nursing home admission[1]	9.2%	$5,380	$1,400
2-years earlier[2]	18.7%	$8,202	$3,000
4-years earlier[2]	13.1%	$5,139	$3,200
Not Medicaid eligible in period of nursing home admission	29.8%	$21,428	$6,000
2-years earlier[2]	28.4%	$12,449	$4,500
4-years earlier[2]	28.6%	$18,922	$3,500

[1]"Medicaid eligible" refers to concurrent onset of nursing home admission and Medicaid elgibility sometime during the 2-year period covered by each wave of the HRS.
[2]Dates refer to approximate time periods covered by earlier waves of the HRS.
SOURCE: Urban Institute analysis of multiple waves of the Health and Retirement Survey, 1995-2004, for the Kaiser Commission on Medicaid and the Uninsured.

The second panel of Table 1 shows that, in contrast to the 9.2% of Medicaid nursing home patients who had transferred assets, 29.8% of persons who became nursing home patients, but not on Medicaid, transferred assets during the same period. Among those with transfers, the mean amount transferred was $21,428, while the median amount was $6,000. The maximum amount transferred by individuals in this group was $700,000. In the preceding wave of the HRS, 28.4% of eventual non-Medicaid nursing home patients transferred assets that averaged $12,449. Finally, a similar proportion transferred assets 4 years before nursing home admission, with a slightly higher average of $18,922.

Married couples are more likely to transfer assets, even among Medicaid nursing home patients

As noted by the GAO (2005) married couples are likely to have higher assets than unmarried individuals and more likely to transfer assets. This relationship applies to nursing home patients as well as to the elderly population in general. Table 2 presents information similar to that in Table 1 for subgroups by marital status at the time of nursing home admission. During the HRS wave when nursing home admissions occurred, only 6.1% of Medicaid nursing home patients who were unmarried made asset transfers, in contrast to 19.6% of those who were married. Among non-Medicaid nursing home patients, a larger percentage of married persons transferred assets, but the difference (35.9% vs. 24.9%) by marital status was not as great as that among Medicaid patients. This difference may reflect the generally larger asset holdings of non-Medicaid patients, regardless of marital status. Among eventual Medicaid nursing home patients, married persons were about twice as likely to transfer assets as unmarried persons in the preceding 2 to 4 years before nursing home admission occurred. Among non-Medicaid nursing home patients, the pattern was similar over the course of all three periods.

Table 2: Marital Status Differences in Asset Transfer Patterns of Medicaid and Non-Medicaid Nursing Home Users, 1995-2004

Time to Nursing Home Admission	Percent with Transfer		Mean Amount of Transfer	
	Not Married	Married	Not Married	Married
Medicaid eligible in period of nursing home admission[1]	6.1%	19.6%	$6,181	$4,939
2-years earlier[2]	14.9%	26.9%	$7,460	$9,092
4-years earlier[2]	11.7%	19.2%	$5,195	$5,065
Not Medicaid eligible in period of nursing home admission	24.9%	35.9%	$20,707	$22,813
2-years earlier[2]	24.0%	33.1%	$11,647	$12,731
4-years earlier[2]	24.7%	33.7%	$29,545	$11,913

[1]"Medicaid eligible" refers to concurrent onset of nursing home admission and Medicaid elgibility sometime during the 2-year period covered by each wave of the HRS.

[2]Dates refer to approximate time periods covered by earlier waves of the HRS.

SOURCE: Urban Institute analysis of multiple waves of the Health and Retirement Survey, 1995-2004, for the Kaiser Commission on Medicaid and the Uninsured.

Medicaid nursing home patients have limited assets prior to admission

The asset profiles of persons entering nursing homes, in the HRS wave prior to admission, are presented in Table 3. The value of both principal residence and other asset types (e.g., cash, stocks, bonds) are higher for married persons, regardless of whether they entered nursing homes as Medicaid or non-Medicaid persons. For each asset type within each marital status category, persons who became Medicaid nursing home patients had fewer assets than non-Medicaid nursing home patients. For example, while unmarried Medicaid nursing home patients had an average of $41,161 of non-housing assets, their non-Medicaid counterparts had average non-housing assets of $102,864. The large differences between the mean and median values for non-housing assets indicate that a relatively small subset of persons in each group had considerably larger asset holdings than most people in the group. This “skewness” is not as striking for the house values.

Table 3: Asset profiles of Persons Entering Nursing Homes at HRS wave prior to Admission, by Marital Status

		Principal Residence		Other Assets	
		Mean	**Median**	**Mean**	**Median**
Medicaid Eligible	Not Married	$43,838	$34,000	$41,161	$4,000
	Married	$71,653	$50,000	$102,864	$15,000
Not Medicaid Eligible	Not Married	$71,034	$45,000	$199,901	$35,000
	Married	$106,658	$80,000	$350,090	$105,000

SOURCE: Urban Institute analysis of multiple waves of the Health and Retirement Survey, 1995-2004, for the Kaiser Commission on Medicaid and the Uninsured.

Discussion

Although the HRS did not seek to learn the reasons behind asset transfers, our statistics suggest that it is not uncommon for elderly persons to give cash and other liquid assets to offspring and other relatives. Our tabulations provide some insight on the relationship between the practice of transferring assets and the occurrence of nursing home admission either as Medicaid or non-Medicaid patients.

A small proportion of persons entering nursing homes as Medicaid patients transferred assets during the same HRS wave, although higher proportions of them transferred assets 2 and 4 years before admission. These findings suggest a historical pattern of transferring assets to family members that might not have been prompted by consideration about future nursing home use. The average amounts of non-housing assets transferred were between $5,000 and $8,000, depending on the time period examined before nursing home admission.

A similar pattern of historical asset transfer was found for persons entering nursing homes as non-Medicaid patients. The proportion of persons in this group who made transfers was higher, and the amounts of non-housing assets transferred were larger, than those of the Medicaid patients. The pattern for this group suggests that asset transfers are not uncommon among nursing home patients who are not necessarily seeking coverage by Medicaid.

The incidence of asset transfer was higher among married, versus unmarried, nursing home patients. While we might expect asset transfers to be higher among single persons, who did not have community spouses to protect, our findings indicate the opposite. It seems that the larger asset holdings of married households provided a stronger impetus for transferring assets to offspring and other relatives than potential motivation for Medicaid coverage by unmarried persons.

While the average asset holdings of Medicaid and non-Medicaid persons prior to nursing home admission appear substantial, assessment of median amounts of assets presents a more complicated picture. For example, among unmarried persons who were covered by Medicaid for nursing home care, the average non-housing assets were $41,000, but the median non-housing assets were only $4,000. This means that half of the people in this group had less than $4,000 of non-housing assets prior to entering nursing homes as Medicaid patients, and only a small subset had a substantial amount of non-housing assets that could be transferred to gain Medicaid eligibility.

As expected, the individuals who entered nursing homes and were Medicaid covered during the same HRS wave had a history of transferring relatively small amounts of liquid assets, largely because of the small amounts of assets that they possessed. In contrast, individuals who entered nursing homes and were not Medicaid covered during the same HRS wave had considerably more assets and had transferred greater amounts of money to offspring and other relatives. It is quite possible that some individuals in this latter group would become Medicaid covered in the future, but we did not capture that possibility in our tabulations. For these individuals, because they became nursing home patients and were not covered by Medicaid during the same HRS wave (a 2-year period), their expected coverage as a private pay patient would be one year, even if they were found to be Medicaid eligible in the subsequent wave of the HRS.

Conclusions

Much of the recent discussion of asset transfers by the elderly has focused on anecdotal evidence and on "Medicaid planning" strategies that *could* be used to shield resources that might otherwise be spent on long-term care. If cost were the only factor in the use of long-term care services there would be clear incentives for individuals to engage in these strategies. In any realistic model of behavior, however, individuals make decisions based not only on cost, but also on the nature of services purchased. Given the potential differences in amenities (e.g., private vs. shared rooms) and other quality of life features affordable by private-pay and Medicaid patients, it is not clear that individuals with the ability to pay privately for nursing home care would actively seek Medicaid coverage by transferring assets to others. Under Medicaid, for example, they can only keep an allowance of about $30 per month to pay for all personal needs. The empirical frequency of "Medicaid planning" behavior would seem to be at least as relevant a question for policy-makers as the availability of such strategies.

While there is wide agreement that it is not in the public's interest for persons with substantial wealth to transfer assets to gain Medicaid eligibility, the best available data on asset changes in the elderly population suggest only a weak association between asset transfers and Medicaid coverage for nursing home care. Hence, it is conceivable that an even smaller fraction of persons qualifying for Medicaid would make transfers if rules were tightened, but the impact of rule changes on Medicaid savings may not be substantial. Our analyses suggest that many elderly persons have other motivations for sharing resources with their children and grandchildren than just achieving Medicaid coverage for nursing home care.

This issue brief was prepared by Korbin Liu, Sc.D, a principal research associate, and Tim Waidmann, Ph.D, a senior research associate at the Urban Institute, for the Kaiser Commission on Medicaid and the Uninsured.

Reference: *United States Government Accountability Office (GAO). 2005. Medicaid: Transfers of Assets by Elderly Individuals to Obtain Long-Term Care Coverage. Report to Congressional Requesters, GAO-05-968.*

1330 G Street NW, Washington, DC 20005
Phone: (202) 347-5270, Fax: (202) 347-5274
Website: www.kff.org/KCMU

Additional copies of this report (#7436) are available
on the Kaiser Family Foundation's website at www.kff.org.

THE HENRY J. KAISER FAMILY FOUNDATION

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bi-partisan group of national leaders and experts in health care and public policy.