FACT SHEET

Deficit Reduction Act of 2005: Impact on Medicaid Eligibility

The Deficit Reduction Act (DRA) of 2005 was enacted to control the impact of Medicare and Medicaid programs on both federal and state budgets. Signed by President Bush on February 8, 2006, the act sets forth the following provisions amending Medicaid eligibility requirements as follows:

I. Verification of U.S. Citizenship

As of September 25, 2006, U.S. citizens applying or reapplying for Medicaid benefits will have to provide one-time proof of their U.S. citizenship. Failure to provide this proof will result in denial or termination of Medicaid benefits. Previously, verification of U.S. citizenship was self-declared, and only non U.S. citizens were required to document their status in the United States. Illegal and undocumented immigrants are not eligible for Medicaid.

Those enrolled in Medicare, receiving Supplemental Security Income (SSI) or Disability Medical Assistance (DMA) or applying for Alien Emergency Medical Assistance (AEMA) are excluded from this requirement. Acceptable verifications include: U.S. Passport, Certificate of Naturalization, or Certificate of U.S. Citizenship. If these items are not available, Medicaid applicants will need to provide one birth document and one identity document. Examples of these documents can be found online: http://jfs.ohio.gov/ohp (Note: Consumers who are naturalized U.S. citizens can only use a U.S. Passport Certificate of Naturalization, or Certificate of U.S. Citizenship to verify U.S. citizenship.)

II. Long-Term Care Changes

As of Oct. 1, 2006, Medicaid eligibility for long-term care services will be modified to reflect changes to the following:

- **Transfer of Resources:** Extends the transferred resources' review period from three years to five years. Funds used to purchase a life estate in another individual's property or used to purchase a promissory note or mortgage may, in certain circumstances, be considered an improper transfer.

- **Improper Transfer of Resources (Penalty Period Start Date):** The penalty period for improper transfers of resources now begins the date an individual receives or is eligible to receive long term care services and would otherwise be eligible for Medicaid coverage, instead of the date the improper transfer was made. Also, multiple transfers of resources will be treated with penalty periods beginning on the earliest date of the improper transfer.

- **Home Equity more than $500,000:** Certain Medicaid applicants who have home equity above $500,000 are ineligible for payment of long-term care services through Medicaid (unless the applicant's spouse is residing in the home or the home is occupied by a child who is under age 21, blind or disabled).

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- **Annuities:** Medicaid applicants are now required to disclose information about annuities they have and to name the State of Ohio as the remainder beneficiary. As the remainder beneficiary, Medicaid programs can recoup medical costs once the consumer (and the consumer's spouse) is deceased. In addition, annuities purchased on or after Feb. 8, 2006 are evaluated to determine whether the purchase is a proper or improper transfer of resources. To be considered a proper transfer of resources, annuities must:
    - be irrevocable, non-assignable, and actuarially sound;
    - have payments dispersed in equal monthly amounts;
    - exclude any deferrals or balloon payments; and
    - be purchased with retirement or IRAs funds.

- **Treatment of Income for Non-institutionalized Spouses (Income First):** In cases where an institutionalized individual has a spouse who still lives in the community, a county caseworker determines how much income the non-institutionalized spouse needs to maintain him/herself in the community. If the non-institutionalized spouse does not have enough income to meet the amount determined by the caseworker, then DRA includes a requirement that the non-institutionalized spouse must use all available income from the institutionalized spouse to subsidize their monthly income prior to a reallocation of additional resources. Previously, the law allowed the non-institutionalized spouse to obtain additional resources without taking income from the institutionalized spouse.

The DRA Impact on Ohio Medicaid

The implementation of the DRA of 2005 is expected to more aggressively manage Medicaid costs while ensuring those who qualify for the program are getting the services they need. In Ohio, the major cost drivers of Medicaid are nursing home care, prescription drugs and hospital care – all of which are related to escalating long-term care costs. More than75 percent of Medicaid spending in Ohio is for those who are aged, blind or disabled.

Additionally, one-time verification of U.S. citizenship aims to provide assurance to the federal government that those receiving public assistance are citizens or have legal alien status. The Ohio Department of Job and Family Services continues to work with other state agencies to identify data matching capabilities in order to implement this requirement without imposing unintended burdens on Medicaid applicants and recipients.

Medicaid eligibility rules are updated to reflect these changes. For more information, please refer to the Medicaid Eligibility Manual (MEM) or contact your local county department of job and family services. Consumers can call the Medicaid Consumer Hotline at 1-800-324-8680 or TDD/TTY 1-800-292-3572.