

GAO Study Finds Transfers by Elderly Are Infrequent and Small

By Littman Krooks LLP | 06/01/07

A new Government Accountability Office (GAO) study concludes that few of the elderly are transferring assets in order to become financially eligible for Medicaid coverage of long-term care, and that of the transfers that are made, the amounts are modest. The study also finds that the impact of the Deficit Reduction Act of 2005 (DRA), which imposed harsh new asset transfer provisions, is uncertain.

"This report confirms that the Medicaid long term-care program is not rife with cheats and scam artists," House Energy and Commerce Committee Chair John Dingell (D-MI) said in a statement issued along with House Energy and Commerce Subcommittee on Health Chair Frank Pallone (D-NJ), House Oversight and Government Reform Committee Chair Henry Waxman (D-CA) and Sen. Sherrod Brown (D-OH), all of whom requested the report.

Analyzing nationwide data from 1992 through 2004, the GAO found that at the time most elderly individuals entered a nursing home, they had resources of \$70,000 or less, not including their home. This is less than the average cost for a year of private-pay nursing home care. Nine out of 10 elderly nursing home residents had annual incomes of \$20,000 or less, and only 9.2 percent of elderly nursing home residents on Medicaid reported transferring cash before applying.

To get a better picture of the extent to which elderly Medicaid applicants transferred assets, the GAO took a close look at 540 randomly selected Medicaid nursing home applications from three states: Maryland, Pennsylvania, and South Carolina. All the applications were covered by the pre-DRA transfer rules. The GAO found that about 90 percent of the applicants had total resources of \$30,000 or less, excluding the home. Most applicants were single women. Only one-quarter owned homes and the median value of those homes was \$52,954.

Only 10 percent of those who were approved for Medicaid coverage had transferred assets during the look-back period, and the GAO could find only two who had experienced a delay in their eligibility for Medicaid as a result of the transfer. The other applicants were either not assessed a penalty, because the penalty would have been for less than one month of coverage, or the penalty they were assessed had expired by the time they submitted their Medicaid application. The median amount of all assets transferred was \$15,152. Most of the asset transfers involved the transferring of financial holdings, such as gifts of cash or stocks, and applicants' children or grandchildren were the most common recipients of the transfers.

The GAO says it is uncertain what the impact would have been on these applicants had the DRA's more stringent rules been in effect. Under the DRA, the penalty period for transferring assets begins when the applicant would otherwise be eligible for Medicaid coverage, not when the transfer occurred, as was the case under prior law. All the applicants in the study who had transferred assets would have experienced a delay in Medicaid eligibility under the DRA, although they may have been able to persuade the

state to waive their penalty period if it would cause undue hardship.

The GAO found that the effects of other DRA provisions - for example, those affecting home equity, life estates and annuities -- "may be limited" because few applicants fall under these provisions. "For example," the GAO writes, "few applicants whose files we reviewed appeared to have home equity of sufficient value to be affected by the DRA provisions." Under the DRA, states will not cover long-term care services for an individual whose home equity exceeds \$500,000, although states have the option of increasing this limit to \$750,000.

To download the GAO study, *Medicaid Long-Term Care: Few Transferred Assets before Applying for Nursing Home Coverage; Impact of Deficit Reduction Act on Eligibility Is Uncertain*, [click here](#). (The study is in PDF format. If you do not have the free PDF reader installed on your computer, download it [here](#).)

The GAO study echoes the findings of many earlier assessments of the extent of asset transfers among the elderly. Below are links to ElderLawAnswers coverage of some of these studies.

- ["GAO Study Fails to Find Significant Medicaid Asset Transfer Problem"](#)
- ["Report Explodes Myth That Medicaid Transfers Are a Problem"](#)
- ["Savings From the Medicaid Transfer Changes Will Be Minuscule, Report Predicts"](#)
- ["New Study Finds That Few Nursing Home Residents Transferred Assets"](#)

For more on the Medicaid asset transfer rules, [click here](#).