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Executive Branch Policy Development Program
1984-1985

INCOME SUPPORT PROGRAMS

INCOME SUPPORT PROGRAMS

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EXECUTIVE SUMMARY

Awareness of demographic shifts in the over-65 population led to this study of income support programs for senior citizens. A basic assumption behind evaluation of these programs is that an increasing number of older persons will need some sort of public assistance in the years ahead.

While evaluating the income maintenance programs for older persons, it is important to keep in mind the fact that cash assistance is just one form of public assistance provided to older persons. It is the component in the long-term care system which has the potential to provide recipients with the means to remain independent of other publicly provided parts of this system. On the other hand, program incentives also have the potential to encourage greater reliance on public programs.

The goal of this study is to strengthen or create income maintenance programs which will provide for the income needs of the future elderly population while promoting appropriate incentives in relation to other public programs.

This report describes the Supplemental Security Income (SSI) and Minnesota Supplemental Aid (MSA) programs which are the primary income maintenance programs for the elderly, analyzes them in the context of the larger long-term care system, and offers recommendations for program changes.

Program Data

1. Only 23.4 percent of all MSA recipients live independently.
2. While only 22.4 percent of all MSA recipients reside in negotiated-rate facilities, they receive 67.3 percent of all expenditures.
3. MSA is supplementing the income of a growing number of persons ineligible for SSI and a decreasing number of persons who are also receiving SSI. Nearly 50 percent of these MSA-only recipients live in board-and-care homes, board-and-lodging facilities, group homes, adult foster homes, and similar facilities.

Program Structure

1. The actual average MSA payment is higher than the supplement for SSI recipients indicated by MSA shelter and basic need allowances.
2. SSI recipients sharing household expenses with another are generally ineligible for MSA because of the reduced allowances for such individuals.
3. Many SSI and MSA recipients are penalized with lower standards for relying on the informal network by living with family and friends.

4. MSA recipients with similar resources, income, and needs may not receive similar MSA payments.
5. MSA resource standards vary by eligibility and are for the most part much lower than the corresponding SSI standards.
6. The state has set no limit on the amount MSA will pay for recipients residing in licensed facilities such as board-and-care homes, adult foster homes, halfway houses, board-and-lodging facilities, and group homes. Although MSA is designed to cover only room and board at such facilities, actual rates range from about \$300 per month to over \$1,100 each month.

CONCLUSIONS

1. MSA recipients are treated inequitably.
2. MSA discourages reliance on the informal support network and does not encourage self-reliance.
3. MSA financial incentives encourage higher, not lower, levels of care.

RECOMMENDATIONS

The recommendations offered in this report address the above conclusions and alter three program components: payments, financial incentives, and resources. Each carries its own advantages and disadvantages; however, in each case the advantages are deemed to outweigh the disadvantages.

1. Replace the current payment system, based on individual need determined by a composite of need allowances, with one based on need standards. Uniform standards should be set for recipients living independently and in the home of another, as defined by SSI. The standard for persons living in Medicaid-reimbursed facilities should be the current personal needs allowance. The standards for negotiated-rate facilities should be a personal needs allowance of \$40 plus a room and board allowance.
2. Study the need for continuation of emergency assistance and provision of selected special needs allowances under a revised system of need standards.
3. Establish a maximum state payment for room and board in negotiated-rate facilities. Coordinate General Assistance room and board rates with those established under MSA.
4. Set MSA resource limits equal to the SSI resource limits, including phased increases to 1989.

I. INTRODUCTION

Income maintenance programs are an integral part of an aging strategy study designed to develop coordinated alternatives for long-term care, which encourage self-reliance and the use of informal support networks and community care systems. An adequate income provides the means for persons to maintain independence, a role which suggests that cash assistance programs play an important part in such a system.

In the past, means-tested income maintenance programs for persons over 65 were ignored for the most part because Social Security is the primary form of income support for such persons; however, as the elderly population ages and becomes an increasingly larger proportion of the population, policy makers can no longer rely on the assumption that Social Security will continue to limit the number of elderly eligible for means-tested income maintenance programs.

While many older persons are deterred from participation in cash assistance programs because of the welfare stigma, a new generation of older persons may not be similarly discouraged. Awareness of these and other implications of the demographic shift in Minnesota's population brought forth this study of public programs and expenditures.

This report describes the Minnesota Supplemental Aid (MSA) and Supplemental Security Income (SSI) programs, provides an analysis of the MSA program in order to assess its position in the current system of long-term care service delivery, and offers recommendations for legislative action. The analysis and recommendations offered are based on the assumptions and goals of the Strategy on Aging Task Force. The primary questions address the efficiency of program expenditures in encouraging independent living, assuming adequate housing and community services are available to these individuals. These questions include some of the concerns common to all income maintenance programs, such as program equity, as well as concerns particular to a program for the elderly within a public and private long-term care system. The analysis addresses the effect of the financial incentives and grant determination procedures on the following overall goals. The first is common to all income maintenance programs, while the latter two are particular to this study.

1. To create an equitable income maintenance program which will guarantee some minimum amount of income to all recipients.
2. To encourage older persons to rely on themselves and the informal support network before and after seeking government assistance.
3. To create a program which provides only the needed amount of support in the most effective, least restrictive environment.

The recommendations are offered as one part of a system which encourages the above relationships. The success and desirability of the recommendations depend upon the coordinated system of service delivery outlined in the full task force study report and should be evaluated in that light.

II. PROGRAM DESCRIPTIONS

A. Supplemental Security Income (SSI).

The program was established in 1972 as Title XVI of the Social Security Act and was implemented January 1, 1974.

1. Purpose. To provide cash income support for the needy aged, blind, and disabled, based on nationally uniform eligibility standards and payment levels. The program replaced the Old Age Assistance (OAA), Aid to the Blind (AB), and Aid to the Disabled (AD) programs. The targeted recipient population is persons who are either ineligible for Social Security or whose benefits do not provide an adequate income.
2. Program Administration. The SSI program is administered by the Social Security Administration (SSA). Local SSA offices determine final eligibility for all claimants, determine the amount of the grant, and issue payments.
3. Funding Source. The program is 100 percent federally financed. General revenues of the U. S. Treasury provide funds for the program.
4. Eligibility Requirements. SSI recipients must be aged (over 65), blind or disabled, and meet an income and resources needs test. Currently, the individual monthly income limit after exclusions is \$314, and the liquid resource limit is \$1,500. For a couple, the income limit is \$472 and the liquid resource limit is \$2,250. The income limits are increased each July and parallel the percentage increase in the Old Age, Survivors, and Disability Insurance benefits.
5. Benefits. A monthly cash grant is paid directly to SSI recipients. Payments may be distributed to a "representative payee" if the recipient is unable to manage personal finances. The grant is calculated by subtracting the individual's income after exclusions from the income limit established by Congress. The income limits vary by living arrangements.
6. Living Arrangements. The following describes four living arrangements, instead of the three used by SSI, to allow comparison with MSA.

a. Independent Living.

- i. Definition: An individual living alone or with others in an apartment, house, co-operative, etc., who is contributing an equal share of the cost of food and/or shelter.
- ii. Need Standards: The standard for individuals is \$314; for couples, it is \$472.

b. Home of Another.

- i. Definition: An individual living with at least one other, who does not pay an equal share of the food or shelter costs.
- ii. Need Standards: The standards are two-thirds of the independent living rate. The standard for individuals is \$209; for couples, it is \$315.

c. Negotiated Rate.

- i. Definition: This is an MSA category and is not defined under SSI regulations. SSI recipients placed in this category reside in the facilities listed under the MSA category with the same name. SSI classifies these recipients as living independently.
- ii. Need Standards: Same as Independent Living.

d. Title XIX.

- i. Definition: Individuals residing in facilities in which Medical Assistance pays 50 percent or more of the costs. Nursing homes are included in this category.
- ii. Need Standards: \$25.

7. Coordination With Other Public Assistance Programs.

- a. Medical Assistance (MA). All SSI recipients must apply separately for Medical Assistance through a local welfare agency. Medical Assistance is extended to medically needy individuals whose earned income makes such persons ineligible for SSI benefits.
- b. Food Stamps. SSI recipients must apply separately for Food Stamps. Food Stamp benefits are disregarded as income under the SSI program; however,

SSI income is included in determining eligibility for the Food Stamp program. Consequently, SSI recipients also receiving Food Stamps do not receive the full benefit of increases in SSI payment levels. Their Food Stamp issuance will be reduced one-third the amount of the increase in SSI income.

- c. Social Services. Many social service programs, including Pre-admission Screening and community social services are available to SSI recipients. Participation in such programs does not affect SSI status.

8. Expenditures.

State Fiscal Year 1983 expenditures on SSI payments in Minnesota were \$48.3 million.

9. Recipient Profile.

The average monthly caseload in Minnesota for Calendar Year 1983 was 29,022. In December, 1983, the aged category comprised 33.4 percent of the SSI recipient population. The total number of persons over 65 receiving SSI was higher, however, because that figure does not include blind and disabled senior citizens.

B. Minnesota Supplemental Aid (MSA).

The MSA program was established by the State Legislature in the Laws of Minnesota 1974, Chapter 487.

1. Purpose. To provide cash assistance to the aged (over 65), blind, and disabled. Included in the legislation which established SSI is a provision which mandates state supplementation to SSI recipients who had previously received higher benefits under the OAA, AB, and AD programs which were superceded by SSI. States were given the option of supplementing the income of SSI recipients who had not received OAA, AB, or AD, and persons who would have qualified for the former programs but were ineligible for SSI due to excess income and/or resources. MSA was established to fulfill the mandated provisions and assist persons ineligible for SSI due to income and resource standards. Currently, the MSA program is entirely optional because the increased SSI payment standards eliminate the need for the mandated portion of MSA.
2. Program Administration. The Minnesota Department of Human Services supervises administration of the program. County welfare agencies determine recipient eligibility, grant amount, and issue payments.

3. Funding Sources. The program is financed by state and county agencies. State funds finance 85 percent of grant payments and counties finance 15 percent.
4. Eligibility Requirements. A recipient must be aged (over 65), blind or disabled, and meet an income and resource test. Income available to the recipient after applying exclusions must be less than the standard of need determined on an individual basis. Personal resource limits vary according to eligibility category. Personal resource limits for the elderly and disabled are separated into liquid resources, cash surrender value of life insurance, and the value of prepaid burial contract categories. The personal resource limits for the blind include all forms of personal resources. The liquid resource limit for aged and disabled individuals is \$300, and for aged and disabled couples it is \$450. The resource limit for blind individuals is \$2,000 and for couples it is \$4,000.
5. Benefits. Monthly cash grants are paid directly to MSA recipients. Payments may be distributed to a "representative payee" if the recipient is unable to manage his/her finances. Payment levels are determined by subtracting recipient income (after exclusions) from the need standard computed for each individual. SSI income reduces the grant dollar-for-dollar. Allowances used to determine need standards vary by living arrangement and geographical location in the state. Emergency assistance is available to recipients who have special needs not included in their need standard. This category includes major home repairs, moving expenses, repair or replacement of household furniture and appliances, and similar expenses.
6. Living Arrangements. The following section describes recipient living arrangements according to MSA definitions, the method used to derive need standards which determine grants, the maximum payment levels for each situation, and the grant to individuals receiving the maximum SSI payment. Four living arrangements are defined instead of the basic three in order to facilitate comparison between the MSA and SSI programs.
 - a. Independent Living.
 - i. Definition: An individual living alone or with others in an apartment, house, co-operative, etc., without regard to responsibility for household expenses.
 - ii. Need Standard Calculation: Allowances for shelter and basic needs, adjusted for household size and geographical location, are included. (All else being equal, the grant is

reduced as the number of individuals in the household increases.) Standards for persons identified with a need for restaurant meals and laundry allowance are raised to reflect this need. Allowances for additional needs such as telephone service, newspapers, and non-medical transportation, are included in the standard on a county-by-county basis.

- iii. Need Standard Example: The shelter and basic needs standard for individuals living alone and residing in Hennepin County is \$329. For a couple, the standard is \$487. Standards for individuals (living alone) and couples qualifying for telephone and newspaper allowances in Hennepin County are \$349 and \$507, respectively. The standard for an individual (living alone) qualifying for the restaurant meal allowance, as well as the maximum shelter, basic needs, telephone, and newspaper allowances, is \$456.
- iv. Grant: In the first example, the MSA supplement for individuals and couples receiving the maximum SSI payment of \$314 and \$472, respectively, would be \$15. Grants for individuals and couples demonstrating need for a telephone and newspaper allowance as well would be \$35. Individuals in the last example would receive a MSA supplement of \$142.

b. Home of Another

- i. Definition: This category is not defined under MSA. MSA recipients placed in this category for purposes of this report live in the home of relatives and non-relatives. They are presumed to be eligible for the separate SSI standard for persons not contributing an equal share of the household living expenses. MSA does not differentiate between those sharing household expenses and those not contributing. Persons living with others are treated as though they are living independently, regardless of responsibility for household costs; however, because individual standards are adjusted by the number of persons in the household, the maximum allowance for persons in this category is less than the maximum allowance for persons living independently.
- ii. Need Standard Calculation: calculated in the same manner as independent living.

iii. Need Standard Example: The individual shelter and basic needs allowance in Hennepin County, for a person living in the home of one other person, is \$243.50. This is the same standard calculated for a recipient sharing living expenses with one other. The standard for a couple is \$391. The standard for individuals qualifying for a telephone and newspaper allowance is \$253.50, and if the same individual also qualifies for a special diet allowance, the standard would be \$264.50.

iv. Grant: The MSA supplement to an individual receiving the maximum SSI payment of \$209 is \$34.50, and the supplement to a couple receiving the \$315 SSI grant is \$76. Individuals qualifying for telephone and newspaper allowances would receive \$44.50, and those qualifying for a special diet would receive \$55.50.

c. Negotiated Rates.

i. Definition: An individual living in a facility in which the county has negotiated a standard rate for reimbursement. Examples include board and lodging facilities, board and care homes, adult foster homes, and halfway houses.

ii. Need Standard Calculation: The need standard is the rate negotiated by the county for the facility in which the recipient resides, plus a \$40 personal needs allowance.

iii. Need Standard Example: Hennepin County has set a rate for board and lodging facilities at \$309. The need standard for a person residing in such a facility would be \$349.

iv. Grant: Individuals receiving the maximum SSI payment of \$314, who reside in a board and lodging facility in Hennepin County, would receive \$35 for personal needs. Individuals living in a \$600 facility, also receiving the maximum SSI payment of \$314, would receive a supplement of \$286 to cover the facility expense, plus a \$40 personal needs allowance for a total of \$326.

d. Title XIX.

i. Definition: Individuals residing in facilities in which Medical Assistance pays 50 percent or more of the costs. Typical facilities

in this category include skilled nursing residences and all types of intermediate care facilities.

- ii. Need Standard Calculation: There is a single need standard. No calculation is needed.
- iii. Need Standard Example: As of October 1, 1984, the need standard is \$40 for all individuals. This payment is used to cover the personal needs of residents who have no other income.
- iv. Grant: The MSA supplement is \$15 in addition to the SSI payment of \$25.

7. Coordination With Other Public Assistance Programs.

a. SSI.

Federal law requires states to "pass along" increases in SSI payments to MSA recipients. States may choose to do this by:

- (1) maintaining the same supplementation provided in December of 1972; or,
- (2) providing no less than the total aggregate amount of the state supplementation paid in the previous 12-month period.
- (3) Minnesota elects the second method to fulfill this obligation by increasing MSA standards by the same dollar amount as the SSI increase.

b. Medical Assistance.

All MSA recipients are automatically eligible for Medical Assistance. A separate application is not needed.

c. Food Stamps.

MSA recipients must apply separately for Food Stamps. Increases in MSA payments have the same effect on Food Stamp benefits as do SSI increases, i.e., the value of the Food Stamps issued to the recipient will be reduced by one-third of the MSA increase.

d. Social Services.

State law mandates that MSA recipients are eligible for a number of social services. Participation in such programs does not affect MSA status.

8. Expenditures.

FY 1983 expenditures on the MSA program totalled \$16,029,083. Of this, \$12,891,111 was payments to individual recipients, and \$3,137,972 was administrative costs.

EXPENDITURES BY SOURCE OF FUNDING

	<u>STATE</u>	<u>COUNTY</u>
PAYMENTS	\$10,957,444	\$1,933,667
ADMINISTRATION	163,219	2,974,753
TOTAL	11,120,663	4,908,420

9. Recipient Profile.

The average monthly MSA caseload in 1983 was 9,975 recipients. Less than one-third (27.2%) were aged. The actual number of elderly receiving MSA is greater, however, because blind and disabled recipients over 65 are not included in the aged total. The total number of blind and disabled recipients over 65 on December 31, 1983 was 1370, which brings the number of senior citizens receiving MSA to approximately 40 percent of the average monthly caseload.

III. MSA PROGRAM ANALYSIS

A. MSA Recipient and Expenditure Profiles.

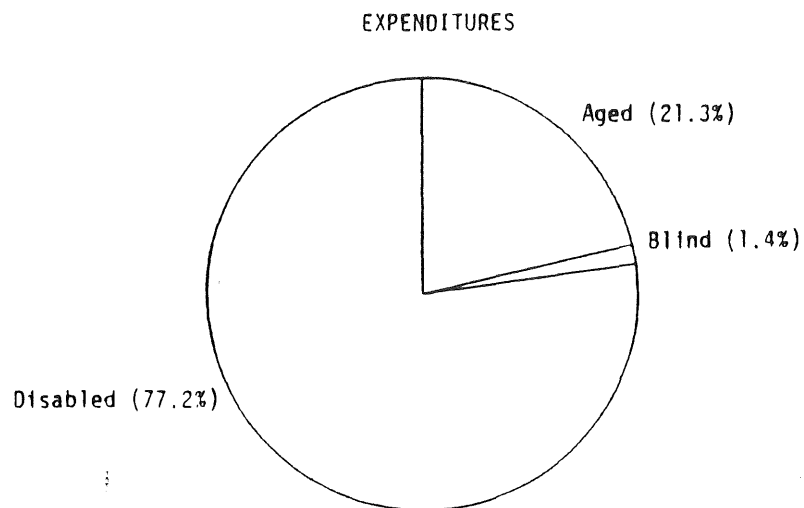
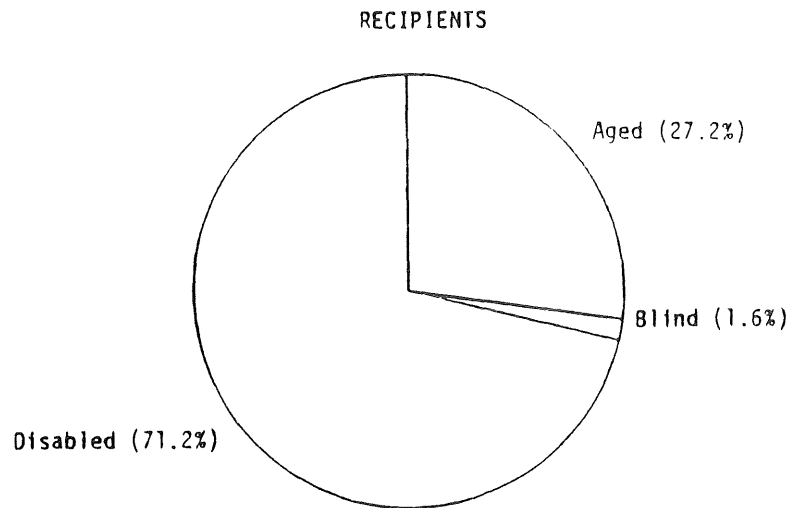
Figures one and two below compare MSA recipient and expenditure profiles. Expenditures are distributed in proportion to the eligibility categories, but are not equally distributed between living arrangement categories.

Although the majority of recipients live in Title XIX facilities, they receive only 5.3 percent of the expenditures. In contrast, only 22.4 percent of all MSA recipients reside in negotiated-rate facilities, but they receive 67.3 percent of the expenditures.

The average payment to recipients ranges from a low of \$10.79 for persons in Title XIX facilities, to a high of \$313.11 for persons in negotiated-rate facilities. Recipients living independently receive an average monthly supplement of \$103.18. The wide range in average payments may be explained by the fact that different methods are used to determine need standards for each living arrangement. Although payments for persons living independently are not standardized, the effect of limited shelter, basic, and special need allowances is to

FIGURE I

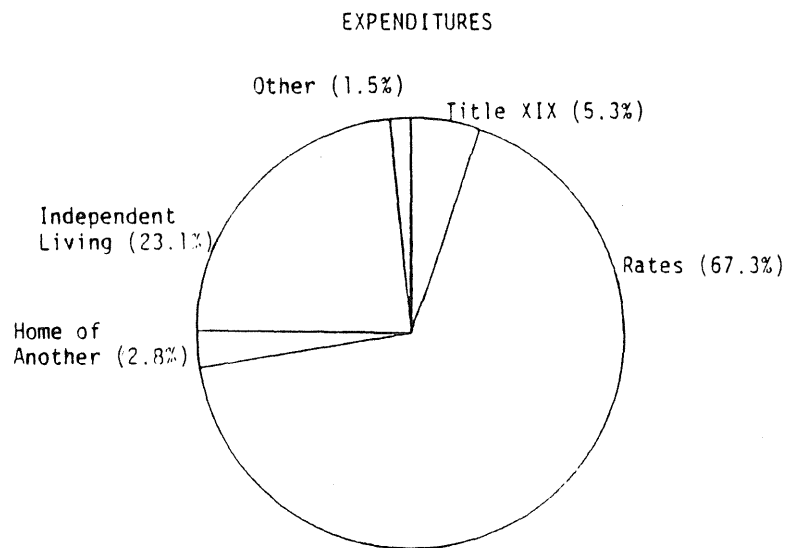
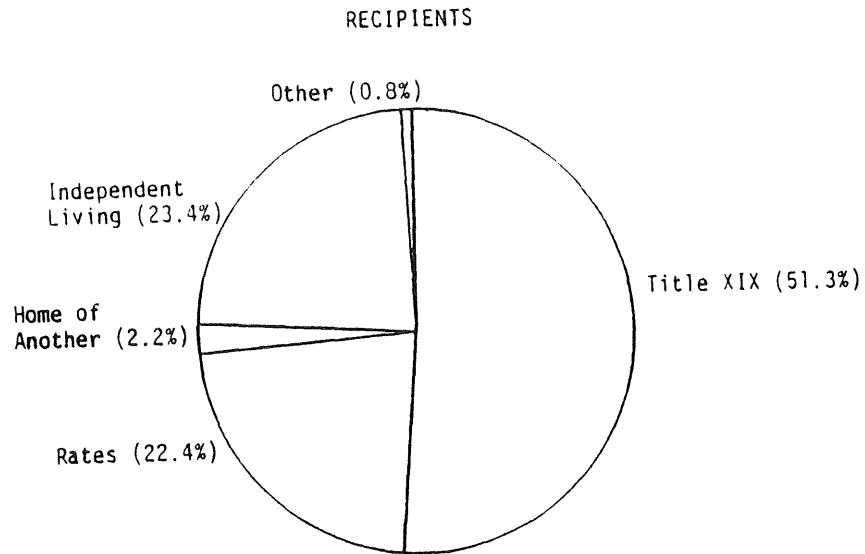
MSA RECIPIENTS AND EXPENDITURES
BY ELIGIBILITY CATEGORY: 1983



Source: Department of Human Services.

FIGURE II

MSA RECIPIENTS AND EXPENDITURES
BY LIVING ARRANGEMENT: DECEMBER 1983



Source: Department of Human Services.

place a maximum on the payment a recipient may receive; however, a similar limit is not placed on the MSA payment for individuals residing in facilities for which a rate is negotiated. Counties are free to negotiate MSA-reimbursed room and board rates for all facilities. These rates range from a low of about \$300 per month to a high of over \$1,100 per month. The average payment to persons in Title XIX facilities reflects the \$10 flat payment standard.

B. MSA Payment Structure.

Table I summarizes the relationship between MSA and SSI payment standards and the actual payments to recipients. The figures presented are based on the maximum MSA shelter, basic needs, telephone, and reading material allowances for single individuals residing in Hennepin County. These allowances are used to present a representative example of a need standard for persons who do not have special dietary needs and who eat their meals at home. The MSA/SSI standard for persons residing in the home of another is based on allowances for one individual not responsible for the costs of food and shelter and who is residing in the home of one other person. The standards are not intended to represent the actual standards for all or even the majority of cases, but are used to illustrate a "typical" standard. It is assumed that the income (less exclusions) of all individuals is equal to the maximum SSI payment.

By comparing the figures in the last two columns, it is apparent that the actual average MSA payment to persons living independently and in the home of another is much higher than the MSA supplement based on the represented maximum payment level. The actual average supplement is higher because the MSA standards shown do not include allowances for non-medical transportation, restaurant meals, and other allowances included in the budget of MSA recipients on an individual basis, because the methods used to determine income under the two programs differ, and because some individuals with little income are eligible for MSA but not SSI. The latter group of recipients are those with certain resources above SSI limits and disabled individuals who meet less stringent MSA disability standards. While large payments based on actual need are not necessarily a problem, they deserve attention because of the inequitable treatment between recipients which may result.

Many MSA recipients living independently or in the home of another receive very small payments, while many others receive very large payments, and the grant differences do not always reflect greater need. Instead, the variance may reflect lower shelter standards and/or the customary method of grant determination by a particular county. A person living in a county which routinely allows telephone, newspaper, and non-medical transportation is likely to get a higher payment

than a person living in one that does not. Fewer needy individuals will be eligible for MSA--and by implication, an adequate income--in the latter county. Limited program dollars are allocated in a haphazard manner because the state has set no standards which represent a guaranteed income for its citizens. Individuals in one county receiving \$325 in Social Security might be eligible for a \$25 MSA supplement but may not be eligible for MSA at all in another county.

A second observation that deserves attention is the fact that MSA penalizes persons who choose to live with others. Recipients living independently in a two-person household (i.e., they contribute an equal share of the cost of food and shelter), are generally ineligible for MSA. Individuals in this category, receiving a maximum SSI payment of \$314, are not eligible for an MSA supplement, but must live on their SSI payment and excluded income. The penalty is greater for recipients not contributing an equal share of the cost of food and shelter. The combined MSA/SSI standard for individuals living in the home of another falls to \$243.50.

The following examples provide illustrations of the two observations:

EXAMPLE 1: The following is the grant calculation for two individuals receiving the maximum SSI payment of \$314 and who live alone.

	<u>COUNTY 1</u>	<u>COUNTY 2</u>
Shelter standard	\$ 83	\$106
Basic allowance	223	223
Telephone	10	12
Transportation	0	10
Newspaper	0	5
Total Need	\$316	\$356
SSI payment	-314	-314
MSA Supplement	\$ 2	\$ 42

EXAMPLE 2: The following describes the calculations for the individual in County 2 when she moves in with another and pays an equal share of the food and shelter costs.

	<u>SHARING</u>
Shelter standard	\$ 67.50
Basic allowance	176.00
Telephone	6.00
Transportation	10.00
Newspaper	2.50
Total Need	\$262.00
SSI payment	-314.00
MSA Supplement	\$ 0.00

EXAMPLE 3: The following compares the effect of the MSA/SSI need standard calculated for the individual in Example 2, (1), with the effect of the need standard for an individual living in the home of another, (2). The calculations to determine the MSA individual need standard are absent because they are identical to those in Example 2.

	<u>SHARING</u>	<u>HOME OF ANOTHER</u>
MSA Need	\$262	\$262
SSI Need	314	209
MSA/SSI Need	314	262
MSA Supplement	0	53

Table II is provided to demonstrate the results of a system which establishes standard need levels by living arrangements. The standard for persons living independently is \$338. The grant for all persons whose income, including SSI, totals \$314 is calculated as follows:

State Need Standard	\$338
Income	314
Supplement	24

Again, the important columns are the last two, which in this case are nearly identical. Under this system it is assumed that persons in similar living arrangements have similar needs and receive the same assistance. Recipients are not penalized for sharing their apartment because the need standard will remain the same.

TABLE I

SSI AND MSA PAYMENT STANDARDS BY LIVING ARRANGEMENTS - 1983

	<u>SSI/MSA</u>	<u>SSI</u>	<u>MSA SUPPL.*</u>	<u>AVG. MSA PAYMT.</u>
Independent Living:				
Household of 1	\$349	\$314	\$ 35	\$103
Household of 2	314	314	0	-
Home of Another	254	209	45	134
Negotiated Rate	335 to 1135	314	21 to 821	313
Title XIX	35	25	10	11

* Hennepin County allowances for basic needs, shelter, telephone, and reading materials, except for negotiated rates which are based on state-wide samples.

Source: Department of Human Services

TABLE II

SSI AND STATE SUPPLEMENT PAYMENT STANDARDS AND ACTUAL
AVERAGE PAYMENTS BY LIVING ARRANGEMENTS
MICHIGAN, 1983

	<u>STATE STANDARD</u>	<u>SSI</u>	<u>STATE SUPPL.</u>	<u>AVG. STATE PAYMT.</u>
Independent Living	\$338	\$314	\$ 24	\$ 24
Home of Another	225	209	16	16
Domiciliary Care	401	314	87	85
Personal Care	472	314	158	144
Home for Aged	493	314	179	140

Source: Michigan Department of Social Services

C. Resource Standards.

Two things become immediately clear from the resource table below. The first is that MSA resource standards are much more restrictive than the SSI standards. The value of a home and the first \$4,500 of the value of a car (not needed for employment reasons or adapted for use by, or transportation of, handicapped persons) are entirely excluded as SSI resources, while only \$47,032 in home equity and the first \$1,650 of the value of a car (not needed for employment or medically related purposes) are excluded as MSA resources. All SSI recipients may keep up to \$1,500 cash, while only the blind MSA recipients are allowed this much cash.

The second observation is that MSA recipients are treated inequitably between eligibility categories. While the liquid asset limit for blind recipients is \$2,000 for a single person and \$4,000 for a couple, the corresponding limits for aged and disabled are \$300 and \$450. Although the asset limits between all categories becomes more equitable when the cash surrender value of life insurance and prepaid burial contracts is added to the total, treatment of recipients within each category is uneven. Blind recipients are allowed much more flexibility to choose the manner in which to allocate their resources than disabled and aged recipients.

TABLE III

SSI AND MSA RESOURCE LIMITS

	<u>INDIVIDUAL</u>		<u>COUPLE</u>	
	<u>SSI</u>	<u>MSA</u>	<u>SSI</u>	<u>MSA</u>
PERSONAL PROPERTY				
Liquid Resources*				
Aged:	\$1,500	\$ 300	\$2,250	\$ 450
Blind:	1,500	2,000	2,250	4,000
Disabled:	1,500	300	2,250	450
Prepaid Burial Contract**				
Aged:	1,500	950	3,000	1,900
Blind:	1,500	---	3,000	---
Disabled:	1,500	950	3,000	1,900
Cash Surrender Value of Life Insurance (CSV)**				
Aged:	1,500	1,000	3,000	2,000
Blind:	1,500	---	3,000	---
Disabled:	1,500	500	3,000	1,000
TOTAL PERSONAL PROPERTY				
AGED:	3,000	2,250	5,250	4,350
BLIND:	3,000	2,000	5,250	4,000
DISABLED:	3,000	1,750	5,250	3,350
HOME EQUITY	no limit	47,032	no limit	47,032
CAR VALUE***	4,500	1,650	4,500	1,650

* MSA limits for the blind include the CSV of life insurance and burial policies.

** SSI figures are the combined limits for the CSV of life insurance and the value of a prepaid burial contract, i.e., the limit for the CSV of life insurance is offset dollar-for-dollar by the amount in the burial fund and vice versa. Burial spaces are exempt. MSA figures are \$750 contract plus \$200 interest.

*** SSI: One car is exempt if it is used for employment purposes or adapted for use by, or transportation of, a handicapped person.
MSA: One car is exempt if it is used by an employed person, a person seeking work, or is used for medical reasons.

Source: SSA and Department of Human Services

TABLE IV

MSA RECIPIENTS AND EXPENDITURES BY INCOME
FY 1979-FY 1983

	1979	1980	1981	1982	1983	AVG % CHANGE
RECIPIENTS:						
MSA Only	855	1,122	1,039	1,312	1,585	17.73%
CCR-SSI*	<u>10,081</u>	<u>9,594</u>	<u>9,382</u>	<u>8,890</u>	<u>8,389</u>	<u>-4.48%</u>
	10,936	10,716	10,421	10,202	9,971	-2.28%
EXPENDITURES:	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>AVG % CHANGE</u>
MSA Only	N/A	N/A	2,379,451	3,780,016	4,590,225	40.15%
CCR-SSI*	N/A	N/A	<u>8,703,314</u>	<u>8,172,923</u>	<u>8,300,886</u>	<u>-2.26%</u>
			11,082,765	11,952,939	12,891,111	9.57

* CCR-SSI: Concurrently receiving SSI payments

Source: Department of Human Services

D. Program Trends

The SSI and MSA caseloads have been decreasing slightly, while expenditures for both programs are moderately increasing. Increased expenditures during a period of declining caseloads may be expected because of inflation-induced higher average payments. The decrease in the number of aged recipients can be attributed to the rise in average Social Security benefits and the increase in the number of Social Security beneficiaries. These trends in the Social Security program reduce the number of persons eligible for SSI because all but \$20 of Social Security income is included in the SSI income test. More and more people receive monthly Social Security checks in excess of the SSI need standard by more than \$20, and fewer people are eligible for SSI. In December of 1975, 52.7 percent of all SSI recipients also received Social Security. By December, 1983, this number had been reduced to 49.3 percent. This phenomenon helps to explain the decline in the MSA aged caseload. By December, 1982, the percent of all MSA recipients also receiving Social Security payments dropped from 81.6 percent in 1979 to 24.1 percent. Finally, the declining caseloads indicate a stable rate of participation by eligible individuals.

Aggregate figures, however, obscure some important changes in the MSA population. Table IV shows that while the total MSA caseload has decreased an average of 2.3 percent per year between 1979 and 1983, the MSA-only portion of the caseload has increased an average of 17.73 percent during the same period. This means that they now represent 15.9 percent of the caseload, as opposed to 7.8 percent in 1979. MSA-only recipients are persons who are ineligible for an SSI payment but who are eligible for an MSA supplement. Persons in this category are eligible for MSA because of relaxed state standards for establishing disability, larger property limits available for MSA in certain instances, more liberal income exclusions in MSA, and the unlimited allowance for individuals in negotiated-rate facilities.

Reliable data which identify the primary reason for a significant and increasing MSA-only caseload are unavailable; however, a likely explanation can be inferred from the program structure and available data. Almost one-half (47%) of MSA-only recipients live in negotiated-rate facilities, while only 18 percent of those also receiving SSI live in these facilities. This seems to suggest that high rates are an important factor contributing to the MSA-only caseload because the proportion of individuals eligible for income maintenance in a negotiated-rate facility is higher than the proportion of individuals eligible for MSA who live independently.

For example, persons with incomes of \$1,000 per month would be eligible for MSA, provided they lived in a negotiated-rate

facility costing \$961 or more per month, but would be ineligible for MSA under any other circumstances. In any geographic location in the state in which some negotiated-rate facilities cost more than the typical composite MSA allowance for independent living, more persons are income eligible for MSA, provided they live in a negotiated-rate facility. The income of more people will fall in the range between the SSI standard and the negotiated-rate than between the SSI standard and the lower, typical, composite MSA allowance.

While a number of identifiable factors, presented above, contribute to the MSA-only caseload, the increase in the MSA-only caseload is somewhat harder to pinpoint. The impact of two trends, however, must be considered. First, the Medicaid waiver for the mentally retarded, which encourages the placement of these persons in board and care or adult foster homes instead of intermediate care institutions for the mentally retarded, has contributed to the rise in MSA recipients in negotiated-rate facilities. To the extent that these individuals are ineligible for SSI, the waiver has and will continue to contribute to this increase. However, the MSA-only category began to increase before the advent of the waiver and is, therefore, not the only explanation.

Another explanation could be the combination of a growing aged population, a decrease in the typical composite MSA allowance in proportion to SSI standards over the years, an increase in the extent and average amount of Social Security benefits, and the possibility that negotiated rates have increased over time. Low MSA allowances in the face of a growing older population, with increased support in the form of Social Security, has combined to reduce the proportion of the elderly eligible for income maintenance. However, a growing elderly population has increased the absolute number of individuals requiring some sort of care. Persons needing minimal services and whose Social Security checks make them ineligible for MSA in their own home may not be able to pay for the cost of the services. Lacking locally provided social services and an informal care network, these persons may take up residence in a board and care home to receive the needed services. Provided their Social Security checks do not cover the cost of the facility, these individuals would be eligible for MSA.

Under this scenario, MSA has taken over some aspects of a social service program. It could provide support in the event that someone seeks services in a licensed facility, but provide no support to the individual while at home. The lack of income support from MSA in the home is not significant in this portion of the discussion (as it has been previously) because we assume that the individual's Social Security checks provide an adequate income for food, shelter, and personal needs. To the extent that counties have increased negotiated rates to accommodate service provision instead of increasing community social services, and individuals such as

those above have needed these services, these rates contribute to the growing MSA portion of the caseload. While there is no evidence that counties consciously use MSA to provide services they would otherwise have to finance with funds provided by under Title XX, Title III, and other community social service programs, fiscal conservatism may work to encourage such uses.

The state/county share of MSA program costs is 85%/15%, while counties must match state expenditures for Community Social Services (CSSA) and Community Health Services (CHS) dollar-for-dollar. By emphasizing the use of board and care homes, adult foster homes, and similar facilities by persons requiring services, a county may be able to reduce total service expenditures. The cost of providing services to these individuals would be transferred from some community programs with high local expenditures to MSA with a low county match. As stated above, no direct evidence exists which suggests counties use such strategies to reduce their budgets; however, the system does offer such opportunities and could be used should the cost of providing community services rise.

IV. SUMMARY OF MAJOR FINDINGS

1. The MSA payment structure treats MSA recipients inequitably because it is based on a composite of need allowances which vary by geographic location and living arrangement.

The maximum supplement based on a representative budget is much smaller than the actual average payment. While some individuals receive payments which are much higher than the supplement, some receive payments which are much lower than the supplement. Recipients receiving different payments do not always display different needs. The philosophy behind a system which calculates individual need is that it is the only way to ensure that the special needs of individuals will be met. MSA standards are based upon the assumption that persons living in different situations will have different needs and should receive different payments. However, public programs are unable to take into account all of the circumstances which produce need because of limited administrative capacity and bureaucratic procedures. The result is a system in which persons with similar needs receive dissimilar payments.

The proportion of the MSA caseload living independently is much lower than the SSI proportion. SSI is administered by the Social Security Administration, while MSA is administered by local welfare agencies. Many individuals receiving SSI are reluctant to apply for MSA because of a negative attitude towards welfare not associated with Social Security. Lack of an established need standard creates uncertainty as to whether or not an SSI recipient is eligible for MSA, which may further discourage such persons from applying. While the object of public assistance is not to encourage persons to apply who do not require assistance, it should not discourage applications of needy individuals. Not only

do needy persons have the right to a minimum standard of living, but discouraging people from applying for income assistance may end up costing the public more in the long run. Elderly lacking a minimum income are more likely to require other sorts of public assistance, such as intermediate or skilled nursing care reimbursed by Medicaid. Provision of a program which ensures a minimum income to persons living on their own will help maintain a healthier older population in the future.

2. The MSA payment structure discourages self-reliance and utilization of the informal support network.

Recipients living with others are often ineligible for MSA because the shelter standard is reduced as the number of persons living in the household increases. Two persons living independently who share an apartment are rarely eligible for an MSA supplement. While the shelter costs of individuals living alone are usually greater than those of individuals sharing housing, the effect of reducing the standards is to penalize recipients in economical living arrangements.

MSA provides only a small supplement to SSI recipients receiving a reduced payment because they are receiving support in the home of family or friends. The individual expense for persons living in the home of family and friends is less than the cost of living independently. However, a program which is a link in a state-wide effort to develop a coordinated system of long-term care should not penalize recipients who prefer to live with relatives. This is especially true if a central feature of such an effort is to encourage reliance on the informal support network.

MSA encourages utilization of room-and-board and board-and-care facilities because many alternative, independent living arrangements, such as shared housing, are unavailable to recipients. Under the current system, recipients living alone who lose their full functional ability and require some minimal support, such as grocery shopping, might be unwilling to lose their MSA benefits by moving in with others who would provide this help as a favor. In order to receive MSA, they would have no option but to reside in a care facility or home for which MSA would pay the full negotiated cost for room, board, and care below the level of a nursing home. The options for persons living independently are reduced because the payment method provides less to persons who meet their care needs through friends, family, and roommates, and generally pays more for persons who live in licensed facilities.

3. Program financial incentives encourage utilization of facilities which lie between independent living and intermediate care facilities.

Counties have little incentive to negotiate the lowest possible rates because of the unlimited reimbursement for these rates under MSA. As a result, rates for these facilities range from a low of about \$300 a month to a high of over \$1,100 a month. The average

supplement to individuals in such facilities in \$313.11, or over three times the average supplement to individuals living independently.

State MSA payments which cover the full provider cost for each facility provide little incentive for counties to develop alternative long-term care delivery systems. State reimbursement for MSA is 85 percent of the program cost, while counties must contribute a much larger proportion of the cost of some social service programs which can provide the services necessary to allow individuals to remain independent of licensed facilities.

4. MSA resource standards are restrictive, inequitable, and discourage independent living.

The liquid asset limits for each MSA eligibility category are not equal. MSA standards for the blind are higher than the same SSI standard, and are above the MSA standards for the aged and disabled; however, when all categories are included, the SSI resource standards are much more liberal than the MSA standards. Some SSI recipients are excluded from MSA due to the restrictive resource requirements, while others must allocate their resources according to MSA categories as a prerequisite for a supplement. These restrictive standards could lead to long-term dependence on public assistance because working recipients are unable to save enough money to become free of MSA. Individuals currently residing in a negotiated-rate facility, working to become independent of MSA, will need to save enough money for rent, a damage deposit, phone, and moving expenses. Three hundred dollars is not enough to cover these expenses.

In the long run, MSA further discourages meaningful self-reliance by persons whose home equity is greater than \$47,032. An income supplement to aged homeowners can help them maintain independence from institutionalization. Denying a small supplement to persons able to maintain themselves in their home may accelerate their need for intermediate or skilled nursing care paid for by Medical Assistance. In addition, all other income maintenance programs exclude a home, which makes MSA treatment inequitable and difficult to rationalize.

5. Program trends demonstrating a rise in the MSA-only category indicate that the payment structure and the high negotiated rates combine to create a program that is neither directed to the most needy nor does it encourage use of the most appropriate, least restrictive environment.

The MSA-only caseload has increased an average of 17.73 percent over the last five years, while the number of persons receiving MSA who are also receiving SSI has decreased an average of 4.48 percent during the same period. Factors which increase the MSA-only caseload are: more relaxed state standards for establishing disability, larger property limits available for MSA in certain instances, more liberal exclusions for MSA for earned income, and an unlimited reimbursement rate for persons residing in

negotiated-rate facilities. Many MSA-only persons are income ineligible for SSI but are eligible for MSA only if they reside in negotiated-rate facilities. Although they may have an adequate income to maintain themselves independently, they are unable to meet the cost of living in a board-and-care home. Because MSA is unavailable to these persons in some low-cost alternative living arrangements, such as shared living, MSA encourages such people to live in negotiated-rate facilities. MSA is able to supplement the income of some persons who need a minimal amount of supervision only if they reside in a licensed facility. Providing support to people in these circumstances is not income maintenance for the aged, blind, and disabled, but is a program which provides the means to receive services in a limited number of settings. These settings tend to be licensed facilities and homes, as opposed to informal relationships such as shared living arrangements.

Exclusive of significant program changes, continued growth in the MSA-only proportion of the caseload is likely, and by 1991, if current trends continue, the MSA-only portion of the caseload will be larger than the portion also receiving SSI. Eventually, this shift in the MSA population could reverse the overall trend towards reduced caseloads and moderate expenditure increases as the elderly population grows and ages in the coming years.

V. GOALS/RECOMMENDATIONS

The following are the goals which guided the formulation of the recommendations. No individual recommendation fully supports a specific goal; instead, the sum of the recommendations creates the desired program. However, adoption of the recommendations included in the other components of the full task force report is necessary to create a fully effective program.

1. To provide some minimum amount of cash assistance to the needy aged on an equitable basis.
2. To create a program which encourages self-reliance and utilization of the informal network before and after seeking government assistance.
3. To create a program directed at those most in need, which will provide only the needed amount of support in the most effective, least restrictive environment.

Recommendation 1

Replace the current payment system, based on individual need determined by a composite of need allowances, with one based on need standards. Uniform standards should be set for recipients living independently and in the home of another, as defined by SSI. The standard for persons living in Medicaid-reimbursed facilities should be the current personal needs allowance. The standards for negotiated-rate facilities should be a personal needs allowance of \$40 plus a room-and-board allowance.

Advantages.

A. Standards will:

- i. remove the inequities between recipients present in the current system. All recipients living independently, with no other income but Social Security and SSI, will receive the same amount;
- ii. simplify program administration;
- iii. establish a minimum income necessary to live outside of an institution and guarantee that income to all recipients;
- iv. maintain payment levels for recipients who live in expensive facilities by not reducing their payment to the \$40 supplement.

B. Uniform standards will:

- i. allow low-income aged, blind, and disabled individuals the freedom to choose their living arrangement without fear of losing their MSA eligibility;
- ii. provide a cost-effective incentive to utilize these alternative living arrangements because the mutual support provided by members in a shared household will reduce the need for services often provided in expensive board-and-care facilities. Alternative independent living arrangements, such as shared housing, would become an attractive alternative to dependent living in board-and-care or adult foster homes;
- iii. encourage the informal support network by providing incentives for family and friends to care for those in need of some services by removing the financial penalties for individuals residing in the home of another.

Disadvantages.

- A. Standards cannot provide for all of the special needs of individuals. Assistance to some individuals with special needs will undoubtedly be reduced.
- B. MSA may unintentionally quantify the value of care provided by families. Families may feel entitled to reimbursement for the care that they now give to their relations without cost.
- C. Standards which are significantly higher than SSI standards may inflate program costs beyond current budgetary realities.

Recommendation 2

Study the need for continuation of emergency assistance and provision of selected special needs allowances under a revised system of need standards.

Advantage. After the effect of standardization is known, a better determination of the need for these additional allowances can be made.

Disadvantage. Necessary assistance to some individuals may be eliminated during the period of study.

Recommendation 3

Establish a maximum state payment for room and board in negotiated-rate facilities. Coordinate General Assistance room-and-board rates with those established under MSA.

Advantages.

- A. Counties will have an incentive to develop the least costly alternative living arrangements, such as adult foster homes, because they will be responsible for 100 percent of the cost of care for recipients in facilities with rates negotiated above the maximum.
- B. MSA will be directed at those most in need, since higher-income individuals who are eligible for a supplement only because they reside in board-and-care homes, will no longer be eligible. An equal number of program dollars will be able to provide supplements to a greater number of needy recipients.
- C. Program costs will be reduced because of the reduced caseload and the average payment to persons in negotiated-rate facilities will be lower.

Disadvantage. MSA may continue to encourage institutionalization if counties do not have the resources to develop alternative living arrangements or develop and coordinate long-term care programs. Recipients with incomes above the established limit will become ineligible for MSA, and without another available affordable living arrangement in which the needed services are provided, may end up in a nursing home. Alternatively, they may end up going without needed services. Recipients in counties that have few negotiated-rate facilities may not be able to find an alternative arrangement if the negotiated rate is above the MSA maximum and the county does not guarantee the cost of care above the maximum. Again, these recipients may have no alternative but to go without services or enter a nursing home.

Recommendation 4

Set MSA resource limits equal to the SSI resource limits, including phased increases to 1989.

Advantages.

- A. Equity between recipient categories will be established.
- B. MSA standards which correspond more closely to Medical Assistance standards may keep more recipients off Medical Assistance at lower cost to the state.

SSI/MSA ELIGIBILITY REQUIREMENTS

Aged, blind, and disabled individuals who meet an income and resources test are eligible for SSI and MSA benefits.

A. SSI

1. General Eligibility Requirements.

AGED: The federal definition of an aged individual is a person over 65 years of age.

BLIND: Determination of 20/200 vision or less in the better eye by an ophthalmologist or optometrist.

DISABLED: A medical doctor must determine "permanent and total" disability which precludes the individual from engaging in a self-supporting occupation.

Additional eligibility requirements: All recipients must be residents of the United States and must not reside in a public institution.

2. Resource Limits.

All property is considered a resource for support except that which is excluded below. The value of unexcluded property must not exceed the resource limits.

- a. Homestead: Property used as a home is excluded as a resource.
- b. Vehicle: A vehicle is excluded as a resource if the value of the car does not exceed \$4,500, if it is used for employment purposes, or if it is adapted for use by, or transportation of, a handicapped person.
- c. Personal Property: Personal property refers to liquid assets, cash on hand, stocks, bonds, trust funds, mobile homes, contracts-for-deed, second vehicles, property tax refunds, investments, and other possessions which are not real estate. Exclusions for all recipients are as follows:

Individual	\$1,500
Couple	3,000

- d. Cash Surrender Value (CSV) of Life Insurance and Burial Policies: The combined value of burial funds and the CSV of life insurance policies may not exceed \$1,500.

3. Income Limits.

SSI recipients must meet a net monthly income limit currently set at \$314 for an individual and \$472 for a couple. These figures apply to the net monthly income of persons living in their own households.

Net monthly income is defined as the total of earned and unearned income, minus income exclusions. Earned income is income resulting from a job or business and unearned income includes Social Security, gifts, interest, pensions, and other income not directly related to work. Income exclusions are deductions from gross income that vary by eligibility status. Income from a variety of sources (e.g., Food Stamps, Title III services, 1/3 child support payments, etc.) are exempt from the limits.

- B. MSA

1. General Eligibility Requirements.

AGED: Individuals over 65 meet the aged eligibility requirement.

BLIND: Determination of 20/200 vision or less in the better eye by an ophthalmologist or optometrist. SSI determination of blindness is sufficient to establish MSA blindness. A separate determination need not be made.

DISABLED: An individual must be 18 or over and "permanently and totally" disabled as determined by a medical doctor. Proof of disability is established by the State Medical Review Team after submission of medical data. SSI determination of disability is sufficient to establish MSA eligibility.

Additional Eligibility Requirements: Recipients must reside in Minnesota.

2. Resource Limits.

All property is included as a resource except that which is excluded below. The value of unexcluded resources must not exceed the resource limits.

- a. Homestead: Home equity of \$47,032 is excluded.

- b. Vehicle: A vehicle is excluded if the value of the car is less than \$1,650 or it is used for employment or medical purposes.
- c. Personal Property: Personal property refers to the same items as listed under SSI. MSA exclusions are as follows:

AGED & DISABLED:

Individual	\$300
Couple	450

BLIND:

Individual	\$2,000
Couple	4,000

NOTE: The CSV of life insurance and burial plots are included in the limits for blind recipients.

- d. Cash Surrender Value (CSV) of Life Insurance:

AGED: \$1,000 per recipient

DISABLED: \$500 per recipient

BLIND: The cash surrender value is included in the personal property limit.

- e. Prepaid Burial Contracts:

AGED & DISABLED: \$750 plus \$200 interest per recipient

BLIND: Prepaid burial contracts are included in the personal property limit.

3. Income Limits.

MSA recipients must meet a net monthly income limit which applies to both earned and unearned income. The monthly income limit is the individual need standard which varies by living arrangement and geographical location. Individuals and couples whose earned income is below the applicable need standard may be eligible for MSA.

Earned income is income resulting from a job or business, and unearned income includes Social Security, SSI, gifts, pensions, and other income not directly related to work. In calculating an applicant's net income for eligibility purposes, gross income is reduced by deductions called income exclusions. All applicants receive an \$8.00 exclusion of Social Security income. The

maximum earned income exclusion for aged MSA applicants is \$50. Blind applicants are eligible for an exclusion of the first \$7.50 of earned or unearned income. The first (or next) \$85 and 1/2 of the remainder of earned income is excluded. For disabled applicants, the first \$65 and 1/2 of the remainder of earned income is disregarded.

TECHNICAL EXPLANATION OF RECOMMENDATIONSRECOMMENDATION 1

The proposed change will replace the current method of determining need with one which utilizes uniform need standards. This system will affect the payments to individuals and couples living independently and in the home of another. The purpose of this change is to:

1. Remove the financial penalties imposed by MSA on persons sharing housing, and by SSI on persons living in the home of another; and,
2. create a more equitable system which disburses equal benefits to people who share similar characteristics.

Example 1 below illustrates the financial penalty imposed by MSA on a person who shares housing with another and the corresponding treatment under the proposed system. The first column presents the budget figures for a person without income living alone, and the second column illustrates the calculations for the same person after obtaining a roommate. No other circumstances have changed for this individual, and in both instances, the need for telephone and reading material has been demonstrated. All calculations are based on the maximum allowances for each item in Hennepin County:

EXAMPLE 1

	<u>HOUSEHOLD OF 1</u>	<u>HOUSEHOLD OF 2</u>
Current System:		
Basic Allowance	\$223	\$176
Shelter	106	68
Telephone	12	6
Reading Material	<u>10</u>	<u>5</u>
TOTAL NEED	341	255
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	27	0
Proposed System:		
MSA STANDARD	400	400
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	86	86

The above table shows that public cash assistance for aged, blind, and disabled recipients falls when an individual living alone decides to share housing expenses with another. In this example, total SSI and MSA income dropped from \$341 to \$314. SSI payments

did not drop, but the individual became ineligible for a state supplement because the MSA need standard fell below the SSI payment. The proposed system guarantees an MSA supplement for those SSI recipients who share housing expenses with others by establishing a standard payment for all individuals living independently. MSA will no longer compute need based on the number of people in the household, but will guarantee a minimum income to all recipients not living in a Medicaid-reimbursed facility.

Example 2 below illustrates the financial effect of MSA and SSI calculations on persons living in the home of another and the corresponding effect of the proposed system. The column entitled "Household of 2" corresponds to the column of the same name in Example 1. The "Home of Another" column represents the calculations for a recipient who lives with a family member or one other who pays the majority of the household food and shelter expenses. Again, calculations are based on Hennepin County standards. A newspaper and telephone service are delivered to both homes; however, the recipient in the home of another is not responsible for their costs.

EXAMPLE 2

	<u>HOUSEHOLD OF 2</u>	<u>HOME OF ANOTHER</u>
Current System:		
Basic Allowance	\$176	\$176
Shelter	68	68
Telephone	6	0
Reading Material	5	0
MSA NEED STANDARD	<u>255</u>	<u>244</u>
SSI PAYMENT	<u>-314</u>	<u>-209</u>
MSA SUPPLEMENT	0	35
Proposed System:		
MSA STANDARD	400	400
SSI PAYMENT	<u>-314</u>	<u>-209</u>
MSA SUPPLEMENT	86	191

It is clear that an individual living in the home of another receives less public assistance than one sharing household expenses. While the MSA standard is reduced very little, the SSI standard shrinks by one-third. Under the current system, the total MSA/SSI income is reduced from \$314 to \$244. Under the proposed system, MSA would make up the difference between the SSI payment for those living independently and those living in the home of another. The recipient will receive the same total public cash assistance in both situations.

Example 3 below illustrates the inequity in the method of payment based on need allowances for individual items. Individual counties and regions use different methods and allowances for need determination. This creates horizontal inequity. People with similar needs receive unequal treatment.

EXAMPLE 3

	<u>COUNTY 1</u>	<u>COUNTY 2</u>
Current System:		
Basic Allowance	\$223	\$223
Shelter	83	106
Telephone	10	12
Reading Material	<u>0</u>	<u>5</u>
TOTAL NEED	316	346
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	2	32

Proposed System:

MSA STANDARD	400	400
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	86	86

Individuals in all counties would be treated equally under the proposed system.

RECOMMENDATION 2

Study of the need for emergency assistance and selected special needs allowances is recommended. Currently, MSA provides additional allowances for special diets and emergency assistance for past-due utility bills, moving expenses, and other non-recurring special needs. Some of these provisions may be needed under the revised system, but additional study is required to determine actual need.

RECOMMENDATION 3

A minimum and maximum state payment will be made to individuals residing in negotiated-rate facilities. Counties will continue to negotiate rates; however, the State will set a minimum and maximum payment to persons residing in these facilities. Column 1 represents the payments to a person in a facility which charges \$750, and Column 2 represents the corresponding payments to a person in a \$300 facility.

Current System:

Negotiated Rate	\$750	\$300
Personal Needs Allowance	<u>40</u>	<u>40</u>
MSA STANDARD	790	340
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	476	26

Proposed System:

MSA Room and Board	500	360
Personal Needs Allowance	<u>40</u>	<u>40</u>
MSA STANDARD	540	400
SSI PAYMENT	<u>-314</u>	<u>-314</u>
MSA SUPPLEMENT	126	86

The above example shows that individual recipients stand to gain under the proposed system. The maximum personal needs allowance under the current system is \$40 regardless of the rate charged by the facility. MSA pays the full cost of the facility plus \$40 for a personal needs allowance. Therefore, although the average supplement to individuals in negotiated-rate facilities is high, individual recipients receive no more than \$40 for personal needs. They do not benefit from the increased program costs. Under the new system, MSA recipients would still receive the \$40 personal needs allowance in facilities charging rates above the maximum rate, but counties would have responsibility for the additional facility cost. Recipients in low-cost facilities are guaranteed the independent payment standard and will be entitled to keep all of the cash remaining after paying the room and board rate. In this example, an individual in a facility which charges \$300 would be able to keep \$80 for personal needs for the month.

RECOMMENDATION 4

The proposed change will create uniform resource standards between SSI and MSA. Current resource standards are the following:

	<u>INDIVIDUAL</u>		<u>COUPLE</u>	
	<u>SSI</u>	<u>MSA</u>	<u>SSI</u>	<u>MSA</u>
PERSONAL PROPERTY				
Liquid Resources*				
Aged:	\$1,500	\$ 300	\$2,250	\$ 450
Blind:	1,500	2,000	2,250	4,000
Disabled:	1,500	300	2,250	450
Prepaid Burial Contract**				
Aged:	1,500	950	3,000	1,900
Blind:	1,500	---	3,000	---
Disabled:	1,500	950	3,000	1,900
Cash Surrender Value of Life Insurance (CSV)**				
Aged:	1,500	1,000	3,000	2,000
Blind:	1,500	---	3,000	---
Disabled:	1,500	500	3,000	1,000
TOTAL PERSONAL PROPERTY				
AGED:	3,000	2,250	5,250	4,350
BLIND:	3,000	2,000	5,250	4,000
DISABLED:	3,000	1,750	5,250	3,350
HOME EQUITY	no limit	47,032	no limit	47,032
CAR VALUE***	4,500	1,650	4,500	1,650

* MSA limits for the blind include the CSV of life insurance and burial policies.

** SSI figures are the combined limits for the CSV of life insurance and the value of a prepaid burial contract, i.e., the limit for the CSV of life insurance is offset dollar-for-dollar by the amount in the burial fund and vice versa. Burial spaces are exempt. MSA figures are \$750 contract plus \$200 interest.

*** SSI: One car is exempt if it is used for employment purposes or adapted for use by, or transportation of, a handicapped person.
MSA: One car is exempt if it is used by an employed person, a person seeking work, or is used for medical reasons.

MSA standards will match SSI standards. All recipients will benefit from the exclusion of a home as a resource and the increase in the allowable value of a car. Aged and disabled recipients will benefit from the increased personal property limits. The liquid resource standard for blind recipients will be reduced; however, total resources, which include burial funds and life insurance policies, will increase. SSI has scheduled a \$500 increase in the personal property standards. This is to be accomplished in \$100 increments over the next five years. By 1989, cash resource standards for blind individuals will be equal to the current level, and there will be additional allowances for life insurance and burial contracts.