



## Legislative Fiscal Bureau

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June, 2023

Joint Committee on Finance

Paper #422

### **Nursing Home Personal Needs Allowance (Health Services -- Medical Assistance -- Long-Term Care)**

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#### **CURRENT LAW**

"Patient liability" refers to the income elderly, blind, and disabled (EBD) Medicaid beneficiaries who reside in nursing homes are required to contribute to the cost of their nursing home care. Generally, Medicaid beneficiaries are required to pay all of their gross income (including federal social security, supplemental security income (SSI) and retirement benefits), minus certain deductions, to the nursing home to partially offset the cost of care that would otherwise be funded from state and federal funds under the state's Medicaid program.

The state's MA reimbursement payment to the nursing home equals the amount of the state payment rate, as determined by the state Medicaid program, less any patient liability that the nursing home collects from the resident. For example, if the MA reimbursement to the facility is \$7,200 per month (\$240 per day) and the MA beneficiary's countable income retained by the nursing home is \$1,600 per month, the state's GPR/FED payment to the nursing home is \$5,600. In addition to nursing home claims, patient liability is applied to hospice claims and long-term inpatient hospital claims and capitation payments involving institutional stays of 30 days or more.

In Wisconsin, most EBD Medicaid beneficiaries may retain a "personal needs allowance" equal to \$45 per month from the amount that would otherwise be retained by the nursing home as the individual's patient liability. Certain individuals in facilities who qualify for supplemental security income payments retain a personal needs allowance that, under federal law, is limited to \$30 per month.

#### **DISCUSSION POINTS**

1. Wisconsin's Medicaid program pays nursing homes a daily rate that is intended to

support the costs of routine nursing home services, including: (a) nursing services; (b) special care services (including activity therapy, recreation, social services, and religious services); (c) supportive services, including dietary, housekeeping maintenance, and laundry services; (d) administrative and other indirect services; (e) fuel and utilities; (f) physical plant, including depreciation, insurance and interest; (g) property taxes; (h) certain over-the-counter drugs and all diabetic supplies; (i) services for individuals with developmental disabilities; (j) durable medical equipment and disposable medical supplies; and (k) indirect services provided by independent service providers, such as pharmacists reviewing prescriptions at a facility.

2. Federal CMS policy permits nursing homes to charge MA-funded residents for items and services not included in the daily rate or separately billable by the nursing home or an ancillary provider. These items include, but are not limited to:

- A private room, unless medically needed;
- Specially prepared food, beyond food that the generally prepared by the facility;
- Telephone, television and radio services;
- Personal comfort items, including tobacco and confections;
- Cosmetic and grooming items and services in excess of those in the basic service;
- Personal clothing;
- Personal reading materials;
- Gifts purchased on behalf of a resident;
- Flowers and plants;
- Social events and activities beyond the nursing home's activity program; and
- Special care services not included in the facility's Medicaid daily rate.

3. The personal needs allowance is intended to enable Medicaid-funded nursing home residents to purchase these items and services. However, nursing homes may not require residents to pay for any items or services that Medicaid or Medicare do not cover as a condition of their remaining in the facility.

4. Federal law requires each state Medicaid program to establish a monthly personal needs allowance equal to at least \$30, but less than \$200. Attachment 1 to this paper lists each state's Medicaid personal needs allowance, as of January, 2023. The attachment shows that 34 states and the District of Columbia have Medicaid personal needs allowances greater than \$45 per month, and 16 states have personal needs allowances equal to the federal minimum of \$30 per month, up to and including \$45 per month.

5. Wisconsin's personal needs allowance was last increased beginning July 1, 2001, from \$40 to \$45 as part of 1999 Wisconsin Act 9 (the 1999-01 biennial budget act). According to the

consumer price index inflation calculator maintained by the U.S. Bureau of Labor Statistics, \$45 in July, 2001, had the same buying power as \$76.27 in February, 2023.

6. To enable MA-supported nursing home residents to retain more of their income to purchase items and services not provided by the nursing homes in which they live, the Committee could increase the MA personal allowance amount. Increasing the \$45 personal needs allowance would increase the state's GPR/FED funded Medicaid benefits costs because state and federal funds would offset the loss of patient liability revenue nursing homes retain.

7. It is estimated that in 2023-24, the \$45 personal care allowance will apply to 274,500 months of care for Medicaid-funded nursing home residents ("member months"), and that in 2024-25, the \$45 personal care allowance will be applied to 249,400 member months of care for Medicaid-funded nursing home residents.

8. This paper offers alternatives to increase the personal care allowance, effective July 1, 2024, by \$10, from \$45 to \$55 [Alternative 1] and by \$25, from \$45 to \$70 [Alternative 2].

**ALTERNATIVES**

1. Increase the monthly MA personal needs allowance by \$10, from \$45 to \$55, effective July 1, 2024. Increase MA benefits funding by \$2,060,000 (\$806,100 GPR and \$1,253,900 FED) in 2024-25.

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$806,100
FED	<u>1,253,900</u>
Total	\$2,060,000

2. Increase the monthly MA personal needs allowance by \$25, from \$45 to \$70, effective July 1, 2024. Increase MA benefits funding by \$5,150,000 (\$2,015,200 GPR and \$3,134,800 FED) in 2024-25.

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$2,015,200
FED	<u>3,134,800</u>
Total	\$5,150,000

3. Take no action.

Prepared by: Charles Morgan  
Attachment



**ATTACHMENT**

**State Medicaid Personal Needs Allowances  
as of January, 2023**

<u>State</u>	<u>Amount</u>	<u>State</u>	<u>Amount</u>
Alabama	\$30.00	Missouri	\$50.00
Alaska	200.00	Montana	50.00
Arizona	137.10	Nebraska	60.00
Arkansas	40.00	Nevada	35.00
California	35.00	New Hampshire	74.00
Colorado	95.97	New Jersey	50.00
Connecticut	75.00	New Mexico	83.00
Delaware	50.00	New York	50.00
District of Columbia	100.00	North Carolina	30.00
Florida	130.00	North Dakota	65.00
Georgia	70.00	Ohio	50.00
Hawaii	50.00	Oklahoma	75.00
Idaho	40.00	Oregon	74.75
Illinois	30.00	Pennsylvania	45.00
Indiana	52.00	Rhode Island	50.00
Iowa	50.00	South Carolina	30.00
Kansas	62.00	South Dakota	60.00
Kentucky	40.00	Tennessee	50.00
Louisiana	38.00	Texas	60.00
Maine	40.00	Utah	45.00
Maryland	93.00	Vermont	72.66
Massachusetts	72.80	Virginia	40.00
Michigan	60.00	Washington	75.36
Minnesota	121.00	West Virginia	50.00
Mississippi	44.00	Wisconsin	45.00
		Wyoming	50.00

Source: American Council on Aging

