

LIFTING ASSET LIMITS IN PUBLIC BENEFIT PROGRAMS

OVERVIEW

Many public benefit programs – such as cash welfare or Medicaid – limit eligibility to those with few or no assets. If individuals or families have assets exceeding the state’s limit, they must “spend down” longer-term savings in order to receive what is often short-term public assistance. These asset limits, which were originally intended to ensure that public resources did not go to “asset-rich” individuals, are a relic of entitlement policies that in some cases no longer exist. Cash welfare programs, for example, now focus on quickly moving families to self-sufficiency, rather than allowing them to receive benefits indefinitely. Personal savings and assets are precisely the kind of resources that allow individuals and families to move off public benefit programs. Yet asset limits can discourage anyone considering or receiving public benefits from saving for the future.

WHAT STATES CAN DO

States determine many key policies related to families receiving benefits. States have discretion in setting or eliminating asset limits for Temporary Assistance to Needy Families (TANF), Medicaid and the Children’s Health Insurance Program (CHIP).¹ In addition, states have authority to address asset limits for the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp program.²

Program	Asset Limits	What states can do
TANF	\$2,000-\$3,000 in most states	<ul style="list-style-type: none"> Eliminate limits entirely, as Louisiana, Ohio and Virginia have done³ Substantially increase limits so they do not affect most recipients Exclude classes of assets, such as individual development, retirement or college savings accounts
Family Medicaid ⁴	\$1,000-\$20,000 in states that have limits	<ul style="list-style-type: none"> Eliminate limits entirely, as more than 20 states have done Substantially increase limits so they do not affect most recipients Exclude classes of assets, such as individual development, retirement or college savings accounts
SNAP	\$2,000 (\$3,000 if disabled or elderly household member)-\$10,000 in states that have limits	<ul style="list-style-type: none"> Eliminate limits entirely, as 24 states have done Substantially increase limits so they do not affect most recipients⁵

¹ Only Oregon and Texas have asset limits in their CHIP programs. The recent passage of HB 2016 in Oregon will eliminate CHIP asset tests effective October 1, 2009.

² Dean, Stacy. (2002). The SNAP Program. 2002 Federal IDA Briefing Book: How IDAs Affect Eligibility for Federal Programs. Washington, DC: CFED and the Center on Budget and Policy Priorities.

³ In Illinois, administrative rules to eliminate the TANF and General Assistance asset tests were proposed in April 2009 and are expected to be voted on by the Joint Committee on Administrative Rules later in the year.

⁴ Provides Medicaid to both children and their parents.

⁵ Federal law already exempts many important classes of assets in the SNAP program, including retirement accounts and education savings accounts.

ELEMENTS OF A STRONG POLICY

Based on extensive research by many national and state organizations,⁶ CFED considers a state's asset limit policy strong if it has eliminated asset limits in TANF, Medicaid and SNAP.

If a state has not yet eliminated asset limits entirely, it can take an intermediate step by increasing its asset limits and/or indexing them to inflation, thereby lessening the disincentives to save. However, the existence of an asset limit, no matter how high, sends a signal to program applicants and participants that asset building should be avoided.

Another step in the right direction is for states to exempt certain classes of assets from their asset limits. While most programs exclude some "illiquid" assets, such as a home or defined benefit pension, many other liquid holdings, such as defined contribution retirement accounts (e.g., 401(k)s), health savings accounts, education savings accounts (529s and Coverdells) or Individual Development Accounts, often count against the asset limit in TANF and Medicaid. States should exempt these types of assets. In addition, vehicles, which are vital for many to find and maintain employment, should also be exempted.⁷ States also should exempt Earned Income Tax Credit refunds for at least a year to offer protection from emergencies and unexpected expenses.⁸

WHAT STATES HAVE DONE

Since 1996, 23 states have eliminated Medicaid asset limits entirely; three states have eliminated TANF asset limits; and 24 states have eliminated SNAP asset limits, with several more planning to do so in late 2009.⁹ Three states have substantially increased the asset limits in their Medicaid or TANF programs, and 32 states have excluded important categories of assets from these limits in one or both programs.¹⁰

Evidence from states that have eliminated asset limits suggests that the administrative cost savings outweigh any real or potential increases in caseload. For instance, eliminating Medicaid asset limits in Oklahoma resulted in administrative cost savings of close to \$1 million.¹¹ In New Mexico, state officials anticipated 38 more people would enroll in Medicaid per month (with an associated increase of \$23,000 in direct costs to the state, negligible in comparison with a \$5.7 billion annual state budget).¹² In Ohio and Virginia, the "early adopters" of TANF asset test elimination, caseloads decreased in the years following the change.¹³ In Louisiana, where the TANF asset test was eliminated just a year ago, more time will be needed to determine the long-term effects. From a cost perspective, raising asset limits may be less desirable than eliminating the limits altogether, as there would still be administrative costs involved in individualized eligibility determinations and verifications.

⁶ CFED, the Center on Budget and Policy Priorities, the Center for Law and Social Policy, the New America Foundation, the Urban Institute and the Sargent Shriver National Center on Poverty Law and others have all examined this issue.

⁷ If eliminating all vehicles as assets is not feasible, states could consider eliminating at least one vehicle for each working member of a household.

⁸ Parrish, L. (2005, May). To Save, or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-income Americans to Save and Build Assets. Washington, DC: New America Foundation, p. 1.

⁹ Federal law already exempts many important classes of assets in the SNAP program, including retirement accounts and education savings accounts.

¹⁰ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, better known as the Welfare Reform Bill, gave states the flexibility to eliminate or raise asset limits for TANF and Medicaid and to exclude certain types of assets from eligibility determination.

¹¹ Parrish, p.9.

¹² Smith, V., Ellis, E. & Chang, C. (2001, April). *Eliminating the Medicaid Asset Test: A review of state experiences*. Menlo Park, CA: The Henry J. Kaiser Family Foundation, p. 14. Retrieved March 7, 2007 from <http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=13750>. New Mexico budget: Retrieved March 7, 2007 from <http://legis.state.nm.us/lcs/lfc/lfcdocs/fy08%20lfc%20rec.pdf>.

¹³ Parrish, p.9.

For more information on this policy measure, *Lifting Asset Limits in Public Benefit Programs*, and more, go to <http://scorecard.cfed.org>.

In the *2009-2010 Assets & Opportunity Scorecard*, the 50 states and the District of Columbia were rated on their existing asset limit policies. The ratings were based on the elements of a strong policy described above.