

Medicare Advantage Supplemental Benefits: Impact on Eligibility for Government Programs

Issue: Federal policy changes are needed to clarify the treatment of Medicare Advantage supplemental benefits for the purposes of determining individual income and asset eligibility for government programs, including federal housing subsidies, Medicaid, and Social Security benefits. Specifically, we recommend flexible benefit cards (“flex cards”) be excluded from the calculation of “income” and “assets” for the purposes of determining eligibility for government programs, as well as determining subsidy levels for federal housing assistance, or the calculation of federal income taxes.

Background: In 2019-20, the Centers for Medicare and Medicaid Services (CMS) and Congress expanded the types of supplemental benefits that Medicare Advantage (MA) and Special Needs Plans (SNPs) plans can offer to their enrollees. This has resulted in these plans offering a variety of special supplemental benefits (SSBs), which are only available to certain at-risk populations. MA organizations have broad discretion in establishing the types of supplemental benefits offered each year¹.

Under this regulatory flexibility, MA/SNPs are now offering some targeted enrollees a flex card loaded with a monthly amount that the enrollee can use to purchase from a limited menu of items and services selected for their potential impact on enrollees’ health outcomes. These items may include items such as over-the-counter medications and groceries. In other cases, plans seek to address enrollees’ health-related social needs, like helping them maintain stable housing, by permitting the flex card allowance to be applied to the person’s rent or utility costs. According to a [2024 KFF report](#), 6.4 million MA/SNP enrollees are being offered Food and Produce benefits, while 5.8 million have access to what are called General Supports for Living, which can assist in paying for some housing and utility costs.

Annually, plans decide if they will offer these SSBs, which populations they will target, the items and services that will be available to enrollees, the value of the monthly benefit (e.g., \$200+ per month), and monthly “roll over” policies for any unused benefits. Therefore, SSB offerings can vary considerably among the various MA/SNP plans and beneficiaries from year to year and month to month. Until recently, CMS has not collected data on the parameters of these flex cards (e.g., dollar amounts, rollover policies, what they can be used for, etc.) from the plans. However, in 2024, CMS updated guidance for MA encounter data reporting going forward that now requires plans to include details on the amounts

¹These SSBs are offered either under the Special Supplemental Benefits for Chronically Ill (SSBCI) or the Value-Based Insurance Design (VBID) authority. Both programs limit the offer of these SSBs to targeted groups of individuals such as individuals with certain chronic conditions who are at-risk of adverse health outcomes, those who live in underserved areas or enrollees with certain socioeconomic status. CMS [guidance](#) on SSBCI indicates, “MA organizations have broad discretion in developing items and services they may offer as SSBCI provided that the item or service has a reasonable expectation of improving or maintaining the health or overall function of the chronically ill enrollee.” Similarly, the [VBID program](#) allows plans to provide targeted benefits to a group to “more fully address the health-related social needs of patients.” CMS must approve these SSB offerings as part of the annual MA/SNP bid process.

offered and utilized related to flex cards. Nonetheless, when considering the flex card implications for federal benefit eligibility, the potential to create huge churn and instability for vulnerable populations cannot be overstated.

Additionally, while flex cards may be provided to some plan enrollees, the recipients cannot always use the card for an eligible item or service because there may be limited vendors where the card can be used. For example, recipients may not have accessible transportation available to the only local location that accepts the flex card for purchasing an item or service, therefore making the 'received benefit' completely inaccessible to the enrollee.

Flex Cards and Income and Resource Eligibility Determinations: Over the past few years, MA/SNP plans have been increasingly offering SSBs in the form of flex cards. Their availability to greater numbers of Medicare beneficiaries has raised questions about whether these benefits should be counted towards income or assets for the purposes of determining an individual's eligibility, subsidy threshold, or individual contribution amount for various government programs like Medicaid, Social Security, or federally-subsidized housing assistance.

The lack of a federal guidance on the issue has led to deep confusion nationwide and inconsistent approaches across state regulating agencies (e.g., CMS, HUD, SSA) and providers. In addition, some state agencies (e.g., health departments, Medicaid) have income or asset definitions that would appear to require them to count these flex cards as income while others do not. We have heard that New York and Nebraska are including the flex card benefits as another source of income for SSI eligibility. For providers, including affordable housing providers, they are not always aware that a beneficiary has access to such a card making it impossible for the provider to report the card as income. Meanwhile, the Department of Housing and Urban Development (HUD) has not established a specific position related to these benefits and their impact on housing assistance program eligibility and thresholds. Therefore, some recipients of government assistance have the dollar value of these flex cards counted "against" them when determining their income or assets for government assistance programs, while others remain unaffected. The result is inequitable application of the flex cards to income and asset calculations, and inequitable impacts on beneficiaries.

Below, we outline some examples of potential impacts – the list is not exhaustive, we believe other federal and state programs are also impacted.

- *Social Security:* Supplemental Security Income (SSI) determinations are based partially on income and assets, so counting these flex cards as "income" or "assets" would impact the overall benefit amount that an eligible beneficiary might receive. Since the flex card amount might change annually or monthly depending on utilization and plan roll-over policies, this situation provides an untenable uncertainty for low income, vulnerable beneficiaries for whom every dollar counts. While we lack data to track the value of the flex cards (MA/SNP reporting on supplemental benefits began in 2024), anecdotal evidence indicates they consistently exceed 60 dollars in a month so would not fall into the infrequent or irregularly received income per quarter exclusion.

Furthermore, some states offer additional payments to individuals receiving SSI. States administer eligibility for these SSI state supplements. Including flex cards as income or assets in these eligibility determinations may result in reduced income for individuals with disabilities or older adults and have dire consequences for their health and overall stability. In some states, the state supplement contributes to an individuals' residential costs in a shared living situation like assisted living. Without this additional funding, the individual would not have access to housing or necessary services.

- *Social Security and Medicaid Overlap:* If a person’s Medicaid eligibility is linked to their SSI eligibility, as it is for many older adults and people with disabilities, counting these flex cards as income or assets could push people out of Medicaid coverage, impacting their health insurance and access to long-term services and supports.

[Medicaid “buy in” programs](#) allow for people with disabilities to work while receiving both Social Security Disability Income (SSDI) and Medicaid – the Medicaid element being critical to maintaining independence through healthcare coverage and long-term services and supports. These “buy in” programs have strict income and asset limitations so these flex cards could impact the ability of people with disabilities to maintain their jobs and necessary support services simultaneously.

- *Medicaid:* The federal rules governing Medicaid allow states to establish eligibility criteria including levels and definitions of income and assets. For example, Pennsylvania’s Medicaid handbook states, “Unearned income includes, but is not limited to, the following: Income from insurance policies that provide cash payments directly to the individual.” While these flex cards are NOT cash, some states may interpret a flex card to be fundamentally similar to cash and deem those cards as income and/or assets for purposes of Medicaid eligibility, pushing some income-limited individuals out of eligibility and into a scenario with unaffordable insurance and loss of Medicaid-funded support services. Inclusion of these cards as income or assets could also impose a spend-down requirement or a penalty period, further compromising the individual’s financial and health status.
- *Housing:* Federal housing assistance is based on income and asset eligibility. A person’s income and assets determine their initial eligibility for rental assistance through HUD and other similar programs, as well as how much rental assistance is received and how much rent is left to be paid by the household. By adding flex cards to household income and asset calculations, households may incur penalties in the form of not being eligible for housing assistance programs and/or receiving a lower government subsidy resulting in higher rental costs for the household. HUD-assisted older adults who choose to enroll in a plan with these flex cards might be surprised by these penalties. In addition, the lost assistance undermines the purpose of both the housing subsidy and the flex card, which is to ensure stable housing to maintain the person’s health.

Currently, the effects of these flex card policies (or lack thereof) are limited to the MA program. However, additional beneficiaries could be subject to these eligibility consequences if a [proposal](#) to expand access to these SSBs to beneficiaries in certain Accountable Care Organizations (ACOs) is adopted. Urgent policy action is needed to prevent unintended harm to populations eligible for these flex cards, who are chronically ill, may be low-income and/or need additional supports to preserve and maintain their health.

Recommendations: It is critical for Congress to acknowledge the importance of these benefits to maintaining an individual’s health, while clarifying how these flex benefit cards should be treated related to income and asset calculations used to determine eligibility for government assistance programs and program benefit levels.

To achieve this, we recommend that Congress:

- **Exclude flex cards from income and assets.** Congress should adopt language clarifying that flex cards offered through MA/SNP plans, or ACOs, will be excluded from the definition of “income” and “assets” for the purposes of determining eligibility or subsidy levels for government programs, or for the calculation of federal income taxes. This request is the most urgent given the proliferation of both the flex cards and the confusion they are causing in terms of policy.

- **Continue to clarify Medicare Advantage marketing guidelines.** Separately, but related, as MA plans use these benefits to induce Medicare beneficiaries to select their plan, Congress and CMS should clarify marketing policies that ensure beneficiaries are fully informed of the potential impact of these special supplemental benefits and in particular flex cards on their current coverages and protect beneficiaries from deceptive and harassing marketing by MA/SNP plan representatives. We are seeing the impact of these marketing practices in our Program for All Inclusive Care for the Elderly (PACE) programs where beneficiaries are disenrolling from PACE to access flex cards and losing access to the supportive PACE services that keep PACE participants safely at home. We provide specific recommendations [here](#).

Rationale: We offer the following rationale for our recommendations.

- These benefits are offered via a health care plan or program and either have a “reasonable expectation of improving or maintaining the health or overall function” of the individual or address their health-related social needs and as such should be treated as a health care benefit/service not income nor assets, like how other government benefits are treated for income and/or asset determinations.
- The flex cards differ significantly from “cash” or other types of monetary “income” or “assets.” They can only be used for a limited set of purposes and not for any purchase. In addition, unlike cash, they often can only be used with certain vendors or businesses and for a certain amount of time. An individual cannot use these benefits to build or sustain wealth.
- To promote fair and consistent policy implementation, state agencies and providers need a clear federal policy for how these benefits should be treated.
- There is clear precedent for excluding certain benefits and sources of income from Medicaid², SSI³, and HUD programs⁴, like Veteran’s Affairs disability payments or Supplemental Nutrition Assistance Program (SNAP) benefits, from income calculations for the purposes of other federal benefits⁵. In addition to specific statutory income and asset incomes, HUD project-based rental assistance program regulations exclude amounts received by households for health and medical expenses, but Congressional direction is needed that clarifies that the kinds of SSBs that certain plans are providing are covered by the HUD health and medical income exclusion category because they are offered by a health plan for the purpose of impacting health outcomes.

²<https://www.medicaidplanningassistance.org/income-disregards-exclusions-deductions>

³<https://www.ssa.gov/ssi/limits-exceptions>

⁴ HUD Income Exclusions: 2024 Updated List of Federally Mandated Exclusions from Income: https://leadingage.org/wp-content/uploads/2024/02/HUD-Federally-Mandated-Income-Exclusions_1.31.24.pdf

⁵ Notably, assistance received by a household from payments made under the Emergency Rental Assistance Program established in 2021 were excluded from income calculations for other types of assistance, even for households already receiving housing assistance through HUD programs. This meant that the household who was receiving additional housing assistance through the ERAP could utilize the benefit to offset the tenant portion of the rent in support of housing stability; we urge Congress to view SSBs similarly, including benefits that can be applied toward rent or utility costs, and to establish a specific exclusion for these types of benefits.