

January 3, 2025

Medicaid Personal Needs Allowances—Overdue for Adjustment

Monica S. Aswani, DrPH¹; Paul R. Shafer, PhD²

Author Affiliations [Article Information](#)

JAMA Health Forum. 2025;6(1):e244457. doi:10.1001/jamahealthforum.2024.4457

There were over 1.3 million nursing facility residents across more than 15 000 facilities in the US as of 2022,¹ and the high cost of long-term care puts financial pressure on older adults and their loved ones. Because of these high costs, Medicaid serves as the payer of last resort for most US individuals and is the primary payer for nursing home care in the US.² Consequently, nearly two-thirds of nursing home residents relinquish their income to Medicaid excluding a small monthly stipend known as the personal needs allowance (PNA).

As the primary payer for these residents, Medicaid covers the cost of nursing facility care, room and board, and assistance with activities of daily living. The facility is required to provide a set of basic hygiene items, such as a toothbrush and toothpaste, bath soap, and hair comb, at no charge to the resident, but the quality of and/or assistance with these items may be subpar.³ The PNA varies by state and is intended to cover anything not provided by the nursing home, such as clothing, shoes, snacks, and cell phone bills. While many states cover ancillary therapeutic services, such as audiology, optometry, and dentistry,⁴ there is wide variation in the optional benefits available. As a result, residents may also need to use their PNA to cover such services in addition to any personal items they need. Imagine if after room, board, and medical care, you only had \$30 per month for personal expenses like your cell phone bill, haircut, or preferred toiletries. This is the reality for nursing home residents in Alabama and South Carolina today. Meanwhile, the average cell phone bill alone was \$141 per month in 2024.⁵

The PNA was initially set to a federally mandated minimum of \$25 per month with the Social Security Amendments of 1972. The Omnibus Budget Reconciliation Act of 1987 raised the minimum allowance to \$30 per month, which remains in place today. States are able to set higher PNA limits up to a maximum of \$200 per month. PNAs ranged from \$30 to \$80 in 2001 ([Figure](#)), averaging \$43 nationwide.⁶ In 2024, PNAs ranged from \$30 to \$200, averaging \$70 nationwide.⁷ Because the limits set in law are not

inflation adjusted, \$30 in 1988 would need to be \$80 in 2024 to have the same purchasing power, meaning individuals in states with the federal floor currently receive an allowance that is worth less than half of what residents received almost 4 decades ago.

Figure. Map of Medicaid Personal Needs Allowances (PNAs) in 2001 and 2024

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The PNA limits and the change over time are in nominal dollars and have not been adjusted for inflation. Data for PNA values from 2001 (gray) and 2024 (orange) are sourced from the National Long-Term Care Ombudsman Resource Center⁶ and the American Council on Aging,⁷ respectively.

To qualify for Medicaid, applicants must have limited income and assets, and these thresholds also vary by state and are set at different levels based on marital status. For married couples, income of the nonapplicant spouse is not counted toward eligibility determination, whereas assets of the nonapplicant spouse are counted. Under Medicaid spousal impoverishment provisions, the community spouse can retain a higher amount of income and assets than Medicaid limits without jeopardizing their spouse's coverage as a safeguard from financial precarity.

Many states coordinate Medicaid eligibility determinations with the federal Supplemental Security Income (SSI) program. Single SSI beneficiaries are limited to \$2000 in assets, and married SSI beneficiaries are limited to \$3000 in assets. In most states, these asset allowances have not changed since 1989, and thus, their real value has similarly declined due to inflationary erosion. While nursing home residents can cover personal expenses from their assets, evidence suggests that two-thirds of SSI beneficiaries have less than \$500 in assets. The provisions for a spouse to retain higher income and assets may help offset insufficient PNAs but only for married beneficiaries with spouses able to contribute financially. Likewise, California eliminated asset limits at the start of 2024, and a handful of other states, such as New York and Maine, have higher asset limits, which may help supplement PNAs.

Whether and how policies are indexed to inflation has significant implications for their ability to achieve their intended purpose. Increasing the federal PNA floor and indexing that floor to inflation going forward could improve the quality of life and well-being for adults receiving Medicaid who live in nursing homes. Fifteen states (30%) have not increased the PNA since 2001. Although only 2 of those states remain at the federal minimum of \$30 per month, beneficiaries will still have to rely on lagged, ad hoc adjustments from other states in the future without policy reform.

There is a history of nursing facilities being cited for withholding PNA from residents,⁸ which prevents these residents from being able to pay for personal essentials, such as a cell phone to stay connected with loved ones. Low monthly PNAs, even when appropriately disbursed, still compound the likelihood of poorer mental and physical health for residents. For example, if a resident cannot afford new shoes, they may be at higher risk for a fall or other injuries.

While numerous studies have investigated how state heterogeneity in Medicaid income and asset allowances may impact health outcomes, to our knowledge, none have examined variation in the PNA. The PNA is long overdue for an adjustment in many states; moreover, it warrants more study to better understand its role in the well-being and health of Medicaid beneficiaries as well as its potential to contribute to health inequities for older US adults.

In 2022, the Centers for Medicare & Medicaid Services (CMS) released its Framework for Health Equity identifying 5 priorities that will inform their efforts to advance health equity for the next decade. The second priority highlights the imperative to “assess causes of disparities within CMS programs, address inequities in policies, and operation to gaps.”⁹ Despite an increasing emphasis on home- and community-based services, promoting health equity also requires that older adults be able to age with dignity while residing in a nursing home. Taken together, inadequate PNAs compromise the human rights and basic needs of older adults, force them to make tough choices about what personal needs they will have to forego, and highlight underlying ageist attitudes embedded within policy. Addressing the deficiency of PNA should be an element of fulfilling this CMS priority.

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Article Information

Published: January 3, 2025. doi:10.1001/jamahealthforum.2024.4457

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Corresponding Author: Monica S. Aswani, DrPH, Department of Health Services Administration, School of Health Professions, University of Alabama at Birmingham, 1720 Second Ave S, SHPB 566, Birmingham, AL 35294 (aswani@uab.edu).

Conflict of Interest Disclosures: None reported.

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