



Create a Katie Beckett Waiver

The TEFRA Option for Children with Disabilities

What is TEFRA?

Medicaid is the publicly funded health insurance program for people with low income. In general, income is the foundation for Medicaid eligibility and children's eligibility is based on their family income. Typically, children with disabilities who receive care outside of institutional settings must meet their state's income eligibility criteria to qualify for Medicaid.

However, when a child receives extended care **in an institutional setting**, such as a hospital, pediatric nursing home, or other long-term care facility, family income is disregarded as a qualification for Medicaid. For families who cannot otherwise afford their child's care, this policy can push parents towards choosing institutional placement. The Tax Equity and Fiscal Responsibility Act (TEFRA), passed by Congress in 1982, includes an option for states to create an additional pathway to Medicaid for children, birth to age 18:

- Who have family incomes that are too high to qualify for Medicaid and;
- Whose medical, mental, and emotional health needs are described by the childhood listing of impairments on the Social Security website, and;
- Who also require an institutional level of care, but can be cared for at home, rather than in an institution.

The TEFRA option allows family income to be disregarded for children who meet the above criteria so that they qualify for Medicaid to cover the services they need to grow and thrive while living at home.

In addition to the TEFRA state plan option, there are also Medicaid waivers for home- and community-based services (HCBS), which provide a similar option to families. Both TEFRA and HCBS waivers allow states to change their Medicaid eligibility policies to cover more children. The table below highlights the similarities and differences between the TEFRA state plan option and Medicaid HCBS waivers.

1. TEFRA pays for services under Medicaid which allow children with disabilities to remain at home with their families and receive care in the community.
2. TEFRA provides more children with disabilities access to Medicaid's comprehensive Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit.
3. TEFRA allows families greater employment flexibility.
4. TEFRA provides wrap-around coverage to supplement private health insurance.

While there are federal guidelines that states have to follow in implementing their Medicaid programs, there is also broad latitude in what options states can choose. 24 states currently have a TEFRA option. This variation is also true for TEFRA for two main reasons:

1. TEFRA is a state plan option, not a federally mandated requirement.
2. Even among states that have chosen to use the TEFRA state plan option, what constitutes an "institutional level of care" differs from state to state.

Allow Medicaid Buy-in Create a State Plan Katie Beckett Waiver

For more information:

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