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SUBCHAPTER 10

SPENDDOWN GENERAL PRINCIPLES AND DEFINITIONS

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M1310.000 SPENDDOWN GENERAL PRINCIPLES AND DEFINITIONS

M1310.100 GENERAL PRINCIPLES OF MEDICAID SPENDDOWN

A. Introduction

Individuals and families who otherwise meet the medically needy non-financial and resource eligibility requirements, but whose countable income exceeds the medically needy income limits, are not eligible for Medicaid unless:

- the excess income is insufficient to meet the cost of needed medical care, and
- the cost of incurred medical or remedial care recognized under state law has been deducted from excess income.

This section contains the policy and procedures for determining a family's or a non-institutionalized individual's medically needy income eligibility when their income exceeds the medically needy income limit.

Contact your Regional *Medical Assistance Program* Consultant for the policy and procedures for Medicaid spenddowns established prior to July 1, 1999.

B. Applicability

Spenddown applies only to medically needy (MN) covered groups. Individuals and families must meet the MN nonfinancial and resource requirements in order to be placed on a spenddown.

An individual or family is income eligible when countable income after deducting specified medical or remedial care expenses is equal to or less than the medically needy income limit (MNIL) for the budget period.

C. Opportunity to Receive Full Medicaid Coverage

Individuals who are eligible for only a limited package of Medicaid services must be evaluated to determine if they could become eligible for full Medicaid coverage as medically needy (MN) by meeting a spenddown. To be evaluated for a spenddown, the individual must meet a MN covered group listed in M0330.001 and meet all of the requirements for the MN covered group.

1. Aged, Blind or Disabled (ABD)Medicall y Indigent (MI) Enrollees

Individuals in the following limited-benefit ABD covered groups also meet a MN covered group:

- Qualified Medicare Beneficiaries (QMBs),
- Special Low-income Medicare Beneficiaries (SLMBs),
- Qualified Individuals (QIs), and
- Qualified Disabled Working Individuals (QDWIs).

Information specific to processing spenddown for these individuals is contained in M1370.

2. Plan First Enrollees

Individuals enrolled in Plan First do not necessarily meet a MN covered group. Plan First enrollees who meet a MN covered group and its requirements in M0330 are placed on two six-month spenddown budget periods within the 12 month renewal period. They may also be eligible for a retroactive MN spenddown determination.

3. *MN Children Under Age 18 With $0 Spenddown Liability*

Due to differences in income counting methodology applicable to Categorically Needy (CN) and MN covered groups, a child under age 18 may be ineligible for coverage in a CN covered group but have countable income under the income limit for MN coverage. The child's spenddown liability is $0.00 (zero dollars); therefore, his spenddown is met on the first day of the spenddown period. Enroll the child in two back-to-back six-month periods of coverage, without the need for a new application, and complete an annual renewal. Continue to enroll the child in two consecutive six-month periods of coverage per year as long as he continues to be eligible as MN at renewal. See M0330.803.

M1310.200 INSTITUTIONALIZED INDIVIDUALS IN MEDICAL FACILITIES OR RECEIVING MEDICAID CBC

A. General Principle

Do not use this subchapter for institutionalized Medically Needy individuals in long-term care [medical facilities or Medicaid Community-based Care (CBC)] who have income over the MNIL.

Go to subchapter M1460 when the individual is institutionalized in a medical facility or when the individual receives Medicaid Community-based Care (CBC) waiver services. Subchapter M1460 contains the policy and procedures for determining the eligibility and spenddown liability for individuals in long-term care.

M1310.300 SPENDDOWN DEFINITIONS

A. Introduction

This section contains the definitions of terms used in the spenddown chapter, Chapter M13.

B.

C. Definitions

1. Applicable Exclusions

Applicable exclusions are the amounts that are deducted from income in determining an individual's income eligibility as identified under the July 16, 1996, AFDC State Plan for Families & Children covered groups, and under the SSI program for aged, blind or disabled individuals.

2. Assistance Unit

The Medicaid assistance unit is the individual or family who applies for Medicaid and whose financial eligibility is determined. The assistance unit for the Families & Children (F&C) covered groups is called the "family unit" or the "budget unit." The assistance unit for an ABD individual is just the individual, unless the individual is married, living with his/her spouse and the spouse is also ABD or the spouse is NABD and has deemable income. In this situation, the assistance unit is the married ABD couple.

3. Available Income

Available income means the earned and unearned income before exclusions used in determining the income eligibility of a medically needy individual.

4. Break in Spenddown Eligibility

A break in spenddown eligibility only occurs after an individual has, at least once, established eligibility by meeting a spenddown in a prior budget period. A break in spenddown eligibility occurs when:

NOTE: MN determinations are completed when the individual is not eligible as CN.

- the individual does not meet the spenddown liability in a spenddown budget period.

5. Budget Period

Budget period means a period of time during which an individual's income is calculated to determine Medicaid eligibility.

6. Carry-over Expenses

Carry-over expenses are the balance due on medical, dental, and remedial care expenses incurred in the retroactive or prospective budget periods prior to the current budget period which were not used in establishing eligibility and which may be deducted in consecutive budget periods when there has been no break in spenddown eligibility.

7. Consecutive Budget Period

A consecutive budget period is any spenddown budget period that immediately follows a spenddown budget period in which eligibility was established.

8. Countable Income

Countable income means, for the medically needy, the amount of the individual's gross income after deducting allowable exclusions that is measured against the medically needy income limit (MNIL).

9. Covered Expenses

Covered expenses means expenses for services that are included in the State Plan for Medical Assistance (Medicaid State Plan).

10. Current Payments

Current payments are payments made in the current spenddown budget period on expenses incurred before the current spenddown budget period, which were not used in establishing eligibility in a previous spenddown budget period and when there has been a break in spenddown eligibility. The payment amount allowed is the actual payment amount paid to the provider and is deducted from the spenddown liability on the date the payment is actually made.

11. First Prospective Budget Period

The first prospective budget period is the spenddown budget period that begins:

- the first day of the month the individual first applied for Medicaid and is placed on spenddown, or
- the first day of the month after the cancellation of Medicaid coverage due to excess income, or
- when a new Medicaid application is filed after a break in spenddown eligibility.

12. Incurred Expenses

Incurred expenses means expenses for medical, dental**,** or remedial care services:

- which are recognized under state law;
- which are rendered to an individual, family, or legally responsible relative;
- which the individual is liable for in the current budget period or was liable for in the three-month retroactive period; and
- which are not subject to payment by any liable third party.

An expense for a medical or remedial service is an incurred expense from the date the liability arises until the end of the budget period in which the expense is fully used to meet a spenddown.

13. Initial Application

An initial application is the individual's first Medicaid MN spenddown application. There are two ways an individual can have an initial application:

- this is the individual's first application for Virginia Medicaid, or
- this is the first time the individual has been placed on a spenddown.

14. Legally Responsible Relative

A legally responsible relative is the individual's spouse and/or, when the individual is under age 21, a parent who is responsible by law to support the individual. The legally responsible relative's resources and income may be used in determining the individual's Medicaid eligibility.

15. Liable Third Party

Liable third party means any individual, entity or program that is or may be liable to pay all or part of the cost of medical or remedial treatment for injury, disease or disability of a Medicaid applicant or recipient.

16. Medical Expense Record Form

The "Medical Expense Record-Medicaid" (#032-03-023) is a form provided to the client for keeping a chronological record of his medical expenses. It is used by the eligibility worker to determine if the spenddown has been met.

17. Medically Needy Income Limit (MNIL)

MNIL means the medically needy income limit. This is the income standard established to determine the financial eligibility of medically needy individuals and families.

18. Noncovered Expenses

Noncovered expenses are expenses for necessary medical and remedial services recognized under state law but not covered under the Medicaid State Plan, including those that exceed the Medicaid limitation on amount, duration, or scope of the service covered under the State Plan.

19. Old Bills

Old bills are unpaid medical, dental, or remedial care expenses which:

- were incurred prior to the Medicaid application's retroactive period or
- were incurred during the retroactive period if the individual either did not meet the retroactive spenddown or was not eligible for Medicaid in the retroactive period (for example, due to excess resources), and
- were not fully deducted from (counted in) any previous spenddown budget period where the spenddown was met, and
- remain a liability to the individual.

Old bills that are based on previous applications do not meet the definition of "old bills" when there has been a break in spenddown eligibility.

EXCEPTION: Bills paid by a state or local program are treated as old bills even though they are not the individual's liability.

20. Prospective Budget Period

A prospective budget period is the prospective period of time during which income is projected for the purpose of determining spenddown eligibility.

21. Re-application

Re-application means any Medicaid medically needy spenddown application which is filed after the initial application.

22. Retroactive Spenddown Budget Period

The retroactive spenddown budget period is the retroactive period in which the individual is on a spenddown. The retroactive spenddown budget period is the 3 months immediately prior to the application month, when none of the months overlap (was included in) a previous MN spenddown budget period in which spenddown eligibility was established.

When some of the months overlap a previous MN spenddown budget period in which spenddown eligibility was established, the retroactive spenddown budget period is shortened (prorated) to include only the month(s) which were not included in the previous MN spenddown budget period in which spenddown eligibility was established.

23. Spenddown

Spenddown is the process through which countable income is compared to the MNIL for the budget period and incurred expenses are deducted from excess countable income.

24. Spenddown Budget Period

A spenddown budget period is the budget period during which the individual's or family's countable income exceeds the MNIL for the budget period and during which the individual or family is placed on a spenddown.

25. **Spenddown Eligibility**

Spenddown eligibility means the individual established eligibility by meeting a spenddown within a spenddown budget period.

26. **Spenddown Liability**

The spenddown liability is the amount by which the individual's or family's countable income exceeds the MNIL for the budget period.

27. **State or Territorial Public Program**

A state or territorial public program is a public health program that is wholly or partially funded and administered by a state or territory, including a political subdivision thereof (i.e., SLH, GR, AG and CSB services).

28. **State or Territorially-Financed Program**

A state or territorially-financed program is a state or territorial public program whose funding, except for deductibles and coinsurance amounts required from program beneficiaries, is either:

- appropriated by the state or territory directly to the administering agency, or
- transferred from another state or territorial public agency to the administering agency.

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M1320.000 SPENDDOWN INFORMATION

M1320.100 INFORMING THE APPLICANT

A. Introduction

An individual applicant who meets all the medically needy Medicaid eligibility requirements except income, because his countable income exceeds the Medicaid income limits, must be told about spenddown and what he can do to become eligible for Medicaid coverage for a limited time period.

This section lists the items of which the EW must inform the applicant.

B. Allowable Expenses

The worker must inform the applicant about the incurred medical, dental, or remedial care expenses, either paid or unpaid, that can be deducted from the spenddown liability.

1. Covered By State or Local Public Program

Expenses for incurred medical services received on or after December 22, 1987, which were provided, covered, or paid for by a state or local government program can be deducted even though the applicant does not owe anything for the service.

Expenses covered by Medicare and Medicaid (which are federal programs) CANNOT be deducted.

2. Old Bills

Expenses incurred for medical services received prior to the initial application's retroactive period or *during the retroactive period if the individual either did not meet the retroactive spenddown or was not eligible for Medicaid in the retroactive period (for example, due to excess resources)* may be deducted if:

- the applicant is legally liable to pay the expense;
- the applicant still owes a balance to the medical service provider for the service;
- the expense was not deducted from (counted in) any previous spenddown budget period in which the spenddown was met, and
- a claim for the expense was submitted to the liable third party(ies), if any.

3. Third Party Payment

An allowable medical expense cannot be deducted until the individual's insurance or other third party, if applicable, has taken action on the claim and the applicant provides evidence documenting:

- the claim was denied, or
- the amount of the claim paid by the third party.

Only the amount not covered by the third party(ies) and which remains the liability of the individual may be deducted from the spenddown liability.

C. Incur Noncovered Expenses First

The worker must inform the applicant that it is to his advantage to use the spenddown liability (excess income) for medical and dental services not covered by the Medicaid program before he uses the spenddown liability for covered services. Medicaid will not pay for noncovered medical services even after the spenddown is met.

D. Estimate When Spenddown Liability Will Be Met

The worker can help the applicant estimate the approximate time when the spenddown liability will be met if:

- the individual has already spent or owes for medical services received prior to, on, or after the first day of the month of application, and
- the individual anticipates medical expenditures in the near future.

E. Reapplying at the End of the Spenddown Period

The worker must inform the individual of the spenddown period and the need to file a re-application if additional coverage is needed. *If the individual is enrolled in the QMB, SLMB, or QDWI covered groups; is enrolled in Plan First and also meets a Medically Needy (MN) covered group; or is an MN Child Under Age 18 with $0 spenddown liability (see M0330.803), the system-generated Medicaid Renewal form or the equivalent ABD Renewal Form #032-03-0186 may be used to establish new spenddown budget periods.*

For all others, the *Application for Health Insurance & Help Paying Costs* is required to establish additional spenddown budget periods.

M1320.200 PROCESSING TIME STANDARDS

A. Applications

1. Processing Standards

The time standards for Medicaid eligibility determination must be met when determining spenddown. The processing time standards are:

- 90 days for applicants whose disability must be determined and
- 45 days for all other applicants

from the date the signed Medicaid application is received by the local agency.

2. Third Party Payment Verifications

The standards shall also apply to receipt of third party payment or verification of third party intent to pay in order to determine allowable expenses deductible from the spenddown liability. Efforts to determine the third party liability shall continue through the last day of the processing standard period of time. If information regarding third party liability for an incurred expense is not received by this date, eligibility must be determined without deducting the expense.

B. Changes

The time standard for evaluating a reported change is 30 days from the date the worker receives notice of a change in circumstances or a medical or dental expense submitted by the individual.

Efforts to determine the third party liability shall continue through the last day of the processing time standard. If information regarding third party liability for an incurred expense is not received by this date, eligibility must be determined without deducting the expense.

M1320.300 ACTION ON APPLICATIONS

A. Case Action

When an applicant meets all the MN eligibility requirements except income, the application is denied and the applicant is placed on a spenddown.

B. Retroactive Period

When an applicant has old bills, the worker will determine the retroactive budget period and retroactive spenddown liability. Determination of the retroactive budget period is necessary in order to correctly deduct the old bills from the spenddown liability in the first prospective and consecutive budget periods. If there is no Medicaid-covered service in the retroactive budget period, do not evaluate retroactive Medicaid eligibility.

C. Notice to Applicant

A "Notice of Action on Medicaid..." (#032-03-008) is sent to the applicant. Check the block in the third section which states "Denied full coverage because income exceeds the income level". Enter the spenddown liability and the spenddown budget period begin and end dates in the appropriate section. Send a copy of the "Medical Expense Record - Medicaid" (#032-03-023) to the applicant for recording his medical expenses. See Appendix 1 to subchapter M1340.

M1320.400 SPENDDOWN CASE REVIEW REQUIREMENTS

A. Introduction

The individual must notify the worker when medical or dental expenses are incurred. The individual does NOT have to formally request a re-evaluation of his spenddown.

The individual should submit the "Medical Expense Record - Medicaid" together with bills or receipts for medical services either paid or incurred. Evidence of third party payment or denial of payment must be provided, if applicable.

B. Individual Submits Expenses

When the individual submits medical expenses for re-evaluating the spenddown, a new application form is NOT completed.

Contact the individual and ask if his living situation, resources or income have changed since he signed the application form. If the individual reports any changes, request verification, evaluate accordingly, and record the changes in the case record.

C. Eligibility Worker Actions

When verification of incurred expenses is received, the worker must record the expenses in the record, determine how much of the spenddown liability remains and notify the applicant of the re-evaluation decision.

1. Complete One Evaluation

If incurred medical expenses are submitted to the worker at various times within a month, the worker may accumulate the expenses and complete one

re-evaluation at the end of the 30-day processing time frame for spenddown re-evaluations. The 30-day processing time frame begins the date the first medical bill for that spenddown is received in the agency.

2. Send Notice of Action

After completing a re-evaluation of the individual's spenddown, send a written "Notice of Action on Medicaid..." with the appropriate block checked. In the section marked "Other", tell the individual that he must complete a review or reapply in order to be evaluated for Medicaid after the spenddown period ends.

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SUBCHAPTER 30

SPENDDOWN BUDGET PERIODS

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M1330.000 SPENDDOWN BUDGET PERIODS

M1330.100 SPENDDOWN BUDGET PERIODS

A. Introduction

An individual's medically needy (MN) spenddown eligibility is determined based on the income received within a specified spenddown budget period. The spenddown budget period is based on the application month.

The spenddown budget periods are the:

- the retroactive budget period,
- first prospective budget period, and
- consecutive budget period.

B. Spenddown Budget Period Rules

1. Every Medicaid application has a retroactive period.

2. Budget periods are based on application months. Applications for non-institutionalized individuals create a 6-month prospective budget period. If another Medicaid application is in the month immediately after the end of the first prospective budget period in which spenddown eligibility was established, the new application has no retroactive period and the subsequent spenddown budget period is a consecutive 6 months.

   If another application is not filed in the month immediately after the end of a spenddown budget period in which spenddown eligibility was established, the application has a retroactive budget period and a first prospective budget period. If the retroactive spenddown budget period abuts a prior spenddown budget period in which eligibility was established, the retroactive spenddown budget period is also a consecutive budget period.

3. When there is a 6-month prospective budget period in which spenddown eligibility is not established, part of that spenddown budget period may become a retroactive spenddown budget period based on a subsequent application.

4. Spenddown budget periods do not run consecutively when there is a break in spenddown eligibility.

5. The current budget period is the budget period for which spenddown eligibility is being determined.

6. The retroactive spenddown budget period is prorated when one or two of the months in the retroactive period were included in a medically needy spenddown budget period in which spenddown eligibility was established or in the case of death of the individual in the retroactive period.

7. A retroactive spenddown budget period is always followed by a first prospective budget period.

8. The prospective spenddown budget period is prorated (shortened) when the only MN individual in the assistance unit dies, becomes ineligible for a reason other than income, becomes institutionalized, or becomes eligible in another Medicaid classification.

9. Deduction of old bills in a spenddown budget period depends on whether the expense was fully deducted in a previous spenddown budget period during which spenddown eligibility was established. If the expense was fully deducted in a previous spenddown budget period during which spenddown eligibility was established, it CANNOT be deducted in another spenddown budget period. If the expense was not fully deducted, the remaining balance for which the individual is liable may be carried forward and used as a deduction in a following spenddown budget period(s) if there is no break in spenddown eligibility.

10. **Paid** and unpaid expenses incurred during the retroactive spenddown budget period are deducted in the first prospective budget period to the extent that they were not used to meet the retroactive spenddown and remain the liability of the individual.

11. A break in spenddown eligibility does not necessarily mean that there is a break between budget periods. A break between spenddown budget period always means that that there is a break in spenddown eligibility.

M1330.200 RETROACTIVE SPENDDOWN BUDGET PERIOD

A. Policy

The retroactive spenddown budget period is the 3 months immediately prior to the application month if none of the months were included in a previous spenddown budget period in which spenddown eligibility was established.

Eligibility for retroactive Medicaid coverage must be determined in all cases if an individual received a Medicaid covered service during the three-month period prior to the month of application. This includes those applying for Auxiliary Grants or Medicaid. Eligibility for retroactive coverage is determined at the same time ongoing eligibility is determined, using the same application.

If an applicant states that a Medicaid covered service was received in any one of the 3 retroactive months, determine eligibility for all months included in the retroactive spenddown budget period. If the applicant states that a Medicaid covered service was not received in the retroactive months, do not determine retroactive eligibility.

B. Months Included In The Retroactive Budget Period

The retroactive spenddown budget period consists of all 3 months in the retroactive period when none of the months was included in a previous Medicaid medically needy spenddown budget period in which spenddown eligibility was established. The retroactive spenddown budget period is prorated when one or two of the months in the retroactive period was included in a previous Medicaid medically needy spenddown budget period in which spenddown eligibility was established, or in the case of death. If all 3 retroactive months were included in a medically needy spenddown budget period in which spenddown eligibility was established, there is no retroactive spenddown budget period. If a month in the retroactive period was included in a previous medically needy spenddown budget period in which spenddown eligibility was established, that month(s) CANNOT be included in the retroactive spenddown budget period.

C. Income Counted

Only the actual income, minus income exclusions, received in the retroactive spenddown budget period is counted in determining retroactive eligibility. The countable income is applied to the appropriate Medically Needy Income Limit (MNIL) for the number of months actually included in the retroactive spenddown budget period. When the individual's countable income in the retroactive spenddown budget period exceeds the MNIL for the period, he has a spenddown liability for the retroactive spenddown budget period.

EXAMPLE #1: An individual's spenddown budget period ended April 30. He files an application for Medicaid in July and has a Medicaid-covered service in May and June (the second and third months of the retroactive period). The retroactive spenddown budget period based on his July application is prorated and consists of May and June because April was in a prior spenddown budget period in which spenddown eligibility was established. His countable income received in May and June is compared to the monthly MNIL for one person in the locality, multiplied by 2 months in the retroactive spenddown budget period.

EXAMPLE #2: A legally emancipated child age 17, living alone, applies for Medicaid on June 15. He has never applied for Medicaid before this application. He has a Medicaid covered service expense in the first retroactive month, March. The retroactive period is March, April and May. He meets the MI covered group and income requirements in April only. His income exceed the MI limit in March and May. The retroactive spenddown budget period is 3 months – March, April and May. His countable income in the 3 months is determined and the MN income limit for 1 person for 3 months is subtracted. The remainder is the spenddown liability for the retroactive spenddown budget period.

M1330.300 FIRST PROSPECTIVE BUDGET PERIOD

A. Policy

A first prospective budget period is 6 months for non-institutionalized individuals; 1 month for institutionalized individuals.

The first prospective budget period is the period that begins:

- the first day of the month the individual first applied for Medicaid and is placed on a spenddown, or
- the first day of the month after the date Medicaid was canceled because of excess income, or
- when a new application is filed after a break in spenddown eligibility.

B. Income Counted

The gross income, minus applicable income exclusions, anticipated to be received by the applicant's assistance unit in the first prospective budget period is counted and compared to the MNIL. Countable income anticipated to be received in the application month is projected over the entire 6-month period, unless the first prospective budget period must be prorated. When the first prospective budget period is prorated, count the income received in the month(s) included in the prorated first prospective budget period and compare it to the MNIL for the same number of months. The difference is the spenddown liability.

C. Example – Individual's First Application For Medicaid

EXAMPLE #3: An individual first applies for Medicaid in July 1999 and has a Medicaid covered service in the retroactive period. He has never applied for Medicaid before. The retroactive period consists of April, May and June 1999. His countable income received for April 1999 through June 1999 is compared to the 3-months MNIL in the locality for one person. The first prospective budget period consists of July 1999 through December 1999. His countable income for July is projected for 6 months and compared to the semi-annual MNIL in the locality for one person.

D. Example – Medicaid Canceled Due To Excess Income

EXAMPLE #4: A Medicaid recipient's coverage is canceled because of excess income effective July 31, 1999. He is placed on a spenddown for the first prospective budget period of August 1, 1999 through January 31, 2000. His countable income for July is projected for 6 months. The semi-annual MNIL in the locality for one person is subtracted from his total countable income.

E. Example – Break In Spenddown Eligibility

EXAMPLE #5: A recipient's Medicaid spenddown eligibility is canceled because of excess resources effective May 31, 1999. He reapplies for Medicaid on October 13, 1999. He had a Medicaid covered medical expense in the retroactive period.

He is placed on a spenddown for the retroactive period of July – September 1999. His countable income received in July – September 1999 is compared to the 3-months MNIL in the locality for one person. The first prospective budget period is October 1, 1999 through March 31, 2000. His countable income for October is projected for 6 months. The semi-annual MNIL in the locality for one person is subtracted from his total countable income. For the 6-month spenddown budget period.

M1330.400 CONSECUTIVE BUDGET PERIODS

A. Policy

Consecutive budget periods are any spenddown budget periods that occur when there is no interruption in spenddown eligibility. Consecutive budget periods can occur after there has been a break in spenddown eligibility IF spenddown eligibility has been re-established. A retroactive or prospective spenddown budget period is a consecutive budget period when it follows a spenddown budget period in which eligibility was established.

B. Income Counted

The gross income, minus applicable income exclusions, anticipated to be received by the applicant's assistance unit in a consecutive budget period is counted and compared to the MNIL. Countable income anticipated to be received in the application month is projected over the entire 6-month period, unless the consecutive budget period is prorated.

EXAMPLE #6: A non-institutionalized individual applies for Medicaid in July 1999 and has a Medicaid covered service in the retroactive period. The retroactive period consists of April, May and June 1999. The first prospective budget period consists of July 1999 through December 1999. He meets both spenddowns. On January 20, 2000, he files an application for Medicaid and is placed on a spenddown for the period January 2000 through June 2000. Because spenddown eligibility was established in the prior spenddown budget period, the January 2000 through June 2000 prospective budget period is a consecutive budget period. His countable income for January is projected is projected and the total is compared to the semi-annual MNIL in the locality for one person. He meets the spenddown for the period January 2000 through June 2000.

He files an application in July 2000 and is placed on a spenddown for the period July 2000 through December 2000, which is considered a consecutive budget period. He does not meet the spenddown for this period. A break in spenddown eligibility has occurred.

He files an application in January 2001 and is placed on a spenddown for the period January 2001 through June 2001, which is not a consecutive budget period. He meets the spenddown on May 2, 2001. He files an application in June 2001 and is placed on a spenddown for the period July 2001 through December 2001, which is a consecutive budget period.

CHAPTER M13
SPENDDOWN
SUBCHAPTER 40

M1340 Changes

Changed With	Effective Date	Pages Changed
TN #100	**5/1/15**	**Pages 4, 5**
TN #95	3/1/11	Page 6
TN #94	9/1/10	Page 6
TN #93	1/1/10	Page 18

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M1340.000 SPENDDOWN DEDUCTIONS

M1340.100 SPENDDOWN DEDUCTIONS

A. Introduction

Medical expenses incurred by the individual, family or a financially responsible relative that are not subject to payment by a third party are deducted from the individual's spenddown liability. An expense is incurred on the date liability for the expense arises. The agency must determine which incurred expenses can be deducted and must deduct those expenses in accordance with section M1340.200 below.

The policy and procedures for deducting old bills and incurred expenses are based on federal regulations which were developed to remove the incentive for individuals to not pay their old bills.

B. Policy

Only those medical, dental, or remedial care expenses incurred by the applicant, budget unit member(s) and the applicant's spouse and/or child in the household who is not included in the applicant's assistance unit, are considered as potential deductions from spenddown.

1. Legal Liability For Expense

Medical expenses, or portions of medical expenses, that are covered by Medicare or other health insurance are not legal obligations of the individual and cannot be deducted from spenddown. If the expense was covered by a state or local public program as defined in section M1340.1100, see that section.

If a legally responsible relative's income is deemed to the assistance unit, the legally responsible relative's incurred expenses are deducted from the unit's spenddown. When the legally responsible relative also has a spenddown liability that has not been met, the legally responsible relative must choose the spenddown from which the incurred expense is deducted. An incurred expense can be deducted from only one spenddown. If not totally used to meet the spenddown, the balance can be applied to another spenddown.

2. Projected Expenses

"Projected" expenses are for services that have not yet been rendered. Projected expenses for medical services cannot be deducted, except for nursing facility care. Expenses included in a prepaid package of services cannot be deducted prior to the date the service(s) is actually rendered. See subchapter M1460 or M1480 for nursing facility patients.

3. Chronological Deduction

Expenses are deducted in chronological order based on the date they are incurred. The date incurred is the date the service was received or, in the case of health insurance premiums *that are withheld from monthly benefit payments, the first day of the month the premium payment is due.*

4. Multiple Spenddown Periods

When an individual has established more than one spenddown period, medical expenses are first deducted from the spenddown period during which they were incurred. If not used to achieve eligibility, the bill can be evaluated for use in succeeding budget periods. Specific instructions for treatment of prior

incurred expenses can be found in sections M1340.600, M1340.700 and M1340.800.

M1340.200 KINDS OF ALLOWABLE DEDUCTIONS

A. Policy

To determine the allowable incurred expenses that will be deducted from income, the agency must identify the kind of service.

B. Kinds of Service

In determining allowable incurred expenses, the medical or remedial care expenses listed below may be deducted from the spenddown liability.

1. Health Insurance Expenses

Medicare and other health insurance premiums are allowable health insurance expenses.

2. Noncovered Services Expenses

Noncovered services expenses are expenses incurred by the individual or family or financially responsible relative for necessary medical or remedial care services which are not covered by the Virginia Medicaid State Plan. Noncovered services include expenses for Medicaid-covered services that exceed the State Plan limits on the amount, duration and scope of services. Medicaid co-payments and deductibles on covered services are "noncovered services." Section M1340.400 lists noncovered services.

3. Covered Services Expenses

Covered services expenses are expenses incurred by the individual or family or financially responsible relative for necessary medical or remedial care services which are covered by the Virginia Medicaid State Plan.

M1340.300 HEALTH INSURANCE PREMIUMS, DEDUCTIBLES, COINSURANCE

A. Policy

Incurred expenses for Medicare and other health insurance premiums, and deductibles or coinsurance charges, including deductibles and copayments imposed by Medicaid, are deducted from the spenddown liability.

B. Health Insurance Premiums

Health insurance premium payments include:

1. Private Health Insurance

Payments made from the applicant's own income for private medical insurance are allowed deductions. Income protection insurance **(**indemnity) policy premiums are not medical expenses and are not deducted from the spenddown liability.

2. Medicare Premiums

Medicare Part A, Part B and/or *Part D* premium payments are allowed deductions when the premiums are paid from the applicant's own income.

3. Amount Deducted

The amount deducted is the amount of the premium paid.

4. When Deducted

A health insurance premium is deducted from the spenddown liability when the monthly premium is due. The worker cannot deduct a pre-paid premium that is paid before the month the premium is due.

When a health insurance premium is withheld from the individual's monthly benefit check, the premium is deducted on the first day of the month. For example, the individual receives a Social Security benefit from which is deducted the Medicare Part B premium. The Social Security check is dated December 13. The Medicare Part B premium is deducted from the individual's spenddown liability on December 1.

C. Deductibles, Coinsurance, and Copayments

Deductibles, coinsurance and co-payment amounts are those portions of a medical services expense which the health insurance policy designates as the individual's responsibility to pay. The health insurance policy will not pay these amounts.

1. Amount Deducted

The amount deducted is the amount of the deductible, coinsurance or co-payment owed for the service.

2. When Deducted

A deductible, coinsurance or co-payment amount is deducted from the spenddown liability on the date the service was received.

D. Verification

Verification of health insurance premiums, deductibles, coinsurance and copayment amounts include:

- a copy of the insurance premium notice,
- the explanation of benefits paid by health insurance,
- *the statement, or a copy of the statement, from the Medicare Part D prescription drug plan (PDP),*
- Medicaid co-pays and deductibles as listed in chapter M18, or the Virginia Medicaid Handbook**.**

M1340.400 NONCOVERED SERVICES

A. Policy

Noncovered services expenses are incurred expenses for necessary medical or remedial care services which are not covered by the Virginia Medicaid State Plan, including the amounts for covered services that exceed the State Plan limits on amount, duration and scope of services. Noncovered services must be ordered by a physician or dentist in order to be deducted.

Noncovered services expenses are deducted on the date the service was rendered**.** For medical supplies and equipment that are ordered, the date of service is the date the supply or equipment was delivered to the individual. Expenses included in a prepaid package of services cannot be deducted prior to the date the service(s) is actually rendered.

B. Noncovered Services

Noncovered services (not covered by Medicaid) include:

1. routine dental care for individuals age 21 or older.

2. services of other licensed practitioners of the healing arts such as chiropractors, naturopaths or acupuncturists, unless the services are covered by Medicare and the individual has Medicare.

3. professional nursing services in an individual's home when prescribed by the individual's physician and the cost is not part of a home health program or a Medicaid CBC waiver.

4. medical services provided by non-participating providers (providers who do not participate in Virginia Medicaid) unless the services are covered by Medicare and the individual has Medicare.

5. over-the-counter medications and medical supplies when ordered by a physician and the cost is not covered by Medicaid or Medicare, if the individual has Medicare.

C. Not Medical/ Remedial Care Services

The following are examples of services that are NOT medical/remedial care services and CANNOT be deducted from a spenddown liability, even if ordered by a physician:

* air conditioners or humidifiers,
* *refrigerators, whole house generators and other non-medical equipment,*
* *assisted living facility (ALF)* room & board and services**,**
* personal comfort items, such as reclining chairs or special pillows,
* health club memberships and costs,
* animal expenses such as for seeing eye dogs,
* cosmetic procedures.

D. Verification

Verification of noncovered services expenses includes:

1. a copy of the provider's bill or the insurance company's explanation of benefits paid, that shows:

   - the amount still owed that is the patient's responsibility, and
   - the service provider's name, address, and profession.

2. a prescription, physician's referral, or statement from the patient's physician or dentist that the service was medically necessary.

M1340.500 COVERED SERVICES

A. Policy

Covered services expenses are incurred expenses for necessary medical or remedial care services which are covered by the Virginia Medicaid State Plan. Covered services expenses are deducted on the date the service was rendered. For medical supplies and equipment that are ordered, the date of service is the

date the supply or equipment was delivered to the individual. Expenses included in a prepaid package of services cannot be deducted prior to the date the service(s) is actually rendered.

B. Covered Services

Some of the medical services covered by Medicaid, and the limits on these services, are described in chapter M18. Medicaid covered services include:

* inpatient and outpatient hospital care
* physicians' services
* prescription drugs
* lab and x-ray services
* nursing facility care
* home health care
* rehabilitative services
* psychiatrists' and psychologists services
* licensed clinical social worker and licensed professional counselor services
* physical therapy services
* medical supplies and equipment
* transportation to secure medical care which is purchased, not provided in the individual's own vehicle.

C. Verification

Medical supplies and drugs must be prescribed or ordered by a physician or dentist.

Covered services expenses verification includes:

1. A copy of the provider's bill or the insurance company's explanation of benefits paid, that shows:

   - the amount still owed that is the patient's responsibility, and
   - the service provider's name, address, and profession.

2. *Documentation that the service is or was medically necessary. Documentation can include a prescription, physician's referral, statement from the patient's physician or dentist, or authorization from a licensed mental health provider or other individual as specified by DMAS to authorize a Medicaid covered service.*

D. Medicare Part D Prescription Drug Expenses

Because enrollment in Medicare Part D is voluntary, not all Medicare beneficiaries will be enrolled in a Medicare PDP. For those enrolled in a PDP, not all drugs will be covered. Each PDP may have a different combination of deductibles, co-pays and coverage gaps.

The PDP must issue a periodic (at least monthly) statement to the beneficiary explaining all benefits paid and denied, and any deductible and/or co-pays incurred by the beneficiary. Use the PDP statement to verify prescription drug costs that remain the beneficiary’s responsibility.

To determine if drug costs incurred by Medicare beneficiaries are allowable under spenddown, apply the following rules:

1. Beneficiary NOT In Medicare PDP on Date of Service

If the Medicare beneficiary was not enrolled in a Medicare PDP on the date of the prescription drug service, allow the prescription drug cost that is the responsibility of the beneficiary as a spenddown deduction.

2. Beneficiary in Medicare PDP on Date of Service

If the Medicare beneficiary was enrolled in a Medicare PDP on the date of service, allow the prescription drug cost (deductible, co-pays and/or coverage gap) that is the responsibility of the beneficiary as a spenddown deduction.

3. PDP Denies Drug Coverage

If a Medicare PDP denies coverage of a prescription drug, the beneficiary has the right to request an exception for coverage of the drug. The beneficiary is notified in writing of the decision on any exception requested.

- Do NOT allow the charge if the drug charge appears on the statement as a denial and no exception was requested.
- Allow the charge if the drug charge appears on the statement as a denial, and an exception was requested and denied.

Medicare beneficiaries who are enrolled in a Medicare PDP should be advised to keep their statements and other related documentation for consideration under spenddown.

M1340.600 OLD BILLS

A. Policy

Old bills are any unpaid medical, dental and/or remedial care expenses incurred prior to the retroactive period based on an initial application. Unpaid medical, remedial, and dental care expenses incurred prior to a re-application and its retroactive period may also be deducted as old bills provided that:

- they were not incurred during a prior spenddown budget period, in which spenddown eligibility was established, *or*
- *they were incurred during the retroactive period if the individual either did not meet the retroactive spenddown or was not eligible for Medicaid in the retroactive period (for example, due to excess resources), and*
- they were not fully deducted from any previous spenddown that was met, and
- they remain the liability of the individual.

Old bills may include medical bills that were paid by a state or local program.

An unused portion of an old bill which is still the liability of the individual may be applied to a future consecutive spenddown budget period(s) only if there is no break in spenddown eligibility. If there is a break in spenddown eligibility, only current payments made on old bills based on a prior spenddown application can be deducted in the current budget period. The old bill from a prior application is no longer an “old bill” as defined in section M1310.300. Only the amount of any “current payment” made on that expense in the current budget period can be deducted. Go to section M1340.800 for current payments policy and procedures.

B. Procedures

Decide whether an old bill is deducted using the following procedures:

1. Verification

Request the following verification from the individual or his representative:

- proof that the bill is still owed,
- if applicable, the amount owed that was not covered by the patient's insurance or liable third party,
- the service provider's name, address, and profession
- proof that the service was medically necessary (prescription, physician's referral, statement from the patient's physician or dentist).

2. Determine Amount of Deduction

Upon receipt of the requested documentation, determine the unpaid balance still owed on the old bill minus the amount used to meet a prior spenddown, if any.

3. Subtract The Old Bill

Subtract the old bill amount from the spenddown liability on the first day of the spenddown budget period according to policy in subsection A above.

C. Example--Deduct Balance of Old Bill

EXAMPLE #1: The application month is October 1999. The individual never applied for Medicaid before October 1999. He did not receive a Medicaid-covered service in the retroactive period. The spenddown liability for the first prospective budget period October 1999 through March 2000 is $560. The individual provides verification that he still owes $100 for a medically necessary service received in May 1999 (prior to the retroactive period). The $100 old bill is deducted from the first prospective budget period spenddown liability, leaving him a spenddown balance of $460 on October 1, 1999.

M1340.700 CARRY-OVER EXPENSES

A. Policy

Carry-over expenses are unpaid medical or remedial care expenses that:

- were incurred within a retroactive or prospective budget period in which spenddown eligibility was established,
- remain the liability of the individual, and
- were not fully counted in any previous spenddown that was met.

Note: Old bills never become carry-over expenses because old bills, by definition, are incurred outside a spenddown budget period in which spenddown eligibility was established. Carry-over expenses are incurred during a spenddown budget period in which spenddown eligibility was established.

B. Procedures

Determine if the carry-over expenses are fully or partially deducted by using the following procedures:

1. Verification

Request the following verification from the individual or his representative:

- proof that the amount of the carry-over expense is still owed,
- if applicable, the amount owed that was not covered by the patient's insurance or liable third party;
- the service provider's name, address, and profession,
- proof that the service was medically necessary (prescription, physician's referral, or statement from the patient's physician or dentist).

2. Determine Amount of Deduction

Upon receipt of the requested documentation, determine the amount of the expense that can be deducted from the spenddown liability for the current spenddown budget period. Any amount of the expense that was deducted from a previous spenddown that was met CANNOT be deducted in the current spenddown budget period.

3. Subtract Carry-over Expense

Subtract the carry-over expense amount that was not used to meet a previous spenddown from the spenddown liability on the first day of the current spenddown budget period, after deducting old bills.

C. Remaining Balance

The remaining balance of carry-over expenses is applied to the spenddown liability of the next consecutive budget period. If that spenddown is met and there is still a balance remaining on the carry-over expenses, that remaining balance may be deducted in subsequent consecutive budget periods until there is a break in spenddown eligibility.

When a break in spenddown eligibility occurs, only the amount of "current payments" made on that expense in the current spenddown budget period can be deducted from the spenddown liability. See Current Payments on Expenses in section M1340.800 below.

D. Example--Carry-over Expenses

EXAMPLE #2: An individual has been on spenddowns consecutively during the two previous 6-month periods (April through September and October through March). He met both spenddowns. He reapplies for Medicaid on April 1. The spenddown liability for April through September is $560. The individual provides verification that he still owes $100 for a medically necessary noncovered service he received the prior November. The $100 is a carry-over expense and is deducted from the current spenddown budget period's spenddown liability on the first day of the current spenddown budget period (April through September), leaving him a spenddown balance of $460 on April 1.

M1340.800 CURRENT PAYMENTS ON EXPENSES

A. Policy

Current payments are payments made in the current spenddown budget period on unpaid balances of old bills or carry-over expenses incurred before the current spenddown budget period:

- which were not fully used in establishing eligibility in a previous spenddown budget period, and
- when there has been a break in spenddown eligibility.

B. Procedures

Decide whether a current payment is deducted using the following procedures:

1. Verification

Request the following verification from the individual or his representative:

- proof that the expense is still owed,
- if applicable, the amount owed that was not covered by the patient's insurance or liable third party,
- the service provider's name, address, and profession,
- proof that the service was medically necessary (prescription, physician's referral, or statement from the patient's physician or dentist), and
- the amount, frequency and dates of the payments made.

2. Determine Amount of Current Payment

Upon receipt of the requested documentation, determine if there is any remaining amount of the expense that was not used to meet a previous spenddown. If an amount remains, the amount of the current payment can be deducted.

3. Subtract Current Payment

Subtract the payment(s) made in the current spenddown budget period from the current spenddown liability, effective the date the payment is made to the provider.

C. Examples

1. Current Payment on Unpaid Balance of Old Bill

EXAMPLE #3: A request for Medicaid is filed on July 5, 1999. The individual had a prior spenddown application dated July 1996 for the period July 1996 through December 1996, which was met. She also had an application filed in January 1999, which was approved as CNNMP January 1, 1999 and closed March 31, 1999, due to excess countable resources. No medical, dental, or remedial services were received during the retroactive period based on the July 1999 application (April 1, 1999 through June 30, 1999).

The first prospective budget period based on her July 5, 1999 re-application is July 1, 1999 through December 31, 1999. The individual provides verification that she still owes $100 for a medically necessary dental service she received back in March 1996, which is an old bill based on her July 1996 application and which was not used to meet the July 1996 through December 1996 spenddown. She pays the dentist $10 per month on this old bill. Because there was a break in her spenddown eligibility, only the current payment she makes on the March 1996 dental bill can be deducted from her current spenddown. The $10 current payment is deducted on July 8, 1999, the date she makes the payment.

2. Current Payment on Carry-over Expense

EXAMPLE #4: The individual has been on spenddowns consecutively during the two previous 6-month periods which were July 1, 1998 through December 31, 1998 and January 1, 1999 through June 30, 1999. His spenddown liability for each spenddown budget period was $600. He provided verification of a $1,000 bill for a medically necessary noncovered service he received in February 1998. His first spenddown was met by deducting $600 of the $1,000 old bill from the spenddown liability. The remaining $400 balance of the old bill was deducted from his second spenddown liability but eligibility was not established.

He reapplies for Medicaid in July 1999. Because he did not establish eligibility by meeting a spenddown in the spenddown budget period preceding the current spenddown budget period (July through December) only the current payments made on the February 1998 noncovered service can be deducted from his current spenddown liability. These payments are deducted on the date(s) they are actually made. He makes payments of $10 per month on the expense. On July 5, 1999, he makes a $10 payment. This payment is a current payment and is deducted from the current spenddown budget period's spenddown liability. Subsequent payments made in the current spenddown budget period will be deducted on the date made.

M1340.900 WHEN TO DEDUCT INCURRED EXPENSES

A. Incurred Expenses

When determining allowable incurred expenses, the agency must identify the following:

1. Retroactive Spenddown Budget Period

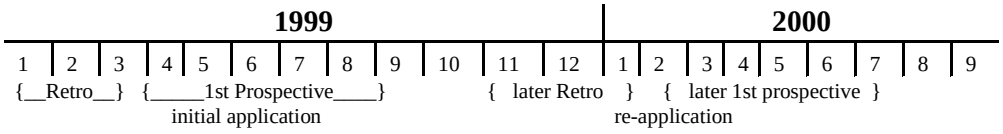
a. The First Retroactive Spenddown Budget Period

The first retroactive spenddown budget period is the retroactive spenddown budget period based on an individual's initial Virginia Medicaid medically needy spenddown application. In the first retroactive spenddown budget period, deduct:

- old bills, and
- paid or unpaid expenses incurred during the retroactive spenddown period.

b. A Later Retroactive Spenddown Budget Period

1) Break in Spenddown Eligibility



a) Policy

In a later retroactive spenddown budget period based on a Virginia Medicaid re-application filed when there is a break in spenddown eligibility, deduct:

- old bills based on the re-application month,
- current payments made on all expenses incurred prior to the first day of the most recent break in spenddown eligibility, and
- paid or unpaid expenses incurred during the retroactive period based on the re-application month,

to the extent that the expenses have not been deducted previously in establishing spenddown eligibility.

In a later retroactive budget period when there has been a break in spenddown eligibility, balances on "old bills" based on previous applications are only deducted as current payments.

b) Procedures

Determine if the expense was incurred in a prior spenddown budget period. If the expense was incurred in a prior spenddown budget period that has already been met and the expense was incurred prior to the date the spenddown was met, recalculate the spenddown eligibility using this expense. If the spenddown is met on an earlier date, re-enroll the individual with an earlier eligibility begin date using “Type 4" eligibility.

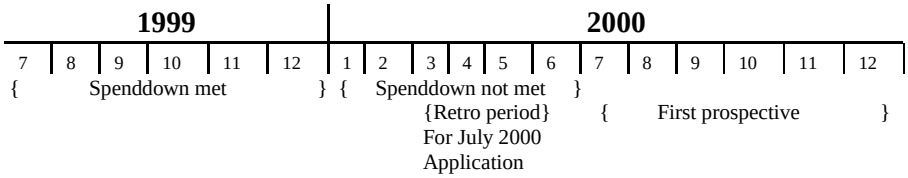
If the expense was incurred in a prior spenddown budget period in which the spenddown was not met, determine if the expense meets the spenddown in that period. If the expense meets the spenddown, the individual establishes spenddown eligibility in that period, effective the date the spenddown is met. If the expense does not meet the spenddown, the expense may be an old bill based on a subsequent re-application.

A re-application’s retroactive period may include months that were included in a previous spenddown budget period that was not met. See section M1330.200 for policy regarding the retroactive spenddown budget period.

Re-evaluate whether a break in spenddown eligibility has occurred. If a break in spenddown eligibility has occurred, then all expenses incurred prior to the re-application’s retroactive period and subsequent to the last day of the last spenddown budget period that was met and which were not fully used to establish spenddown eligibility in any prior spenddown budget period that was met should be evaluated for deductions as old bills for the new application.

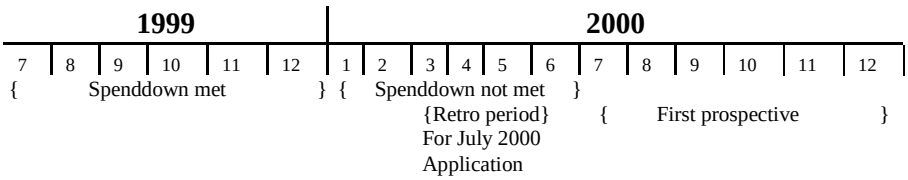
If a break in spenddown eligibility has not occurred, go to section 2. below for procedures to use when no break in spenddown eligibility has occurred.

EXAMPLE #5: Mr. Smith’s initial application was filed July 1999. He was placed on a spenddown for the period July 1999 through December 1999. He met the spenddown on August 15, 1999. He reapplied for Medicaid on January 8, 2000. He was placed on a spenddown for the period January 2000 through June 2000. He did not meet the spenddown for that period (January 2000 through June 2000). He reapplies for Medicaid July 19, 2000. The retroactive period for the July 2000 re-application is April 2000 through June 2000. Because he did not establish spenddown eligibility in the January 2000 through June 2000 spenddown budget period, his July 2000 application has a retroactive spenddown budget period consisting of April,
May and June 2000.



He presents a bill for a medical expense he incurred on March 3, 2000. The worker determines that the expense was incurred in a previous spenddown budget period that was not met (January 2000 through June 2000). The worker recalculates Mr. Smith's spenddown eligibility for that period by deducting the expense from the January 2000 through June 2000 spenddown liability. He does not meet the spenddown for the period January 2000 through June 2000. The worker next evaluates his eligibility for the retroactive spenddown budget period, April 2000 through June 2000. The March 2000 expense is an old bill based on the July 2000 re-application and is deducted on the first day of the retroactive spenddown budget period, April 2000.

EXAMPLE #6: Ms. Jones' initial application was filed in July 1999. She was placed on a spenddown for the period of July 1999 through December 1999. She met the spenddown on September 2, 1999. She re-applied on January 10, 2000 and was placed on a spenddown for the period of January 2000 through June 2000. She did not meet the spenddown for that period (January 2000 through June 2000). She re-applies for Medicaid on July 5, 2000. The retroactive period for July 2000 re-application is April 2000 through June 2000. Because she did not establish spenddown eligibility in the January 2000 through June 2000 spenddown budget period, her July 2000 re-application has a retroactive spenddown budget period consisting of April, May and June.



The worker calculates the spenddown liability for the retroactive spenddown budget period. The worker re-evaluates the bills in the case record which were submitted during the previous spenddown budget period (January 2000 through June 2000). The expenses incurred January 2000 through March 2000 are old bills if they remain the liability of Ms. Jones. The old bills are deducted on the first day of the retroactive spenddown budget period and the paid and unpaid expenses incurred during the spenddown budget period are deducted chronologically.

2) No Break in Spenddown Liability

A later retroactive spenddown budget period based on a Virginia Medicaid re-application filed when there is no break in spenddown eligibility is also a consecutive budget period. Go to section 3. below for "Consecutive Budget Period".

2. First Prospective Budget Period

a. The First Prospective Budget Period

When the first prospective budget period is the prospective budget period based on an individual's initial Virginia Medicaid medically needy spenddown application and there is a retroactive spenddown budget period, deduct:

1) unpaid balances on old bills carried forward from the retroactive spenddown budget period that were not used to meet the retroactive spenddown. The unpaid balance on an old bill is deducted from the first prospective budget period when:

- there is no retroactive spenddown budget period, or
- the individual was eligible without a spenddown in the retroactive period, or
- the individual does not meet the retroactive spenddown, or
- the individual meets the retroactive spenddown without using all of the balance of the old bill(s).

2) paid or unpaid expenses incurred during the retroactive spenddown budget period that were not used to meet the retroactive spenddown, including any co-pays, etc., incurred while the individual was eligible for Medicaid in the retroactive period.

3) paid or unpaid expenses incurred during the first prospective budget period.

b. A Later First Prospective Budget Period

A later first prospective budget period is a budget period based on a Virginia Medicaid re-application filed when there **has been** a break in spenddown eligibility. In this budget period, deduct:

- unpaid balances on old bills based on the re-application month **(balances on old bills based on previous applications cannot be deducted as old bills; they may be deducted as current payments),** which are carried forward from the re-application's spenddown retroactive budget period and were not used to meet the re-application's retroactive spenddown.

- current payments made on all expenses (not used previously) incurred prior to the first day of the most recent break in spenddown eligibility;

- paid or unpaid expenses incurred during the retroactive spenddown budget period based on the re-application month, that were not used to meet the retroactive spenddown, including any co-pays, etc., incurred while the individual was eligible for Medicaid; and

- paid or unpaid expenses incurred during the first prospective budget period based on the re-application month,

to the extent that the expenses have not been deducted previously in establishing spenddown eligibility.

EXAMPLE #7: In Example #6 above, Ms. Jones established spenddown eligibility in the retroactive budget period on April 1 by deducting a portion of the old bills incurred in January, February and March 2000. The remaining balance of the old bills from January, February and March 2000 is deducted from her spenddown liability in the first prospective budget period that begins July 1, 2000 and ends December 31, 2000.

She verifies that she started making payments on July 1, 2000, on a noncovered medical expense she incurred in December 1999 which was prior to January 1, 2000, the first day of the most recent break in spenddown eligibility. The payment she made on July 1 is deducted on July 1 as a current payment. She submits a receipt for payment of a dental service she received on May 2, 2000. This expense is deducted from the spenddown liability on the first day of the later first prospective budget period (July 1, 2000). Any medical expenses she incurs during the later first prospective budget period are deducted on the date incurred.

3. Consecutive Budget Period

In a consecutive budget period, deduct:

a. unpaid balances on old bills carried forward that were not used to meet a previous spenddown,

b. carry-over expenses incurred during the retroactive spenddown budget period, the first prospective spenddown budget period, and/or a subsequent spenddown prospective budget period which were not deducted previously in establishing spenddown eligibility, IF:

- the individual established eligibility in each spenddown budget period preceding the current spenddown budget period, AND

- the expenses are unpaid and remain the individual's liability, are allowable by kind of service and are carried over from the preceding spenddown budget period(s) because the individual met each preceding spenddown without deducting all such incurred unpaid expenses,

c. paid or unpaid expenses incurred during the current spenddown budget period, and.

d. current payments made on all expenses (not used previously) incurred prior to the first day of the most recent break in spenddown eligibility.

B. Order of Deduction

The agency must deduct allowable incurred expenses that are the liability of the individual (see section M1340.1100 for expenses paid by a state or local program). Expenses are deducted in chronological order (date of service) first, and then by kind of service if multiple kinds are received on the same date.

Expenses, including expenses in a prepaid package of services, cannot be deducted prior to the date the service(s) is actually rendered.

1. Chronological Order

a. Unpaid balances on old bills and/or carry-over expenses are deducted first, on the first day of the spenddown budget period.

b. Paid or unpaid expenses incurred within the current spenddown budget period are deducted in chronological order by date of service.

c. Current payments are deducted in chronological order by the date of payment.

2. Kind of Service

If multiple service expenses are incurred on the same day, the expenses are deducted on that date in the following order:

a. expenses for Medicare and other health insurance premiums, and deductibles or coinsurance charges, including enrollment fees, deductibles and copayments imposed by Medicaid.

b. noncovered services - expenses for necessary medical or remedial care services which are not covered by the Virginia Medicaid State Plan, including those that exceed the plan's limits on amount, duration and scope of services.

c. covered services - expenses for necessary medical or remedial care services which are covered by the Virginia Medicaid State Plan.

M1340.1000 THIRD PARTY PAYMENTS

A. Policy

A third party is any individual, entity, or program that is or may be liable to pay all or part of the individual's expenses for medical or remedial care

services recognized under state law.

An incurred medical expense cannot be deducted from the spenddown liability until the third party has made a decision to either deny or make some payment on the expense. Only that portion of the expense which is the applicant's legal responsibility shall be deducted from excess income in determining spenddown eligibility, unless the expense was covered by a state or local public program. If the expense was covered by a state or local public program, see section M1340.1100 below.

The application processing time standards apply to the receipt of third party payment or verification of third party intent to pay. Efforts to determine the liability of a third party shall continue through the last day of the application processing time standard (90 days for disability determinations; 45 days for all other applicants). If information regarding third party liability is not received by this date, eligibility must be determined based on the information available, if any, about the actual amount of the third party's payment.

If the amount subject to payment by a third party cannot be determined based on information available, the bill in question to which the third party liability applies cannot be used in determining spenddown eligibility. However, if information becomes available at a later date, the spenddown eligibility shall be redetermined and the effective date of spenddown eligibility revised.

B. Determining The Amount of The Third Party Payment

Determine the balance of the expense for which the individual is legally liable to pay. Use the third party's explanation of benefits paid (EOB) or similar statement received by the individual which shows the date of service, type of service, service provider, amount charged, amount approved, and amount paid by the liable third party.

Use the EOB's statement of the individual's responsibility as the amount to deduct from the spenddown liability. If the EOB does not show this amount, calculate the individual's responsibility.

1. Service Provider Accepts Approved Charges

When the service provider accepts the third party's approved charges, subtract the amount of the third party's payment from the approved charges. The remainder is the individual's responsibility and is the amount deducted from the spenddown liability.

2. Service Provider Does Not Accept Charges

When the service provider does NOT accept the third party's approved charges, subtract the amount of the third party's payment from the provider's charges. The remainder is the individual's responsibility and is the amount deducted from the spenddown liability.

C. Procedures

1. Worker

a. Inform the applicant that:

1) an expense cannot be deducted until his/her insurance or other third party, if applicable, has taken action on the claim

2) the applicant must provide evidence documenting:

- the claim was denied, or
- the amount paid by the third party on the claim.

3) only the amount not covered by the third party(ies) and which remains the liability of the individual may be deducted from the spenddown (unless the expense was covered by a state or local public program as described in section M1340.1100 below).

b. The EW must take reasonable measures to determine the liability of a third party to pay for the incurred expense. However, because of the application processing time standards, do not delay a spenddown determination simply because the third party has not yet made payment or has not yet denied the expense. Complete the determination without deducting the expense. Note the medical expenses submitted but not deducted due to pending TPL on the Medical Expense Record. Notify the applicant of the decision and of which bills (expenses) were not used in the determination because documentation of the third party's action was not received.

2. Applicant

The applicant is responsible to submit:

- verification that a claim for the incurred expense was submitted, and
- evidence of the third party's denial or amount of payment.

M1340.1100 STATE OR LOCAL PUBLIC PROGRAMS

A. Policy

Expenses for incurred medical services received

- for which the applicant is or was legally liable, and
- which were or will be provided, covered, or paid for by a state or local (or territorial) public program

can be deducted from the spenddown even though the applicant does not owe anything for the service.

Expenses covered by federally-funded and/or administered programs such as Medicare and Medicaid cannot be deducted from spenddown. Local health department programs, although administered by the Virginia Department of Health, are not state or local public programs because the health departments receive some federal funds.

B. State or Local Public Programs

State or local public programs are state or local public health care programs which are wholly or partially funded and administered by local government,

and which do not have any federal funding or administration. State or local public programs include, but are not limited to:

1. State/Local Hospitalization (SLH).

2. General Relief (GR).

3. Community Service Boards (CSB) services.

4. *Department of Behavioral Health and Developmental Services (DBHDS*) institutional services.

5. Medical College of Virginia (MCV) and University of Virginia (UVA) clinics and hospitals.

6. Crime Victims Compensation (Virginia Industrial Commission).

7. Local "free" clinics funded and administered by local governments that do not charge any fee to any patient for any service.

8. Community Services or Neighborhood Assistance programs.

C. Procedures

1. Worker

a. Inform the applicant that expenses for medical services for which the applicant was legally liable and which were provided, covered, or paid for by a state or local public program will be deducted from the spenddown even though the applicant does not owe anything for the service.

b. The EW must take reasonable measures to determine the public program's payment or coverage of the medical or remedial care service. However, because of application processing time standards, do not delay a spenddown determination because the public program's payment is not verified. Complete the determination without deducting the expense, notify the applicant of the decision and that the public program expense(s) was not used in the determination because verification was not received.

2. Applicant

The applicant is responsible to submit:

- verification that the medical/remedial service was received and that a claim for the incurred expense was submitted, and

- evidence of the public program's amount of payment for the service.

M1340.1200 SPENDDOWN LIABILITY CALCULATION

A. Retroactive Spenddown Budget Period

The procedures for calculating a retroactive spenddown liability for a spenddown budget period follow:

1. Determine the total income for the assistance unit in each of the 3 retroactive months.

2. Subtract the appropriate ABD or F&C medically needy income exclusions from each month's total income. The remainder is the monthly countable income for each month.

3. Add each month's countable income together; the result is the countable income for the retroactive spenddown budget period.

4. Subtract the 3-months MNIL for the number of persons in the assistance unit in the locality group from the countable income for the retroactive spenddown budget period.

5. The remainder is the retroactive spenddown liability.

B. Prospective Budget Period

The procedures for calculating liability in a prospective budget period follow:

1. Determine total income anticipated to be received by the assistance unit in the application month.

2. Subtract the appropriate ABD or F&C medically needy income exclusions from the monthly income. The remainder is the monthly countable income.

3. Multiply the monthly countable income by 6 (6 months in the spenddown budget period). The result is the countable income for the spenddown budget period.

   NOTE: This procedure is not applicable to long-term care.

4. Subtract the semi-annual (6 months) MNIL for the number of persons in the assistance unit in the locality group from the countable income.

5. The remainder is the spenddown liability.

M1340.1300 SPENDDOWN ENROLLMENT

A. Retroactive Spenddown Budget Period

Enrollment in Medicaid begins the date the retroactive spenddown was met - the date within the retroactive period that the spenddown liability amount, after deducting incurred expenses, reached zero. When the spenddown is not met, retroactive spenddown eligibility does not exist.

- When the retroactive spenddown is met entirely by old bills or carry-over expenses, eligibility begins the first day of the retroactive spenddown budget period.

- When the retroactive spenddown is met by current payments or expenses incurred during the retroactive spenddown budget period,

eligibility begins the date the retroactive spenddown was met.

If the individual continues to meet the MN requirements, eligibility continues for the remainder of the retroactive spenddown budget period.

1. Begin Date The coverage begin date is the date the spenddown was met.

2. End Date The end date of Medicaid eligibility is the end date of the retroactive spenddown budget period, if the individual continued to meet the MN requirements throughout the period.

3. Coverage Type Enroll the individual in "Type 2" retroactive coverage. Coverage will automatically end after the coverage period end date.

4. Program Designation The program designation for the individual is the medically needy (MN) program designation (PD) of the individual's MN covered group.

5. Reference See Appendix 1 of this subchapter for further examples of retroactive spenddown budget periods.

B. Prospective Budget Period Enrollment in Medicaid begins the date the spenddown was met - the date within the prospective budget period that the spenddown liability amount, after deducting incurred expenses, reached zero. When the spenddown is not met, eligibility does not exist.

- When the spenddown is met entirely by old bills or carry-over expenses, eligibility begins the first day of the prospective budget period.
- When the spenddown is met by current payments or by expenses incurred during the prospective budget period, eligibility begins the date the spenddown was met.

If the individual continues to meet the MN requirements, eligibility continues for the remainder of the prospective budget period.

1. Begin Date The coverage begin date is the date the spenddown was met.

2. End Date The end date of coverage is the end date of the prospective budget period, if the individual continues to meet the MN requirements throughout the prospective budget period.

3. Coverage Type Enroll the individual in the appropriate coverage type (Type 3 or 4). If enrolled in "Type 4" the coverage will automatically terminate at the end of the coverage period. If "Type 4", enter the last day of the spenddown budget period as the coverage end date.

4. Program Designation The program designation for the individual is the medically needy (MN) program designation (PD) of the individual's MN covered group.

C. Example--First Prospective Budget Period

EXAMPLE #8: Mr. Not lives in Group III and applied for Medicaid on November 21, 1999, as disabled. The MDU determined that he is disabled. He had been on Medicaid once before after meeting a spenddown; his Medicaid was canceled at the end of the spenddown period on May 31, 1999.

He has an $8,400 hospital bill and a $1,500 physician's bill for July 10 to July 20, 1999 (total $9,900) on which he still owes a total of $9,000. He incurred a $578 outpatient hospital bill on October 3, 1999, which he paid. He has no health insurance. His income is $800 per month disability benefit from a private company. He is not eligible for retroactive Medicaid because he had excess resources throughout the retroactive period. His resources are within the Medicaid limit in November 1999 (application month).

The first prospective budget period is November 1, 1999 through April 30, 2000. The income limit is $1,950. His spenddown liability is $2,730:

$ 800	disability benefit
- 20	general income exclusion
780	countable income
x 6	months
4,680	countable income for first prospective budget period
-1,950	MNIL for first prospective budget period Group III
$2,730	first prospective spenddown liability

His verified balances on the July 1999 services (incurred during the break in spenddown budget periods) are old bills. His eligibility is calculated:

$ 2,730	spenddown liability
- 2,730	July hospital bill (old bill for November 21 application)
$ 0	spenddown balance on November 1, 1999

Because the spenddown was met on November 1, 1999, Mr. Not is entitled to Medicaid for the period November 1, 1999 - April 30, 2000. The unpaid balance of old bills not used to meet the spenddown can be applied to the budget period beginning May 1, 2000, if another application is filed and he is placed on a spenddown.

D. Example--Consecutive Budget Period

EXAMPLE #9 ***(Using June 2000 figures)*****:** Ms. Sub lives in Group I and applied for Medicaid on June 6, as disabled. She had applied the previous December and was on a retroactive spenddown for the period September 1 through November 30, which she met on September 12. She met her December 1 through May 31 spenddown on January 2. She verifies that she has a $1,300 noncovered dental bill for August 15 (an old bill based on the December initial application) and a $1,500 balance on a nonparticipating physician's bill for September 10 to September 12 which was not used to meet a prior spenddown. She pays $50 a month on each bill to each provider. She has no health insurance and is not eligible for Medicare.

Her income is projected from her $550 per month June SSA disability check. The budget period is June 1 through November 30; the income limit is $1,300. Her spenddown liability is $1,880.

$ 550	SSA disability
- 20	general income exclusion
530	countable income
x 6	months
3,180	countable income for subsequent budget period
- 1,300	MNIL for subsequent budget period Group I *(using June 2000 figures)*
$ 1,880	spenddown liability June 1 - November 30

The current budget period based on her re-application abuts her previous spenddown budget period. It is a consecutive budget period because she established eligibility in the preceding budget period and, therefore, the $1,300 balance owed on the old bill and the carry-over September expenses are deducted from her current spenddown liability. She owes a total of $2,800 on these expenses as of June 1. Her eligibility is calculated:

$ 1,880	spenddown liability June 1 - November 30
- 1,300	old bill balance from August dental bill
580	spenddown liability after deducting dental bill
- 580	September carry-over expense; balance of $920 remains
$ 0	spenddown balance on June 1

NOTE: The non-covered dental expense and the physician's bill meet the definition of an old bill. The remaining balance of the carry-over expense can be used in a consecutive budget period if still owed.

Because the spenddown was met on June 1, Ms. Sub is enrolled in Medicaid for the period June 1 through November 30, eligibility "Type 3", PD 58.

E. Reference

See Appendix 1 to this subchapter for further examples of spenddown budget periods.

MEDICAL EXPENSE RECORD – MEDICAID

FORM NUMBER - 032-03-023

PURPOSE OF FORM -
1. To inform the individual or family who is ineligible for Medicaid, due to excess income, of the amount which must be spent or incurred for medical services before eligibility can be established;
2. To provide space to keep a running record of medical expenses;
3. To enable the client to estimate with some degree of accuracy the appropriate time to submit expenses to the agency and request a re-evaluation of his spenddown; and
4. To provide the agency with a method of determining the specific date the spenddown was met.

USE OF FORM - Used by the individual or family with excess income to record all medical expenses for himself and/or others for whom he has requested Medicaid. At such time as he believes he has incurred expenses equal to his spenddown liability, the client should submit the form with his bills to the local agency where his spenddown will be re-evaluated. The "Agency Use Only" section will be completed by the agency when:

1. a client submits bills for medial expenses that have been paid or incurred or
2. the agency has knowledge that current medical expenses, such as hospitalization may result in a negative spenddown balance.

When an individual or family returns with the form and has medical bills, the worker must apply the bills to the spenddown liability in accordance with the procedures specified in chapter M13 in the Medicaid manual. In some instances the individual or family will not be able to keep a running record of medical expenses and the bills alone will provide sufficient information.

NUMBER OF COPIES - Original and one copy.

DISTRIBUTION OF COPIES - Original must be prepared for the client. A copy must be filed in the eligibility case file.

INSTRUCTION FOR PREPARATION OF FORM - Enter in the appropriate spaces:
1. the name of the county or city Department of Social Services.
2. the full name of the individual.
3. the Medicaid case number.
4. the dates identifying the spenddown budget period.
5. the amount of the spenddown liability.

Give the form to the client and place a copy in the eligibility case file.

When the form 032-03-023 showing medical expenses or medical bills paid or incurred in the spenddown period is returned by the client, the agency will determine if the spenddown has been met. In listing medical obligations, expenses for a period can be consolidated into a lump sum as long as there is a positive balance. As the balance approaches zero, the dates services were rendered must be listed chronologically (with amounts) in order to determine the specific date on which the spenddown was met. This evaluation can be done on either the client or the agency copy of Form 032-03-023. If the client's form is used, a copy of that evaluation must be placed in the agency record. Regardless of which form is used by the agency to evaluate the effect of the client's medical expenses on the spenddown, the client's copy of the Form 032-03-023 must be returned to him, showing the balance of the spenddown liability amount, or stating that the spenddown has been met.

COMMONWEALTH OF VIRGINIA DEPARTMENT OF SOCIAL SERVICES **MEDICAL EXPENSE RECORD - MEDICAID**	COUNTY/CITY
CASE NAME(S)	CASE NUMBER
BUDGET PERIOD (DATES)	SPENDDOWN LIABILITY FOR THE BUDGET PERIOD $

You are not eligible for full Virginia Medicaid coverage at this time because your countable income exceeds the Medicaid income limit. If your medical and dental expenses equal your spenddown liability (the amount by which your income exceeds the income limit) at any time during the period shown above, you may be eligible for Medicaid at that time for the remainder of the period, provided all other eligibility requirements continue to be met. Also, your medical bills you still owe may be used to reduce the spenddown liability balance. Once those bills are used to reduce a spenddown and you become eligible, they cannot be used against any future spenddown liability.

You should keep a daily record of all medical expenses for yourself and/or others for whom you have requested Medicaid. This will help you to know when you have medical expenses totaling the spenddown liability amount shown above. The space below is for your guidance and use. Include medical costs paid by other state and local programs such as General Relief or State-Local Hospitalization. When you believe you have met the spenddown, contact your worker at the Social Services Department.

AGENCY USE ONLY

DATE OF SERVICE MONTH/DAY/YEAR	WHO GAVE MEDICAL CARE	WHO RECEIVED THE SERVICE	AMT. PAID OR BILL AMOUNT	AMOUNT USED TO ACHIEVE ELIGIBILITY	BALANCE

032-03-023/7

DETERMINING SPENDDOWN ELIGIBILITY CHARTS

EXAMPLE #1:

2000 | **2001**

1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12

{__Retro_} {___1st Prospective___} {_____Consecutive __} {____Consecutive ____}

1st (Initial) application — 2nd application — 3rd application

SD was met — SD was met — SD was met — SD was met

First application (initial application) date: June 2000. A retroactive budget period of March 1, 2000 - May 31, 2000 and a first prospective budget period of June 1, 2000 - November 30, 2000 were established.

Second application date December 2000. Spenddown budget period is December 1, 2000 - May 31, 2001.

Third application date June 2001. Spenddown budget period is June 1, 2001 - November 30, 2001.

Old bills are any bills incurred before March 2000. They are used to meet the retroactive spenddown. The unused balance is used to meet the 1st prospective spenddown and the consecutive spenddowns (until no old bill balance remains) because there is no break in spenddown eligibility (each spenddown was met).

EXAMPLE #2:

2000 | **2001**

1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12

{__Retro__}{____1st Prospective___} {later Retro} {_later 1st Prospective_}

initial application — re-application

SD met — SD was met

The initial application was filed in June 2000. Retroactive budget period is March 1, 2000 - May 31, 2000 and first prospective budget period is June 1, 2000 - November 30, 2000. Old bills based on the initial application are any bills incurred prior to March 2000. Any bills incurred in March through May (the retroactive budget period), whether paid or unpaid, are carry-over expenses in the 1st prospective budget period.

There is a break between spenddown budget periods. The new Medicaid application was filed July 2001. This is a re-application with a later retroactive budget period and a later 1st prospective budget period. For the July 2001 application, old bills are those incurred after November 30, 2000 and on or before March 31, 2001. The balance of any old bills incurred before December 1, 2000 cannot be applied to a later retroactive or prospective budget period. Only the current payments made on those prior expenses can be deducted.

EXAMPLE #3:

2000												**2001**											
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
		{__Retro__}			{___1st Prospective____}						{R}	{___Consecutive___}											
		SD was met			initial application SD was met						SD was met	re-application SD was met											

First application date is June 2000. The re-application date is January 2001. Old bills are those that were incurred before March 1, 2000, the initial application's retroactive budget period. Re-application is filed in January 2001, so the retroactive period based on the re-application is prorated to one month - December 1999. There is no break between spenddown budget periods and no break in spenddown eligibility; all these periods are consecutive.

EXAMPLE #4:

2000												**2001**											
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
		{__Retro__}			{___1st Prospective__}						{ }	{__SSI Eligible__}					{_ later 1st prospective_}						
		SD was met			initial application SD was met						re-application SD was met						re-application						

Initial application dated June 2000: a retroactive (March 1, 2000 - May 31, 2000) and a 1st prospective (June 1, 2000 - November 30, 2000) spenddown budget periods are established.

Re-application dated December 2000. Prorated consecutive budget period established for December 2000 only, because SSI was approved effective January 1, 2001. Individual is eligible without spenddown effective January 1, 2001.

SSI ends May 2001 and creates a first prospective spenddown budget period for June 1, 2001 - November 30, 2001.

All expenses incurred prior to January 1, 2001 are deducted as current payments because there has been a break in spenddown eligibility (January - May 2001 is CN budget period). Expenses incurred January 1, 2001, through May 31, 2001, are deducted as old bills for the June 2001 re-application.

EXAMPLE #5:

2000 | **2001**

1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12

{_Retro_} {___1st Prospective__} {___Consecutive___} {later Retro} {later 1st pro ➔

initial application re-application re-application

SD met SD met SD met

Initial application date June 2000.

Old bills are any medical expenses incurred before March 2000 (the retroactive period based on the initial application). The retroactive budget period is March 2000 through May 2000. The first prospective budget period is June 2000 through November 2000. The retroactive and first prospective spenddowns were met.

A second application dated December 2000 is filed. The spenddown budget period is December 1, 2000, through May 31, 2001. Unpaid old bill balance, and unpaid balances of carry-over expenses incurred in retroactive & first prospective periods, are deducted on 1st day of consecutive budget period or December 1, 2000, because there was no break in spenddown eligibility.

Third application dated October 2001 is a re-application.

Old bills are only those incurred in June 2001 because there is a break in spenddown eligibility. Any unpaid balance on the old bills from the initial application is no longer deducted as an "old bill". Only current payments made on the old bill balance(s) can be deducted. Current payments are deducted the date paid in the October 2001 re-application's retroactive and/or first prospective budget periods.

EXAMPLE #6:

2000 | **2001**

1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12

{_Retro_} { 1st Prospective_} {___ Consecutive_____} {later 1st Prospective }

initial application re-application re-application

SD met SD met SD not met {later Retro}

based on

4/2001 app

Initial application filed April 2000.

Old bills are any medical expenses incurred before January 2000 (the retroactive period based on the initial application). The retroactive budget period is January 2000 - March 2000. The first prospective budget period is April 2000 through September 2000. The retroactive and first prospective spenddowns were met.

Second application dated October 2000 is filed. The consecutive spenddown budget period is October 2000 - March 2001. Unpaid old bill balance, and unpaid balances of carry-over expenses incurred in retroactive & first prospective periods, are deducted on 1st day of consecutive budget period or October 1, 2000, because there was no break in spenddown eligibility. Expenses incurred during the consecutive

budget period are deducted on the date incurred. The October 2000 - March 2001 spenddown was not met.

Third application dated April 2001 is filed. The retroactive budget period is January 2001 - March 2001. Old bills are those incurred after September 30, 2000, and prior to January 1, 2001, and are deducted on January 1, 2001. Paid and unpaid expenses incurred during the retroactive period (January 2001 through March 2001) are deducted on the date incurred. All expenses incurred prior to October 1, 2000, are deducted as current payments because there has been a break in spenddown eligibility. The later first prospective budget period is April 2001 - September 2001. Unpaid balances on old bills (incurred after September 30, 2000, and prior to January 1, 2001) not used to meet the retroactive spenddown are deducted on April 1, 2001. Paid and unpaid expenses incurred during the retroactive spenddown budget period that were not used to meet the spenddown are deducted on April 1, 2001. Paid or unpaid expenses incurred during the later first prospective period (April 2001 through September 2001) are deducted on the date incurred. All expenses incurred prior to the break in spenddown eligibility (October 1, 2000) are deducted as current payments.

CHAPTER M13
SPENDDOWN
SUBCHAPTER 50

CHANGES PRIOR TO MEETING SPENDDOWN

M1350 Changes

Changed With	Effective Date	Pages Changed
TN #96	10/1/11	pages 7, 8

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M1350.000 CHANGES PRIOR TO MEETING SPENDDOWN

M1350.100 CHANGES PRIOR TO MEETING SPENDDOWN

A. Policy

When changes occur in the individual's or family's situation after applying for Medicaid, but before meeting the spenddown liability, the amount of countable income, the spenddown liability and the spenddown budget period may change.

1. Retroactive Spenddown Budget Period

The retroactive spenddown budget period is prorated (shortened) when:

- one or two of the months in the retroactive period were included in a prior Medicaid medically needy spenddown budget period in which eligibility was established, or
- the only medically needy individual in the assistance unit dies in the first or second month of the retroactive period.

2. Prospective Budget Period

The prospective spenddown budget period is prorated when:

- the only medically needy individual in the assistance unit dies,
- the only medically needy individual in the assistance unit becomes ineligible before the end of the spenddown budget period because of excess resources or nonfinancial reasons, or
- the individual’s or assistance unit’s covered group classification changes from medically needy to categorically needy or categorically needy non-money payment.

B. Case Transfer

When the MN assistance unit moves to a new locality, transfer the case according to procedures in section M1520.600.

It is the responsibility of the sending agency to:

1. inform the applicant of the receiving agency’s name, address, and telephone number;
2. deduct all known spenddown items from the spenddown balance on the worksheet before sending the case record to the new locality;
3. note the spenddown period and balance on the case transfer form.

It is the responsibility of the receiving agency to review the spenddown to determine if a recalculation based on a different income limit is required.

C. References

Procedures for handling changes that occur during the spenddown budget

period are in the following sections:

- M1350.200 Increase in Assistance Unit Size
- M1350.210 Decrease in Assistance Unit Size Not Due To Institutionalization
- M1350.220 Decrease in Assistance Unit Size Due To Institutionalization
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M1350.200 INCREASE IN ASSISTANCE UNIT SIZE

A. Policy

When the assistance unit size increases and Medicaid is requested for the additional member(s), the spenddown budget period remains the same but the spenddown liability amount must be recalculated.

1. Step 1

For the months prior to the month in which the change occurred, calculate the family's income based on the number of members in the assistance unit at the time of application.

For the months during which the additional member was added to the assistance unit, calculate the family's income based on the increased number in the assistance unit.

2. Step 2

Total the family's income for the entire 6-month spenddown budget period. The result is the family's recalculated income for the spenddown budget period.

3. Step 3

Determine the income limit for the assistance unit size for the number of months before the change occurred. Determine the income limit for the assistance unit size for the number of months in which the additional member was included. Add together the income limits. The result is the recalculated income limit for the spenddown budget period.

4. Step 4

Subtract the recalculated income limit from the family's recalculated income. The result is the recalculated spenddown liability for the spenddown budget period.

If the recalculated income is within the recalculated income limit for the spenddown budget period, the assistance unit is eligible for the entire spenddown budget period. However, the additional assistance unit member(s) (who was not included during the entire period) is only eligible for the month(s) when he was included in the unit.

B. Example--Increase In Assistance Unit Size

EXAMPLE #1 (Using June 2000 figures): Mr. D lives in Group II and applies for Medicaid on June 6 for himself and his family. He is temporarily disabled. He lives with his wife and 13 year old child. The assistance unit size is 3 persons when determining eligibility. The family's income totals $3,000 per month worker's compensation- $2,000 for Mr. D and $1,000 for Mrs. D; the child has no income. Since the F&C countable income exceeds the MI limit and they are within the resource limit for a family of 3, a MN determination is done. The first prospective budget period is June 1 through November 30. The MN income limit for a family of 3 living in a Group II locality, is $2,150. The spenddown liability is $15,850.

$ 3,000	total worker's compensation
x 6	months
18,000	countable income for the spenddown budget period
- 2,150	MNIL for 3 persons Group II for budget period
$15,850	spenddown liability for spenddown budget period June - November

The family has not met the spenddown. On September 5, they report that their eldest son, age 16, returned to the home to live with them on September 2 and they want to apply for Medicaid for him, as well. He has no income. The assistance unit size for September through November (3 months) is 4 persons; the income limit is $1,200. The family's income, income limit and spenddown liability are recalculated:

$ 3,000	total worker's compensation
x 6	months June - November
$18,000	countable income for spenddown budget period June - November
1,075	MNIL for 3 persons Group II June - August
+ 1,200	MNIL for 4 persons Group II September - November
2,275	MNIL for spenddown budget period June - November
$18,000	countable income for spenddown budget period June - November
- 2,275	MNIL for spenddown budget period
$15,725	spenddown liability for spenddown budget period June - November

The family's spenddown liability for the June 1 through November 30 spenddown budget period is $15,725.

M1350.210 DECREASE IN UNIT SIZE NOT DUE TO INSTITUTIONALIZATION

A. Policy

When the assistance unit size decreases (NOT due to institutionalization of an assistance unit member) and the decrease is reported by the applicant, the spenddown budget period remains the same but the spenddown liability must

be recalculated. See section M1350.220 for procedures to follow when an assistance unit member is institutionalized.

1. **Step 1** — For the months prior to the month in which the change occurred, calculate the family's income based on the number in the assistance unit at the time of application.

   For the months during which the assistance unit decreased, calculate the family's income based on the decreased number in the assistance unit.

2. **Step 2** — Total the family's income for the entire 6-month spenddown budget period. The result is the family's recalculated income for the spenddown budget period.

3. **Step 3** — Determine the income limit for the assistance unit size for the months prior to the change and for the month the change occurred. Determine the income limit for the assistance unit size for the number of months after the change occurred. Add together the income limits. The result is the recalculated income limit for the spenddown budget period.

4. **Step 4** — Subtract the recalculated income limit from the family's recalculated income. The result is the recalculated spenddown liability for the spenddown budget period.

   If the recalculated spenddown liability is within the recalculated income limit for the six-month spenddown budget period, the assistance unit is eligible for the entire spenddown budget period. However, the assistance unit member(s) who left the unit is only eligible for the month(s) when he was included in the unit.

B. Example--Decrease in Assistance Unit, Not Due To Institutionalization

EXAMPLE #2 (Using June 2000 figures): Mr. E lives in Group III and applies for Medicaid on June 8 for himself and his family. He lives with his wife and their 3 children ages 6, 8, and 11. Neither Mr. nor Mrs. E meet a Medicaid covered group. The assistance unit size is 5 persons when determining the children's eligibility (F&C). The family's income totals $3,500 per month private company pension - $3,000 for Mr. E and $500 for Mrs. E; the children have no income. The first prospective budget period is June 1 through November 30; the income limit for 5 persons in Group III is $3,150.

The spenddown liability is calculated:

$ 3,500	total family income per month
x 6	months
21,000	countable income for the spenddown budget period
- 3,150	MNIL for 5 persons Group III
$17,850	spenddown liability for spenddown budget period June 1 - November 30

The family has not met the spenddown. On August 30, they report that their eldest son, age 11, left home to live with relatives on August 29. The

assistance unit size for September through November (3 months) is 4 persons; the income limit is $1,450. The family's income, income limit and spenddown liability are recalculated:

$ 3,500	total income per month
x 6	months June - November
$21,000	countable for spenddown budget period June through November
1,575	5 persons MNIL Group III for June-August
+1,450	4 persons MNIL Group III for September-November
3,025	MNIL for budget period
$21,000	income for spenddown budget period June through November
- 3,025	MNIL for spenddown budget period June through November
$17,975	spenddown liability for spenddown budget period June through November

The family's spenddown liability for the June 1 through November 30 spenddown budget period is $17,975

M1350.220 DECREASE IN UNIT SIZE DUE TO INSTITUTIONALIZATION

A. Policy

An institutionalized individual becomes a separate assistance unit for the income eligibility determination purposes as of the first day of the month of institutionalization.

B. Recalculate Family's Spenddown

When the individual was included in the assistance unit with a spouse and/or children, the spouse's and/or children's spenddown liability is recalculated to reflect a decrease in assistance unit size. The decreased assistance unit size begins the first day of the month in which the individual is institutionalized.

Only those medical bills incurred by the institutionalized individual during the months in the spenddown budget period when he was in the assistance unit are deducted from the family's spenddown.

C. Institutionalized Individual

Determine the institutionalized individual's eligibility separately beginning the first day of the month during which he becomes institutionalized. See subchapter M1460 for instructions on determining eligibility for institutionalized individuals.

M1350.300 INCOME CHANGES

A. Policy

When an income change is reported, the spenddown liability must be recalculated based on the income actually received in the spenddown budget period. The spenddown budget period does not change. When the applicant reports an income change, request verification, take appropriate action and document the case record.

1. Reported Before Spenddown Budget Period Ends

If the change is reported before the end of the spenddown budget period, project the changed income for the remaining months in the spenddown budget period. Average any irregular income received and project the average for the remaining months in the spenddown budget period.

2. Reported After Spenddown Budget Period Ends

If the change is reported after the spenddown budget period ends, recalculate the spenddown liability using the actual income received during the spenddown budget period.

B. Example--Income Changes

EXAMPLE #3 (*Using June 2000 figures)*: Mr. Green lives in Group III and applies for Medicaid on June 8 for himself and his family. He lives with his wife and their 3 children ages 6, 8, and 11. Neither Mr. nor Mrs. Green meet a Medicaid covered group. The assistance unit size is 5 persons when determining the children's eligibility (F&C). The family's income totals $3,700 per month private company pension - $3,000 for Mr. Green and $700 for Mrs. Green; the children have no income. The first prospective budget period is June 1 through November 30, 1999; the income limit for 5 persons in Group III is $3,150. The spenddown liability is calculated:

$ 3,700	total family income per month
x 6	months
$22,200	countable income for the spenddown budget period June – November
- 3,150	MNIL for 5 persons Group III
$19,050	spenddown liability for spenddown budget period June through November

The family has not met the spenddown. On September 5, they report that their income changed on September 1; Mrs. Green no longer receives a pension benefit and she has no other income. The assistance unit's monthly income for September through November (3 months) is $3,000; their monthly income for June through - August (3 months) is $3,700. The family's spenddown liability is recalculated:

$ 3,700	income per month
x 3	months (June, July, and August)
$11,100	countable income for first 3 months

$ 3,000	total income per month
x 3	months (September, October, and November)
$ 9,000	countable income for second 3 months

$11,100	countable income for June through August
+ 9,000	countable income for September through November
20,100	countable income for spenddown budget period of June through September
- 3,150	MNIL for 5 persons Group III
$16,950	spenddown liability for spenddown budget period June through November

The family's recalculated spenddown liability for the June 1 - November 30 spenddown budget period is $16,950.

M1350.400 INCOME LIMIT CHANGES

A. Policy

Recalculate the spenddown liability for the spenddown budget period when:

- the applicant moves to a different locality group at some point within the spenddown budget period; or
- the Medicaid income limit(s) changes at some point within the spenddown budget period. ***Note that the effective date for changes in MN income limits is July 1.***

B. Procedure

1. Use the "old" income limit for the month in which the applicant moved. Multiply the "old" monthly income limit by the number of months in the spenddown budget period during which it was effective.
2. Multiply the "new" monthly income limit by the number of months in the spenddown budget period during which it was effective. Add both results together. The total is the recalculated income limit.
3. Subtract the applicant's countable income for the spenddown budget period from the recalculated income limit. The result is the recalculated spenddown liability for the spenddown budget period.

C. Example--Income Limit Changes When Individual Moves

EXAMPLE #4 (Using *July 2011* figures): Mr. E lives in Group III and applies for Medicaid on *July* 6 for himself. He is aged and lives alone. His income totals $1,575 per month SSA benefit. The first prospective budget period is *July* 1 through *December* 31. The income limit for 1 person in Group III is *$2,567.56*. His spenddown liability is *$6,762.44*.

$ 1,575.00	SSA per month
- 20.00	general income exclusion
1,555	countable monthly income
x 6	months
$9,330.00	countable income for the spenddown budget period
- 2,567.56	1 person *semi-annual* MNIL Group III for spenddown budget period
$6,762.44	spenddown liability for spenddown budget period *July* through *December*

On *September* 23 he moves to a Group II locality and requests re-evaluation of his spenddown.

His spenddown liability is recalculated for the *July -December* spenddown budget period:

$1,283.76	1 person MNIL Group III for 3 months *July - September*
+ 987.51	1 person MNIL Group II for 3 months *October - December*
2,271.27	MNIL for spenddown budget period
$ 9,330.00	countable income for the spenddown budget period
- 2,271.27	MNIL for spenddown budget period
$7,058.73	spenddown liability for the spenddown budget period *July 1 – December 31, 2011*

M1350.500 RESOURCE CHANGES

A. Policy

When determining if the spenddown is met, evaluate any change in resources owned or in the value of resources owned to determine if the assistance unit's resources are still within the Medicaid limit. When resources exceed the Medicaid limit in some months, the spenddown budget period and the spenddown liability must be recalculated. Prorate the spenddown budget period to include the month(s) before the first full month in which the excess resources create ineligibility.

If resources exceed the limit, send a written notice to the applicant informing him of his ineligibility for Medicaid spenddown for the month(s) in which the resources exceeded the limit during the entire month.

B. Notice Requirements

Send a written notice to the applicant that states:

- the reason for ineligibility for Medicaid (excess resources) for the months in which excess resources exist (specify the months), and

- the spenddown liability amount for the months during which resources were within the limit (specify the months). Include the explanation that if medical or dental bills equal or exceed the spenddown liability, he may be eligible for limited Medicaid eligibility for the month(s) during which his resources were within the Medicaid limit (specify the dates).

C. Example--Resource Changes

EXAMPLE #5 (Using June 2000 figures): Mr. G lives in Group I and applies for Medicaid on June 6 for himself. He is disabled and lives alone. His income totals $1,475 per month SSA benefit. The first prospective budget period is June 1 through November 30; the income limit for 1 person in Group I is $1,300. His spenddown liability is $7,430.

$1,475	SSA per month
- 20	general income exclusion
1,455	monthly countable income
x 6	months
8,730	countable income for the spenddown budget period
- 1,300	1 person MNIL Group I for spenddown budget period
$7,430	spenddown liability for spenddown budget period June 1-November 30

His application is denied and he is placed on spenddown. When he requests re-evaluation of his spenddown on October 26, the worker finds that his resources exceed the Medicaid limit for the entire month of October, but were within the limit in June - September. The worker prorates the spenddown budget period to 4 months - June 1 through September 30. The worker recalculates the spenddown liability:

$1,455.00	monthly countable income
x 4	months (June- September)
5,820.00	countable income for the spenddown budget period
- 866.68	1 person MNIL Group I for 4 months spenddown budget period
$4,953.32	spenddown liability for spenddown budget period June 1 - September 30

The worker determines that verified incurred expenses totaling $800 on August 18 and $45 on September 4 do not meet the spenddown liability. A liability balance of *$4,108.32* remains for the prorated spenddown budget period.

The worker sends Mr. E a notice which states:

- You are not eligible for Medicaid for the months of June through September 30 because of excess income. Your spenddown liability is *$4,953.32*. You have incurred $845 in expenses, leaving a balance of *$4,108.32*. You have not met the spenddown.

- You are not eligible for Medicaid for the month of October because of excess resources. If you want your Medicaid eligibility determined again, you must reapply for Medicaid.

M1350.600 NONFINANCIAL ELIGIBILITY REQUIREMENT NOT MET

A. Policy

When an individual fails to meet a nonfinancial Medicaid eligibility requirement (such as MN covered group not met), he cannot become eligible by meeting a spenddown. At the time a change is reported in the individual's or family's nonfinancial Medicaid eligibility, evaluate the change to determine if the individual or family continues to meet the nonfinancial Medicaid eligibility requirements.

If a nonfinancial eligibility requirement(s) is not met in any month in the spenddown budget period, send a written notice to the individual specifying the new denial reason (specify the nonfinancial requirement(s) that is not met).

If all nonfinancial requirements are not met in any of the months of the spenddown budget period, the spenddown liability and spenddown budget period will change. Prorate the spenddown budget period to include the month(s) before the first full month in which the nonfinancial requirement was not met.

B. Notice Requirements

Send a written notice to the applicant that states the new reason for denial:

- specify the nonfinancial requirement that is not met, and for which months the requirement is not met (specify the months), and

- the spenddown liability amount for the months during which the requirements were met (specify the months). Include the explanation that if medical or dental bills equal or exceed the spenddown liability by the end of the month for the new prorated spenddown budget period, the individual may be eligible for Medicaid coverage for the month(s) during which the Medicaid nonfinancial eligibility requirements were met.

C. Example--Nonfinancial Eligibility Requirement Not Met

EXAMPLE #6 (*Using June 2000 figures*): Mr. H lives in Group I and applies for Medicaid on June 8 for himself. He is disabled (MDU determined) and lives alone. His income totals $*1,475* per month private disability benefit. The first prospective budget period is June 1 through November 30. The income limit for 1 person in Group I is $1,300. His spenddown liability is *$7,430.*

$ 1,475	income per month
- 20	general income exclusion
1,455	monthly countable income
x 6	months
$ 8,730	countable income for the spenddown budget period

$ 8,730	countable income for spenddown budget period
- 1,300	1 person MNIL Group I for spenddown budget period
$ 7,430	spenddown liability for spenddown budget period June 1 - November 30

His application is denied and he is placed on spenddown. He requests re-evaluation of his spenddown on October 26. The worker finds he is no longer disabled as of September 30, per an MDU review. The worker prorates the spenddown budget period to 4 months - June 1 through September 30.

The worker recalculates the spenddown liability:

$1,455.00	monthly countable income
x 4	months
5,820.00	countable income for the spenddown budget period
- 866.68	1 person MNIL Group I for 4 months spenddown budget period
$4953.32	spenddown liability for spenddown budget period June 1 - September 30

The worker verified $500 incurred expenses on July 8 and $245 on August 4. The spenddown liability was not met. A liability balance of $4,208.32 remains for the prorated spenddown budget period.

The worker notifies Mr. H that he did not meet his spenddown for the spenddown budget period June 1 through September 30, of the MDU determination that he is no longer disabled and that he does not meet another Medicaid covered group. The notice states:

- You are not eligible for Medicaid for the months of June through September 30 because of excess income. Your spenddown liability is $4,953.32. You have incurred $745 in expenses, leaving a balance of $4,208.32. You have not met the spenddown.

- You are not eligible for Medicaid for the month of October 1999 because the MDU determined that you are no longer disabled. You do not meet another Medicaid covered group as of October 1. Should your condition worsen, it is necessary for you to reapply if you want your Medicaid eligibility determined again.

M1350.700 CHANGE OF COVERED GROUP

A. Policy

An individual is entitled to Medicaid in a new classification effective the first day of the month in which he meets that new classification.

1. Assistance Unit of One

The spenddown budget period changes and the spenddown is recalculated when an individual who is an assistance unit of one person becomes eligible for Medicaid in a non-medically needy covered group.

The individual remains on a spenddown for the month(s) before the change in classification.

When an individual is institutionalized, his covered group classification changes to CNNMP if his gross income is within the 300% SSI income limit. If his gross income exceeds the 300% SSI limit, he remains medically needy and his classification does not change. However, his spenddown budget period and spenddown liability must be changed. See section M1350.800 below.

EXAMPLE #7 (Using June 2000 figures): A disabled, single man living in Group I receives worker's compensation of $600 per month. He applies for Medicaid on June 10. The Medicaid Disability Unit determines him disabled. Disability onset was prior to March 1 of that year. His total monthly countable income was and is $600. The MNIL is $1,300. He did not incur any medical bills during the retroactive period. He does not have any old bills. The first prospective budget period is June through November. His spenddown liability is $2,180.

$ 600	income per month
- 20	general income exclusion
580	monthly countable income
x 6	months
3,480	countable income for the spenddown budget period
-1,300	1person MNIL Group I for spenddown budget period
$2,180	spenddown liability for spenddown budget period June 1 - November 30

His application is denied. He is placed on a spenddown for the first prospective budget period. On September 20, he requests re-evaluation of his spenddown due to his receipt of $512 per month SSI effective September. His worker's compensation income ended August 31. He incurred $1,000 in medical bills during July. He is eligible for Medicaid as categorically needy beginning September 1.

His spenddown budget period is prorated to June - August (3 months). His spenddown liability for the prorated spenddown budget period is recalculated:

$ 580	countable income for June - August
x 3	months
1,740	countable income for prorated spenddown budget period June - August
- 650	1 person MNIL Group I for 3 months
$1,090	spenddown liability for spenddown budget period June 1 - August 31

He incurred $1,100 worth of medical bills on July 15. He met his spenddown on that date. He is eligible effective July 15 - August 31 as medically needy, Type 3, PD 58. Effective September 1, he is eligible as categorically needy, Type 1, PD 51.

2. Assistance Unit of Two or More

When the entire assistance unit's classification changes, the spenddown budget period changes and the spenddown liability is recalculated. Eligible family members are entitled to Medicaid in the new classification effective the first day of the month in which they meet that new classification. They

remain on spenddown for the month(s) before the change in classification. When all children in the assistance unit become eligible as *MI*, the spenddown budget period changes and the spenddown liability is recalculated. The children are eligible as *MI* effective the first day of the month in which they meet the *MI* requirements. They remain on a spenddown for the months prior to *establishing MI* eligibility.

The assistance unit size decreases when an individual member of an assistance unit of two or more becomes eligible in another classification. The individual is no longer included in the original assistance unit. The spenddown liability is recalculated using the procedures in section M1350.210 above.

M1350.800 INDIVIDUAL BECOMES INSTITUTIONALIZED

A. Policy

When an individual becomes institutionalized and his gross income exceeds the 300% SSI limit, he remains medically needy. His classification does not change. However, his spenddown budget period must be changed. His spenddown liability is recalculated.

1. Prorate Spenddown Budget Period & Recalculate Spenddown Liability

Prorate the individual's spenddown budget period for the month(s) in which he was not institutionalized. Do not include the month in which he became institutionalized.

Total the monthly countable income he received in the prorated spenddown budget period. Subtract the MN income limit for the number of months in the prorated spenddown budget period. The remainder is the recalculated spenddown liability for the months during which he was not institutionalized.

2. Determine Institutional-ized Spenddown

The MN budget period for an institutionalized individual is one month. Go to subchapter M1460 to determine the individual's spenddown as an institutionalized individual.

B. Example--Individual Becomes Institutionalized

EXAMPLE #8 (Using June 2000 figures): A disabled, single man living in Group I receives worker's compensation of $1,550 per month. He applies for Medicaid on June 6. This is his initial application. The Medicaid Disability Unit determines him disabled. Disability onset is February. His monthly countable income was and is $1,550. The MNIL is $1,300. He did not incur any medical bills during the retroactive period. He does not have any old bills. The first prospective budget period is June through November. His spenddown liability is calculated:

$1,550	income per month
- 20	general income exclusion
1,530	countable monthly income
x 6	months
9,180	countable income for the spenddown budget period June 1 – November 30
- 1,300	1 person MNIL Group I for spenddown budget period
$7,880	spenddown liability for spenddown budget period June 1 - November 30

His application is denied. He is placed on spenddown for the first prospective budget period. On October 20, he becomes institutionalized when he is admitted to a nursing facility for permanent care. His worker's compensation income has not changed. He incurred $5,000 in medical bills during September. His spenddown budget period is prorated to June - September (4 months). His spenddown liability for the prorated spenddown budget period is recalculated:

$1,530.00	monthly countable income for June - September
x 4	months (June-September)
6,120.00	countable income prorated for spenddown budget period June - September
- 866.68	1 person MNIL Group I for 4 months
$5,253.32	spenddown liability for spenddown budget period June 1 – September 30

He incurred $5,000 in medical bills in September. He did not meet the prorated spenddown. The worker sends Mr. T a notice informing him that he did not meet his spenddown for the prorated spenddown budget period of June 1 through September 30. The $5,000 in medical bills did not meet the prorated spenddown of $5,253.32. He has a balance left of $253.32. His spenddown eligibility as an institutionalized individual is determined according to policy in subchapter M1460.

M1350.900 CHANGES DUE TO DEATH

A. Policy

1. Individual Applicant

When an individual who meets an MN covered group, dies within the spenddown budget period, the spenddown budget period and the spenddown liability change. The spenddown liability and spenddown budget period are recalculated using actual income received.

2. Death of a Assistance Unit Member

When an individual member of an assistance unit dies, and at least one other assistance unit member meets a MN covered group, the family's assistance unit size decreases. The policy and procedures in section M1350.210 above apply.

B. Example--Individual Applicant Dies

EXAMPLE #9 (*Using June 2000 figures)*: Mr. T is an aged widower living in Group I. He receives an SSA benefit of *$620* per month. He applies for Medicaid on June 6. His monthly countable income was and is *$620*. The MNIL is $1,300. The spenddown budget period is June through November. His spenddown liability is *$2,300*. He has Medicare Parts A & B. He did not incur any medical bills during the retroactive period. He does not have any old bills.

$ *620* SSA income per month
- 20 general income exclusion
600 countable monthly income
x 6 months (June - November)
$3,600 countable income for the spenddown budget period June - November

$3,*600* countable income for the spenddown budget period
-1,300 1 person MNIL Group I for spenddown budget period
$2,300 spenddown liability for spenddown budget period June through November

His application is denied. He is placed on a spenddown for the first prospective budget period. On September 20, his daughter reports that Mr. T died on September 10. He incurred medical expenses in August and September. She requests re-evaluation of his spenddown. He incurred $*1,400* in Medicare hospital deductible and coinsurance charges on August 21. He incurred a $25 per day Medicare coinsurance charge for physician's services for 10 days - August 30 through September 8. His spenddown budget period is prorated to June - September. His spenddown liability is recalculated:

$ *600.00* monthly countable income
x 4 months
2,400.00 total countable income for June - September
- 866.68 MNIL for 1 person Group I for 4 months
1,*533.32* spenddown liability for spenddown budget period June - September
- 45.50 Medicare premium June 3
1,*487.82* spenddown liability balance June 3
- 45.50 Medicare premium July 3
1,442.32 spenddown liability balance on July 3
- 45.50 Medicare premium August 3
1,*396.82* spenddown liability balance August 3
-1400.00 hospital deductible and coinsurance charges August 21
$ 0 spenddown balance on August 21

The *$1,400.00* in medical expenses incurred on August 21, met his spenddown liability on that date. He is eligible for Medicaid effective August 21 through September 10 (date of death).

CHAPTER M13
SPENDDOWN
SUBCHAPTER 60

CHANGES AFTER SPENDDOWN IS MET

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M1360.000 CHANGES AFTER SPENDDOWN IS MET

M1360.100 CHANGES AFTER SPENDDOWN IS MET

A. Policy

Spenddown budget periods do not change when changes occur in an individual's or family's situation after meeting a spenddown liability within a spenddown budget period. The amount of countable income and the spenddown liability may change, but the spenddown budget period never changes.

B. Decrease in Assistance Unit

Do not recalculate the spenddown liability when the assistance unit decreases. Cancel the Medicaid coverage of the deleted assistance unit member(s). The remaining unit members are eligible until the end of the spenddown budget period.

C. Increase in Assistance Unit

When the assistance unit size increases, Medicaid may be requested for the additional member(s). Recalculate the spenddown liability based on the changes in the income limit and the family's income (if any) for the month(s) that the individual(s) is added to the unit and for subsequent month(s).

The additional family member's(s') medical bills (including old bills) can be deducted only for the months during which he is included in the assistance unit.

1. Spenddown Liability Decreases

Re-enroll the family with an earlier coverage begin date if the spenddown liability decreases and is met earlier because of the decrease. Enroll the additional unit member(s) no earlier than the date he became a part of the unit.

EXAMPLE #1 *(Using April 2000 figures)*: Mr. D lives in Group II and applies for Medicaid on April 6 for himself and his family. He is disabled and lives with his wife and 13 year old child. They have no health insurance. The assistance unit size is 3 persons when determining Mrs. D's and the child's eligibility (F&C); Mr. D's unit size is 1 person (ABD). The family's income totals $2,800 per month. Mr. D receives a $1,000 SSA and a $1,000 private pension. Mrs. D receives $800 worker's compensation. The first prospective budget period is April 1 through September 30. The income limit for the F &C MN determination is $2,150. The spenddown liability is $14,650.

$ 2,800	total countable income per month
x 6	months
16,800	countable income for the spenddown budget period
- 2,150	MNIL for 3 persons Group II
$14,650	spenddown liability for spenddown budget period April 1 - September 30

The family incurs $14,650 in hospital and physicians' expenses as of May 28. The child is enrolled in Medicaid effective May 28, Type 3 eligibility

(which will be canceled effective September 30). On July 15, the family reports their eldest son, age 16, returned to the home to live with them on July 12. They want to apply for Medicaid for him, as well. He has no income. The assistance unit size for July through September (3 months) is 4 persons; the income limit is $2,400.

The family's income limit and spenddown liability is recalculated:

1,075	MNIL for 3 persons Group II April - June
+ 1,200	MNIL for 4 persons Group II July - September
2,275	MNIL for spenddown budget period
$16,800	countable income for the spenddown budget period
- 2,275	MNIL for spenddown budget period
$14,525	spenddown liability for budget period

The family's recalculated spenddown liability for the April 1 through September 30 budget period is $14,525. The worker redetermines the spenddown and determines that the family incurred $14,525 in medical expenses on May 25. Because this date is earlier than the May 28 coverage begin date originally determined, the 13 year old child (but not the 16-year-old son) is re-enrolled in Medicaid beginning May 25 (ending September 30). The 16 year-old is enrolled in Type 3 eligibility beginning July 1, the first day of the month he came to live with the family, and ending September 30.

2. Liability Increases

When the spenddown liability increases, the spenddown budget period does not change. Cancel the family's coverage if the recalculated spenddown liability has not been met.

If the recalculated spenddown liability has been or is met, enroll the additional assistance unit member(s) no earlier than the date he became part of the unit.

EXAMPLE #2 *(Using April 2000 figures)*: Ms. S lives in group III and applies for Medicaid on April 6 for herself and her family. She lives with her husband and 13 year old child. They have no health insurance. The assistance unit size is 3 persons when determining the child's eligibility (F&C MN child < 18). Their income exceeds the CNNMP limit. Mr. and Mrs. S do not meet an MN covered group.

The family's income totals $2,400 per month SSA retirement - $1,200 for Mr. S and $1200 for Mrs. S; the child has no income. The first prospective budget period is April 1 through September 30. The income limit is $2,650. The spenddown liability is calculated:

$ 2,400	total SSA retirement per month
x 6	months
14,400	countable income for the spenddown budget period
- 2,650	MNIL for 3 persons Group III
$ 11,750	spenddown liability for spenddown budget period April 1 - September 30

The family incurs $11,750 in hospital and physicians' expenses as of June 12. The child is enrolled in Medicaid beginning June 12 (ending September 30). On August 1, they report that their eldest son, age 16, returned to the home to live with them on July 1. They want to apply for Medicaid for him, as well. He has no income. However, Mr. S's income increased in July to $1,400 per month. The assistance unit size for July through September (3 months) is 4 persons; the income limit is $2,900. The family's income, income limit and spenddown liability are recalculated:

$ 2,400	total family income per month
x 3	months April - June
$ 7,200	total family income for April - June
$ 2,600	total family income per month
x 3	months July - September
$ 7,800	total family income for July - September
+ 7,200	total family income for April - June
$15,000	total income for spenddown budget period April - September
1,325	MNIL for 3 persons Group III April - June
+ 1,450	MNIL for 4 persons Group III July - September
2,775	MNIL for spenddown budget period April - September
$15,000	countable income for the spenddown budget period
- 2,775	MNIL for spenddown budget period
$12,225	spenddown liability for spenddown budget period

The family's recalculated spenddown liability for the April 1 through September 30 budget period is $12,225. The worker determines that the family has a spenddown liability balance of $475 left on June 12. Because the spenddown liability has not been met, the family members' Medicaid coverage is canceled effective July 31 because of excess income; spenddown liability balance of $475. The 16-year-old son is not eligible for Medicaid and is not enrolled.

D. Income Decreases

Recalculate the spenddown liability for the spenddown budget period based on the actual income received. If the recalculated spenddown liability is met earlier in the spenddown budget period, re-enroll the eligible members of the unit with the earlier eligibility begin date.

E. Income Increases

Recalculate the spenddown liability for the spenddown budget period based on the actual income received. If the new spenddown liability has not been met, cancel eligibility. Notify the recipient of the new spenddown liability and the balance of the spenddown liability which must be met by the last day of the spenddown budget period.

NOTE: **This subsection does not apply to medically needy pregnant women who apply for and are enrolled in Medicaid on or before the date their pregnancies terminate. Income increases are excluded for these MN pregnant women.**

F. Resource Changes

Redetermine the assistance unit's eligibility based on a change in resources.

1. Resources Within Limit

When resources are within the Medicaid limit, the unit remains eligible as medically needy for the remainder of the spenddown budget period.

2. Resources Exceed Limit

When the resources exceed the limit, cancel the unit's Medicaid eligibility after the advance notice is sent if the effective date of cancellation is prior to the end of the spenddown budget period. Do not change the spenddown liability or the spenddown budget period.

3. Example--Resource Change

EXAMPLE #3: Mr. and Mrs. Jones applied for Medicaid on July 10. They were put on a spenddown for the spenddown budget period July - December, which they met on August 3. They were enrolled effective August 3 through December 31. On September 2, they reported that they inherited some real property worth $20,000. It is not excluded since it is saleable. They are sent an advance notice on September 4 stating their Medicaid eligibility is canceled effective September 30 because of excess resources.

CHAPTER M13
SPENDDOWN

SUBCHAPTER 70
SPENDDOWN – *LIMITED BENEFIT ENROLLEES*

M1370 Changes

Changed With	Effective Date	Pages Changed
TN #100	5/1/15	Title page
TN #99	1/1/14	Page 2
UP #9	4/1/13	Table of Contents Pages 1-5 Page 6 was added.
TN #94	9/1/2010	Table of Contents Pages 1-5

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M1370.000 SPENDDOWN –*LIMITED BENEFIT ENROLLEES*

M1370.100 SPENDDOWN – *LIMITED BENEFIT ENROLLEES*

A. Introduction

This policy applies to individuals *enrolled in one of the following limited benefit Medicaid covered* groups:

- Qualified Medicare Beneficiaries (QMBs),
- Special Low-income Medicare Beneficiaries (SLMBs),
- Qualified Individuals (QIs),
- Qualified Disabled Working Individuals (QDWIs), and
- *Plan First*.

These enrollees are eligible for only a limited package of Medicaid services. They do not receive full Medicaid coverage, therefore they must be evaluated to determine if they could become eligible for full Medicaid coverage as medically needy (MN) by meeting a spenddown.

This policy does not apply to individuals in the ABD 80 % FPL covered group. Individuals in the ABD 80% FPL covered group receive full Medicaid coverage.

1. Placement on Spenddown

At application and redetermination, QMB, SLMB, and QDWI enrollees who meet the MN covered group and resource requirements are placed on two six-month spenddown budget periods within the 12 month renewal certification period. They may also be eligible for retroactive MN spenddown eligibility.

QI enrollees who meet the MN covered group and resource requirements are placed on two six month spenddown budget periods at a time, beginning with the month of application. Spenddown budget periods continue to run consecutively, with no new application required, as long as the individual remains QI eligible.

When only one spouse of an ABD couple is eligible *for limited benefit Medicaid* (i.e., one spouse has Medicare and the other does not), the couple is an assistance unit of two for spenddown purposes and placed on two six-month spenddowns.

2. QMB, SLMB, and QDWI

If an enrolled QMB, SLMB, or QDWI does not meet the spenddown, he continues to be eligible *for limited benefits*. *As long as the individual is enrolled in Medicaid,* the ABD Medicaid Renewal form (#032-03-0186) may be used as an application for establishing additional spenddown budget periods. The Eligibility Review Part A (#032-03-729A) and the Eligibility Review Part B (#032-03-729B) forms should only be used when they are required by another program under which the individual is receiving benefits.

The spenddown budget period is based on the application date. At renewal, the new spenddown budget period begins the month following the end of the previous spenddown budget period if the renewal is filed in the last month of the spenddown budget period or the following month. If the renewal is filed two or more months after the end of the last spenddown budget period, the new spenddown budget periods (retroactive or prospective) are based on the

date the renewal form was received in the LDSS. Do not complete an early renewal on a spenddown case because the spenddown period must not be shortened by the completion of an early renewal.

3. QI

The QI enrollees who meet the MN covered group and resource requirements are placed on *two consecutive* MN spenddowns. If an enrolled QI medically indigent enrollee does not meet the spenddowns, he continues to be eligible as QI for the calendar year, or as long as the program is funded.

QI coverage can be renewed for the following year as long as the QI completes and returns the ABD Medicaid Renewal form (#032-03-0186) and the renewal is completed by December 31 of each year. If the renewal form is not returned and the QI renewal is not completed by December 31, the individual must reapply for Medicaid for the coverage to resume.

Spenddown budget periods for QIs are based on the initial application month. Unless the individual applied in January, his spenddown budget periods will not coincide with the renewal certification period. Spenddown budget periods continue to run consecutively, with no new application required, as long as the QI's Medicaid coverage remains open.

4. QI Spend-down Procedures

a. New Applications

At the time of initial application, the agency will calculate two spenddown periods. When the second spenddown period expires, the agency will continue to calculate additional spenddown periods, two at a time, without a new application as long as the person remains active in Medicaid. The worker shall send a Notice of Action containing the information about the new spenddown periods each time the worker calculates another two spenddown periods.

b. QIs who were enrolled and on a spenddown as of July 1, 2010

When the QI's current spenddown period ends, the agency will continue to calculate additional spenddown periods, two at a time, without a new application as long as the person remains active in Medicaid. The worker shall send a Notice of Action containing the information about the new spenddown periods each time the worker calculates another two spenddown periods.

When bills are submitted, the worker shall contact the individual to see if living situation, income or resources have changed. If changes have occurred, verification must be provided and a re-evaluation must be completed.

The spenddown cycle does not affect the QI renewal cycle—QI renewals will be due in December regardless of when the person applied for Medicaid.

5. Plan First

If an individual enrolled in the Plan First covered group meets a MN covered group listed in M0320 or M0330, he must be evaluated to determine if he could become eligible for full Medicaid coverage as medically needy (MN) by meeting a spenddown. At application and redetermination, Plan First enrollees who meet the MN covered group and resource requirements are placed on two six-month spenddown budget periods within the 12 month renewal period. They may also be eligible for a retroactive MN spenddown determination.

M1370.200 QMBs, SLMBs, QDWIs & *PLAN FIRST ENROLLEES*

A. Policy

QMBs are eligible only for Medicaid coverage of their Medicare premiums, the Medicare deductible and coinsurance charges for Medicare covered services. Medicare does not cover all of the services that Medicaid covers. For example, Medicare does not cover non-emergency transportation.

SLMBs and QDWIs are eligible only for Medicaid coverage of their Medicare premiums.

Plan First enrollees are eligible only for limited Medicaid coverage related to family planning services and transportation to access those services.

B. Entitlement After Meeting Spenddown

When an enrolled QMB, SLMB, QDWI or *Plan First enrollee* meets a medically needy spenddown, he is eligible for Medicaid as medically needy beginning the date the spenddown was met and ending the last day of the spenddown budget period.

C. Enrollment Procedures

The MMIS enrollment must be canceled and then reinstated in order for the individual to receive the full scope of Medicaid services for the portion of the spenddown budget period in which he is eligible as medically needy. Take the following actions:

1. Cancel *Limited Benefit* Coverage

Cancel the enrollee's current coverage line that has the *limited-benefit* aid category (AC).

a. Cancel date is the date **before** the date the spenddown was met.

b. Cancel reason is "024".

2. Reinstate MN Coverage

Reinstate the enrollee in the appropriate medically needy aid category (AC).

- enter the eligibility begin date as the date the spenddown was met.
- enter the eligibility end date - the date the spenddown budget period ends.

Be sure that the application date is the first month in the spenddown budget period. The MMIS will cancel eligibility effective the end date entered.

D. Continuing Eligibility and Enrollment After Spenddown Ends

When the spenddown budget period ends, reinstate the enrollee's Medicaid eligibility as medically indigent beginning the day after the MN spenddown budget period eligibility cancel date. Use the original Medicaid application date. *Limited-benefit Medicaid* eligibility resumes the first day of the month following the end of the spenddown budget period. The month in which the spenddown budget period ends is considered the month in which the agency determines the enrollee's *limited benefit* eligibility.

To establish a new spenddown budget period, use the ABD Medicaid Renewal form (#032-03-669) *for QMB, SLMB, and QDWI enrollees*. The Eligibility Review Part A (#032-03-729A) and Eligibility Review Part B (#032-03-729B) forms should only be used when they are required by another program under which the individual is receiving benefits. When the annual redetermination is filed, new spenddown budget periods are established. Eligibility for each spenddown budget period is evaluated.

For Plan First enrollees who meet a MN covered group, use the procedures in section M1520.200 for completing a contact-based renewal for Plan First enrollees. Because Plan First enrollees do not have a resource test, it is necessary to obtain resource information for Plan First enrollees who meet an MN covered group. The resource pages from the ABD Medicaid Renewal form or Eligibility Review Part B may be used.

E. Example--QMB Meets Spenddown

EXAMPLE #1: Mr. B is 69 years old. He has Medicare Parts A & B. He applied for Medicaid on July 14, 2005. Resources are within the medically needy limit. His income exceeds the medically needy limit, but is less than the QMB limit. His eligibility is determined on August 1, 2005. He is enrolled in Medicaid QMB coverage effective September 1, 2005, the month following the month the agency determined his QMB eligibility. He is placed on two consecutive 6-month spenddown budget periods, July 1, 2005 through December 31, 2005 and January 1 through June 30, 2006. The agency enrolls him in the MMIS with an eligibility begin date of September 1, 2005, AC 023.

On September 15, 2005, he brings in prescription drug bills. He meets the spenddown on September 13, 2005. On September 25, 2005, the agency cancels his QMB coverage (AC.023) effective September 12, 2005. He is reinstated with MN Medicaid eligibility as AC 028 (dual-eligible medically needy aged) with a begin date of September 13, 2005, an application date of July 14, 2005, and an end date of December 31, 2005.

His spenddown eligibility ends December 31, 2005. On January 1, 2006, the agency worker reinstates his QMB-only Medicaid coverage with a begin date of January 1, 2006, AC 023, application date July 14, 2005. He remains on a spenddown for the spenddown budget period January 1, 2006 through June 30, 2006.

M1370.300 QUALIFIED INDIVIDUALS (QI)

A. Introduction

QIs are eligible only for limited Medicaid payment of their Medicare premiums. They are NOT eligible for any other Medicaid-covered services.

If all eligibility factors are met in the application month, eligibility for Medicaid as QI begins the first day of the application month and ends December 31 of the calendar year, if funds are still available. QI coverage can be renewed for the following year if the renewal form is submitted by December 31 of each year. If the renewal form is not returned by December 31, the individual must reapply for Medicaid for the coverage to resume.

B. Entitlement After Meeting Spenddown

When an enrolled QI meets a spenddown, he is eligible for Medicaid as medically needy. MN eligibility begins the date the spenddown was met and ends the last day of the spenddown budget period.

C. Enrollment Procedures

The MMIS ABD MI enrollment must be canceled and the MN coverage reinstated in order for him to receive the full scope of Medicaid services for the portion of the spenddown budget period in which he is MN-eligible. Take the following actions:

1. Cancel QI Coverage

Cancel the enrollee's current eligibility in the QI aid category.

a. Cancel date is the date before the date the spenddown was met.

b. Cancel reason is "024".

2. Reinstate MN Coverage

Reinstate the enrollee in the appropriate MN AC **(NOT dual-eligible).**

- enter the eligibility begin date as the date the spenddown was met.
- enter the end date as the last date of the spenddown budget period.

Be sure that the application date is the first month in the spenddown budget period. The MN coverage will end the last date of the spenddown budget period.

D. Continuing Eligibility and Enrollment After Spenddown Ends

When the spenddown budget period ends, reinstate the enrollee's Medicaid eligibility as medically indigent QI beginning the day after the MN spenddown eligibility cancel date. Use the initial Medicaid application date. The QI medically indigent coverage begin date is the first day of the month following the end of the spenddown budget coverage period.

E. Example- QI Meets Spenddown

EXAMPLE #2: Mr. P. is 69 years old. He has Medicare Parts A & B, and applied for Medicaid on May 14. Resources are within the medically needy limit. His income exceeds the medically needy limit, but is less than the QI limit. His eligibility is determined on June 1. He is enrolled in Medicaid QI coverage beginning May 1. He is placed on a spenddown for the budget period May 1 through October 31. The agency enrolls him in the MMIS with an eligibility begin date of May 1, AC 056.

On July 15 he brings in prescription drug bills. He meets the spenddown on July 13. On July 25 the agency cancels his QI (AC 056) coverage effective July 12. His Medicaid eligibility as MN is reinstated using AC 018 (medically needy aged) with an application date May 14, eligibility begin date of July 13, and eligibility end date of October 31.

His spenddown eligibility ends October 31. On November 1, the agency worker reinstates his QI Medicaid coverage with a begin date of November 1, AC 056, application date May 14. Because his coverage was uninterrupted, he is placed on two additional spenddowns, November 1 through April 30 of the following year and May 1 through October 31 of the following year. He completes an ABD Renewal form and returns it to the agency in December, and his QI coverage is also renewed for the following year**.**