



Iowa Department of Human Services

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GENERAL LETTER NO. 8-J-94

ISSUED BY: Bureau of Financial, Health and Work Supports
Division of Adult, Children and Family Services

SUBJECT: Employees' Manual, Title 8, Chapter J, **MEDICALLY NEEDED**, pages 1, 23, 49 through 58, 66, 72, 81, 84, 93, and 95, revised.

Summary

Chapter 8-J is revised to reflect the following:

- ◆ The name change of intermediate care facilities for the mentally retarded (ICF/MR) to intermediate care facilities for persons with an intellectual disability (ICF/ID), as mandated by 2012 Iowa Acts, Senate File 2247.
- ◆ Remove references to the IowaCare program.
- ◆ The 2015 Social Security cost-of-living adjustment (COLA) increase of 1.7%.
- ◆ The increase in the monthly maintenance needs allowance (MMMNA) for 2015 to \$2,980.50.
- ◆ The increase in the Medicare Part A deductible for 2015 to \$1,260.
- ◆ The Medicare Part B deductible for 2015 remains the same at \$147.
- ◆ Change the name of the *Supplemental Insurance Questionnaire* form to *Insurance Questionnaire*.

Effective Date

January 1, 2015

Material Superseded

This material replaces the following pages from Employees' Manual, Title 8, Chapter J:

<u>Page</u>	<u>Date</u>
1	October 6, 1998
23	June 12, 2009
49-58, 66	July 25, 2014

72, 81
84
93
95

September 23, 2005
August 3, 2007
July 25, 2014
September 23, 2005

Additional Information

Refer questions about this general letter to your area income maintenance administrator.

OVERVIEW

This chapter provides information specific to the Medically Needy coverage group. Medically Needy provides Medicaid coverage to people who have too much income or resources to qualify for SSI cash assistance or for other medical coverage groups but not enough for medical care. These people must also meet categorical criteria for eligibility. That is, they must be:

- ◆ Aged, blind or disabled, or
- ◆ Members of families with children, or
- ◆ Pregnant women, or
- ◆ Children under age 21.

People eligible for the Medically Needy coverage group are eligible for payment for all services covered by Medicaid except:

- ◆ Care in a nursing facility, including a Medicare-certified skilled nursing facility or NF/MI.
- ◆ Care in an intermediate care facility for persons with an intellectual disability.
- ◆ Care in an institution for mental disease.
- ◆ Rehabilitative treatment services for children (specified services in the family preservation, family-centered services, family foster care treatment, and group care programs).

The Medically Needy coverage group is authorized in Title XIX of the Social Security Act and described in the Code of Federal Regulations, Title 42, Chapter 4, Part 435. State authorization for the program is Iowa Code Chapter 249A. The portion of the Iowa Administrative Code dealing specifically with the Medically Needy coverage group is 441 IAC Chapters 75 and 76.

This chapter contains definitions for terms unique to the Medically Needy coverage group. You will also find descriptions of how people become eligible, the services for which they are eligible and other factors unique to Medically Needy, such as verifying medical expenses and the spenddown process.

Use this chapter in combination with Chapters [8-A](#), [8-B](#), [8-C](#), [8-D](#), [8-E](#), and [8-G](#) to determine eligibility for the Medically Needy coverage group.

1. Mr. C, age 20, and Mrs. C, age 19 and pregnant, apply for Medicaid. Mr. C is employed full time. After the 20% work expense deduction, his monthly net income is \$4,000. Mr. and Mrs. C may be CMAP-related, as they are under 21.

The unborn child is considered in determining household size. The Cs are over income for CMAP. Mrs. C is also over income for MAC. The application is processed for CMAP-related Medically Needy.

2. Household composition: Mr. and Mrs. D and Mrs. D's 21-year-old daughter and 19 year-old son by a previous marriage. Mrs. D is applying for Medicaid for her son. Both Mr. and Mrs. D have income. Mrs. D chooses to exclude the stepfather's income.

The son is over income for CMAP. The income of Mrs. D and her son is used to determine the spenddown amount for a CMAP-related Medically Needy case. The household size is one because Mrs. D chose to exclude Mr. D's income from use in determining the spenddown and therefore must also exclude herself.

Pregnant and Postpartum Women and Newborns

Legal reference: 441 IAC 75.1(35)“a”

Pregnant women are eligible for Medically Needy when they would be eligible for FMAP-related Medicaid (including MAC or CMAP) or SSI-related Medicaid except that income or resources exceed limits. See [8-F](#) for FMAP-related and SSI-related coverage groups.

Household composition: Mr. Z, age 27, and Mrs. Z, age 31, pregnant. Mrs. Z applies for Medicaid. Mrs. Z is employed full time. Mr. Z is not employed.

After deductions for work expenses, Mrs. Z's net income exceeds 300% of the federal poverty level. Since she is over income for MAC coverage, her application is processed for FMAP-related Medically Needy. Mr. Z is not conditionally eligible for Medicaid.

\$ 750.00	October social security
- <u>20.00</u>	General income exclusion
\$ 730.00	
- <u>483.00</u>	MNIL
\$ 247.00	Spenddown

Mrs. C no longer has ongoing eligibility. The worker calculates the spenddown for November and December. The worker notifies Mrs. C with a timely notice in October that she has been redetermined to be eligible for Medically Needy with a spenddown of \$494 for the certification period of November and December. (Mrs. C continues to be eligible for QMB.)

- Child A is under age 18 and disabled. His mother receives \$899 social security disability per month. His father earns \$1,071 per month. Child A's social security income is \$450.

Child A and Mrs. A will be on separate SSI-related Medically Needy cases.

First, determine the amount of spenddown for Mrs. A. Follow instructions in 8-E for deeming from an ineligible spouse. Child A is treated as an ineligible child in this determination. Child A's income exceeds \$367, so no income of the father can be allocated to child A. (\$367 is the maximum amount to deem to an ineligible child.)

\$ 899.00	Mrs. A's SSD income
- <u>20.00</u>	General income exclusion
\$ 879.00	Countable unearned income
\$ 1,071.00	Mr. A's earned income
- <u>65.00</u>	Work exclusion
\$ 1,006.00	
- <u>503.00</u>	½ the remainder
\$ 503.00	Countable earned income
\$ 879.00	Countable unearned income
+ <u>503.00</u>	Countable earned income
\$ 1,382.00	Total countable income
\$ 2,764.00	\$1,382.00 × 2 months
- <u>966.00</u>	\$483 × 2 months (MNIL for 2)
\$ 1,798.00	Spenddown

Second, determine eligibility for child A. Follow instructions in 8-E for deeming from an ineligible parent to an eligible child. In this situation, Mrs. A is treated as an ineligible parent, as she is not receiving SSI. Use both parents' income to determine the amount of spenddown for child A.

\$ 899.00	Mrs. A's SSD income
- 20.00	General income exclusion
\$ 879.00	Countable earned income
\$ 1,071.00	Mr. A's (father's) earned income
- 65.00	Work exclusion
\$ 1,006.00	
- 503.00	½ the remainder
\$ 503.00	Countable earned income
\$ 879.00	Countable unearned income
+ 503.00	Countable earned income
\$ 1,382.00	Total countable income
- 1,100.00	Parental exclusion
\$ 282.00	Deemed to child A
\$ 450.00	Child A's income
- 20.00	General income exclusion
\$ 430.00	Child A's countable income
+ 282.00	Income deemed from parents
\$ 712.00	Total countable income
\$ 1,424.00	\$712.00 × 2 months
- 966.00	\$483 × 2 months (MNIL for 1)
\$ 458.00	Spenddown

Households With Ineligible Spouse or Children

Legal reference: 441 IAC 75.1(35)“d”(2), 75.1(35)“e”(1)

If the household includes the SSI-related person's spouse who is not aged, blind, or disabled, determine whether the ineligible spouse is a responsible relative.

If the case does not include children, deem income from the ineligible spouse to the SSI-related person. Do the deeming on form 470-2341, *SSI-Related (No Children) Medically Needy Spenddown Computation Worksheet*. If the ineligible spouse does not have income to deem, the ineligible spouse is not a responsible relative for Medically Needy. Use the MNIL for a one-member household.

If the income of the ineligible spouse is deemed to the eligible spouse, use the MNIL for a two-member household. The ineligible spouse is a responsible relative on the Medically Needy case. Use the ineligible spouse's medical bills to meet spenddown.

If the household includes children, use form 470-2626, *SSI-Related (Children in Household) Medically Needy Spenddown Computation Worksheet*. First, deem income from the ineligible spouse's income to meet the needs of each child. Calculate the needs of each child at \$367 minus any income of the child. Then determine if there is income from the ineligible spouse to deem to the eligible spouse.

If there is income to deem, use the MNIL for a two-member household. The ineligible spouse is a responsible relative on the Medically Needy case. The ineligible spouse's medical bills can be used to meet the spenddown.

If the ineligible spouse does not have income to deem to the eligible spouse, the ineligible spouse is not a responsible relative for Medically Needy. Use the MNIL for a one-member household.

Examine the case to determine if the ineligible spouse and children are eligible as an FMAP-related case. If the SSI-related person is a responsible relative on the FMAP-related case, apply FMAP policy to the person's income and resources to determine eligibility for the FMAP-related household members. See [SSI-Related, FMAP-Related Composite Households](#).

1. Household composition:

Mr. C, 70, has monthly unearned income of \$775

Mrs. C, 60, not blind or disabled; has monthly earned income of \$816

Mr. C's income exceeds SSI standards and he is requesting Medicaid eligibility through the Medically Needy program. The Medically Needy spenddown calculation is as follows:

Step 1: Determine if Mrs. C will be a responsible relative (if she would have income deemed to Mr. C). Mrs. C's gross income of \$816 exceeds \$367. Proceed with the deeming process.

Step 2: Determine how much of Mrs. C’s income to deem to Mr. C.

\$ 816.00	Mrs. C’s earned income (ineligible spouse)
- <u>65.00</u>	Work exclusion
\$ 751.00	
- <u>375.50</u>	1/2 remainder
\$ 375.50	Countable earned income available to Mr. C

Step 3: Determine Mr. C’s spenddown.

\$ 775.00	Mr. C’s unearned income
- <u>20.00</u>	General income exclusion
\$ 755.00	Mr. C’s countable income
+ <u>375.50</u>	Mrs. C’s income deemed to Mr. C
\$ 1,130.50	Total monthly countable income
\$ 2,261.00	\$1,130.50 (monthly income) × 2 months
- <u>966.00</u>	MNIL for 2 (483 × 2 months)
\$ 1,295.00	Spenddown

Therefore, Mr. C is considered a conditionally eligible person and Mrs. C is considered as a responsible relative as she deemed income to Mr. C.

2. Mr. M has applied for Medicaid. He receives \$790 social security disability benefits. Mrs. M receives unemployment insurance benefits (UIB) of \$440. They have two children, Y and Z. Each child receives \$185 social security benefits.

\$ 790.00	Unearned income of Mr. M
- <u>20.00</u>	General income exclusion
\$ 770.00	Countable unearned income

\$ 733.00	SSI benefit for one person
- <u>770.00</u>	Mr. M’s countable income
\$ 0.00	

Mr. M’s income does create ineligibility for SSI. Proceed to the deeming process for SSI-related Medically Needy:

\$ 440.00	Mrs. M’s unearned income
- 182.00	Allocation for ineligible child Y (\$367 - 185 = \$182)
- <u>182.00</u>	Allocation for ineligible child Z (\$367 - 185 = \$182)
\$ 76.00	Mrs. M’s countable unearned income

\$76 does not exceed \$367. As the income is less than \$367, there is no income available to deem to Mr. M.

Mr. M's countable income of \$770 is compared to the MNIL for a household size of one to determine the spenddown amount. Mrs. M is not a responsible relative on Mr. M's case.

SSI-Related, FMAP-Related Composite Households

Legal reference: 441 IAC 75.1(35)“d”(1), (2)

An SSI-related client is a responsible relative or considered person on the FMAP case if the client is a:

- ◆ Parent of a child on the FMAP-related case.
- ◆ Sibling of a child on the FMAP-related case.
- ◆ Child of a parent on the FMAP-related case.

This is a composite case. Treat the person's income and resources according to SSI policy on the SSI-related case. Treat the person's income and resources according to FMAP policy on the FMAP-related case.

Use the same medical bills to meet spenddown on both cases when a person is conditionally eligible on one case and a responsible relative on the other case. Use only the portion of the medical bill that will not be paid by Medicaid to meet spenddown.

1. Household composition:

Mr. B, 60, receives \$846 per month in social security disability benefits
Mrs. B, 55, receives \$1,340 gross earned income each month
Their children: Bobbie, 10, receives \$212 social security
Barbie, 9, receives \$212 social security

The B family requests Medicaid for all members. Mr. B chooses to be SSI-related, due to his verified disability. Mrs. B is an FMAP-related specified relative. Bobbie and Barbie are FMAP-related children. There are no child care costs.

This household has two cases:

- ◆ The SSI-related household consists of Mr. B (the eligible spouse) and Mrs. B (the ineligible spouse).
- ◆ The FMAP-related household consists of Mr. B (the responsible relative), Mrs. B (the specified relative), and Bobbie and Barbie (FMAP-related children).

The **SSI-related income calculation** for the B family is as follows:

To determine if Mrs. B will be a responsible relative for Mr. B's SSI-related case, determine if she would have income deemed to Mr. B following SSI policy.

\$ 1,340.00	Mrs. B's gross earnings
- 155.00	Allocation for Bobbie's unmet needs (\$367 - 212)
- 155.00	Allocation for Barbie's unmet needs (\$367 - 212)
<u>\$ 1,030.00</u>	

\$1,030 exceeds the difference of the SSI benefit rate for an eligible couple and the SSI benefit rate for an individual (\$367). Proceed to deeming calculation step. (If Mrs. B's income at this point were less than \$367, deeming would not be applicable.)

\$ 1,030.00	Mrs. B's remaining earned income
- 65.00	Work exclusion
<u>\$ 965.00</u>	
- 482.50	1/2 the remainder
<u>\$ 482.50</u>	Amount of Mrs. B's income deemed to Mr. B

\$ 846.00	Mr. B's unearned income
- 20.00	General income exclusion
<u>\$ 826.00</u>	Mr. B's countable unearned income
+ 482.50	Mrs. B's income deemed to Mr. B
<u>\$ 1,308.50</u>	

\$ 2,617.00	Income for the certification period (\$1,308.50 × 2 months)
- 966.00	MNIL for the certification period (\$483 × 2 months)
<u>\$ 1,651.00</u>	Spenddown

The MNIL is for a two-person household. Mrs. B is a responsible relative on the SSI-related case, as she deemed income to Mr. B.

The **FMAP-related income calculation** for the household is:

Unearned income:

\$ 846.00	Mr. B's social security disability
+ 212.00	Bobbie's social security
+ <u>212.00</u>	Barbie's social security
\$ 1,270.00	

Earned income:

\$ 1,340.00	Mrs. B's gross earnings
- <u>268.00</u>	20% earned income deduction
\$ 1,072.00	Countable earned income

Total income:

\$ 1,270.00	Total unearned income
+ <u>1,072.00</u>	Countable earned income
\$ 2,342.00	Total countable income
\$ 4,684.00	Income for the certification period ($\$2,342 \times 2$ months)
- <u>1,332.00</u>	MNIL for the certification period ($\$666 \times 2$ months)
\$ 3,352.00	Spenddown

MNIL is for a four-person household. Mr. B is a responsible relative on the FMAP-related case. Spenddowns for the family in Example 1 are:

\$1,651 for the SSI-related Medically Needy case.
\$3,352 for the FMAP-related Medically Needy case.

Note: Bobbie and Barbie are eligible for MAC and are considered people on the FMAP-related case.

2. Mr. B from Example 1 has ongoing medical expenses of \$2,500 per month.

The worker advises the Bs to have two cases: SSI-related and FMAP-related. With an SSI-related case, Mr. B will have \$837 of his medical expenses paid after he meets the spenddown. The FMAP-related case will not meet spenddown. Therefore, Mr. B would not want to be a conditionally eligible person on the FMAP-related case. (**Note:** Mr. B is a responsible relative on the FMAP-related Medically Needy case.)

3. Bobbie from Example 1 has a hospital bill of \$15,000 that occurred before the certification period and remains unpaid. This bill has not been used before to meet spenddown. Mr. B has ongoing medical expenses of \$1,250 per month.

The worker advises Mr. B to be a conditionally eligible person on the FMAP-related case for five certification periods. They would not be able to use Bobbie's old medical bill to meet spenddown on the SSI-related case.

As a conditionally eligible person on the FMAP-related Medically Needy case, Mr. B could have Medicaid pay all of the medical expenses that he incurs during the first five certification periods.

During the sixth certification period, Mr. B would need to have an SSI-related case, as he would have more medical expenses paid.

4. Mrs. B from Example 1 requires minor surgery during the certification period. For this certification period, Mr. B has only \$250 in medical expenses per month.

Since Mr. B does not have enough medical expenses to meet spenddown on an SSI-related Medically Needy case, the worker advises Mr. B to be conditionally eligible on the FMAP-related case. More medical bills would be paid for the family.

Because there are no unusual expenses expected for the B family in the next certification period, the worker advises the Bs to have both an SSI-related and an FMAP-related case.

5. Household composition:

Mr. G, 65, receives \$1,000 monthly social security

Mrs. G, 56, receives \$250 monthly social security

George, 15, is in school and receives \$250 social security

The categorical relationship of each person is:

Mr. G: SSI-related (aged)

Mrs. G: FMAP-related specified relative

George: FMAP-related child

The certification period is for May and June.

The household chooses to receive Medically Needy benefits for the SSI-related member and the FMAP-related group. This household has two cases.

SSI-related Medically Needy household:

To calculate spenddown for Mr. G, first determine if Mrs. G will be considered as a responsible relative and if any of Mrs. G's income will be deemed to Mr. G.

George's income:	\$	250.00	
Mrs. G's income:	\$	250.00	Social security
		<u>117.00</u>	George: Allocation for ineligible child (\$367 - 250)
		\$ 133.00	

\$133 is less than \$367. Therefore, Mrs. G's income is not deemed to Mr. G, and she is not a responsible relative.

\$ 1,000.00	Mr. G's social security income
<u>20.00</u>	General income exclusion
\$ 980.00	
× <u>2</u>	Months
\$ 1,960.00	
<u>966.00</u>	MNIL for a one-person household (\$483 × 2 months)
\$ 994.00	Spenddown

Mr. G is conditionally eligible for SSI-related Medically Needy. Medical expenses for Mrs. G and George are not usable in meeting the spenddown for Mr. G's Medicaid eligibility. Mrs. G and George are not coded on the ABC system as responsible relatives for the SSI-related case.

FMAP-related Medically Needy household:

The FMAP-related Medically Needy household is Mr. G, Mrs. G, and George. The household has the option of excluding George. The Gs do not exclude George.

The spenddown for the three-member FMAP-related household is calculated as follows:

Mr. G	\$	1,000.00	Responsible relative (parent)
Mrs. G	+	250.00	FMAP specified relative
George	+	<u>250.00</u>	FMAP-related child
		\$ 1,500.00	Monthly net income to be considered for spenddown
\$ 3,000			Income for two months (\$1,500 × 2)
<u>1,132</u>			MNIL for a three-person household (\$566 × 2 months)
\$ 1,868			Spenddown

Mr. G has a choice of receiving Medicaid as SSI-related or FMAP-related. In this situation, it is to Mr. G's advantage to be SSI-related. Mr. G is conditionally Medicaid-eligible on the SSI-related case.

Because Mr. G is not receiving SSI, his income must be used to determine eligibility for his child and spouse on the FMAP-related case. Therefore, he is a responsible relative on the FMAP-related case. Mrs. G is conditionally Medicaid-eligible on the FMAP-related case. George is a considered person on the Medically Needy case, as he is MAC eligible.

Mr. G has a medical bill of \$250 that occurred in January. (**Note:** The family was not certified for Medically Needy in January.) This bill remains unpaid as of May 1. This bill is applied to the spenddown for Mr. G and is also applied to the spenddown of the FMAP-related case.

Mr. G also has a \$1,000 medical bill that occurred in May. \$744 of this bill will be applied to meet his spenddown. The remaining amount of the medical bill is Medicaid-payable. Therefore, only \$744 of the \$1,000 medical bill may be applied to the spenddown of the FMAP-related case.

	SSI-related	FMAP-related
Spenddown	\$ 994.00	\$ 1,868.00
January bill	- <u>250.00</u>	- <u>250.00</u>
	\$ 744.00	\$ 1,618.00
\$1,000 May bill	- <u>744.00</u>	- <u>744.00</u>
	0.00	\$ 874.00
	Spenddown met	Spenddown not met

If Mrs. G has medical bills, she must meet the remaining spenddown amount on the FMAP-related case.

2. Mr. Z resides in a nursing facility and is Medicaid eligible. His monthly income is \$737.00 social security and \$564 IPERS. He is eligible for the 300% group (\$737.00 + 564.00 = \$1,301.00). Mrs. Z, the community spouse, has \$600.00 social security, \$200 IPERS, and the Medicare Part B premium of \$104.90 is deducted from her social security check.

Mrs. Z: Determination of unmet maintenance needs.

\$ 2,980.50	Monthly maintenance needs allowance
- 800.00	Mrs. Z's monthly gross income
\$ 2,180.50	Unmet maintenance needs

Mr. Z:

\$ 1,301.00	Total gross income
- 50.00	Personal needs
\$ 1,251.00	Amount that may be diverted to Mrs. Z.

Mrs. Z's Medically Needy determination:

\$ 600.00	Social security income
+ 200.00	IPERS income
+ 1,251.00	Mr. Z's diversion for Mrs. Z's maintenance needs
\$ 2,051.00	Total countable income
- 20.00	General income exclusion
\$ 2,031.00	Net countable income
× 2	Months
\$ 4,062.00	Two months of net countable income
- 966.00	MNIL for one for two months (\$483 × 2)
\$ 3,096.00	Spendedown
- 209.80	Medicare premium (\$104.90 × 2)
\$ 2,886.20	Final spendedown

APPLYING MEDICAL EXPENSES TO SPENDDOWN

Legal reference: 441 IAC 75.22; 75.1(35)“e”(5); 75.1(35)“f”; 75.1(35)“g”

“Spendedown” is the process in which a Medically Needy person’s excess income is obligated for allowable medical expenses in order to reduce countable income to the household’s MNIL. When incurred medical expenses have reduced income to the applicable MNIL, the conditionally eligible person becomes eligible for Medicaid for the certification period.

Submitting Medical Expenses

Legal reference: 441 IAC 75.1(35)“f”; 75.1(35)“g”(2)

Send the client a *Notice of Decision for Medically Needy* as soon as the certification period is on the ABC system. Tell clients to inform their providers that they are on Medically Needy and that the provider should:

- ◆ Send claims for Medicaid-covered services occurring in the certification period to Iowa Medicaid Enterprise (IME).
- ◆ Send all other claims to the IM worker.

Conditionally eligible clients inform their providers that they have a spenddown to meet by showing the provider their *Notice of Decision for Medically Needy* when they receive services. If services are received in the certification period before the client gets the notice of decision, the client should inform the provider of the spenddown obligation.

The provider needs either the state ID number or the social security number for the person receiving the services in order to check the Eligibility Verification System (ELVS) for billing information. ELVS notifies the provider if the client is conditionally eligible and the remaining amount of spenddown.

When the conditionally eligible person or the responsible relative receives Medicaid-covered services during the certification period, the provider completes a paper claim, electronic claim, or point-of-sale claim, and sends it to the IME.

When the state ID number is on the SSNI system for the 37-E aid type with a “P” or “S” fund code for the month of service, the IME enters the claim information into the Medically Needy subsystem. The IME notifies the provider that the claim has been denied for payment and that the claim has been submitted for spenddown consideration.

If the client asks a provider to submit a claim to be used to meet spenddown before the certification period is on both the ABC system and the Medically Needy subsystem, the claim will be denied and will not be submitted for spenddown consideration.

- ◆ The Medically Needy program does not pay for the service, although it is available under other Medicaid coverage groups. These services include:
 - Payment for care in a nursing facility or NF/MI.
 - Payment for care in a Medicare-certified skilled nursing facility.
 - Payment for care in an intermediate care facility for persons with an intellectual disability.
 - Payment for care in an institution for mental disease.
 - Payment for rehabilitative treatment services. These are specified services in the family preservation, family-centered services, family foster care treatment, and group care programs.

Prepaid Medical Coverage

Legal reference: 441 IAC 75.1(35)“g”

With a prepaid medical package, such as orthodontia or prenatal care, allow the cost of medical services that:

- ◆ Were received during the certification period, or
- ◆ Remain unpaid as of the first day of the certification period.

Exception: For orthodontia for children that would be billed under Care for Kids (EPSDT) after spenddown is met, use the prepaid amount to meet spenddown. This is allowable because EPSDT allows Medicaid prepayment at the time of banding to cover active treatment and the retainer for a 30-month period. The client must obtain prior approval for Medicaid to pay any remaining amount. The client should pursue the prior approval immediately (before the spenddown is met).

1. The orthodontist requires a prepayment for braces of \$2,000. The orthodontist received prior approval for the braces from the IME. The prepayment is due May 1. Mrs. X, age 28, pays the \$2,000 on May 1. Mrs. X receives \$200 in dental services for the month of May and \$150 for the month of June.

The worker allows only \$350 to meet the spenddown for the May-June certification period. The remaining \$1,650 that was paid is not allowed as a deduction in any certification period, as it does not represent an obligation for medical services received. The remaining medical services have been prepaid.

Medical Expenses Paid by a State Public Program

Legal reference: 441 IAC 75.1(35)“g”(2), (4)

Use incurred medical expenses paid **in a certification period** by a state public program (other than Medicaid) to meet spenddown. If a medical expense was paid **before** the certification period by a public program, do not allow it as a spenddown deduction.

A state public program is a program administered by the state or financed by state appropriations (including a political subdivision). A state public program does not receive any federal funding. Examples of state public programs are:

- ◆ Veteran’s Assistance (soldier’s relief).
- ◆ General Relief.
- ◆ Renal programs.
- ◆ AIDS/HIV health insurance premium payment program.
- ◆ State Public Health Nursing Grant.
- ◆ County nurses.
- ◆ State payment program for MH/ID/DD state cases.

Treat payments made by these programs the same as patient payments. The payment reduces the obligated medical expense when it is made before the certification period. Disregard payments when they are made within the certification period.

Mr. A’s certification period is October 1 through November 30. The spenddown is \$50. Mr. A verifies that he incurred a \$50 physician bill on September 15. General Relief paid the \$50 medical expense for Mr. A on October 1.

The General Relief payment is disregarded because it occurred during the certification period. The entire physician expense is applied towards spenddown. When the spenddown is met on the Medically Needy subsystem, Mr. A is issued a Notice of Spenddown Status (NOSS).

Medical expenses written off by a medical facility as part of its Hill-Burton commitment apply to spenddown when this was done in the certification period. Determine through discussion with the client or provider if Hill-Burton assistance was granted.

Expenses Paid by Insurance or Third Party

Legal reference: 441 IAC 75.1(35)“f,” 75.1(35)“g”

When the client has other health insurance coverage and either the provider or the IM worker submits a claim to the IME, the claim must reflect the third-party insurance information and payment, when applicable. The IME will deny payment on claims that do not reflect this information.

It is not your responsibility to make sure the claims carry insurance information. Forward the claim to the IME as submitted. The IME will make a determination regarding third-party insurance involvement.

See the following sections for more information on:

- ◆ [Clients who have Medicare and QMB](#)
- ◆ [Estimating Medicare Part A payments](#)
- ◆ [Estimating Medicare Part B payments](#)
- ◆ [Changes or corrections to insurance payments](#)

Clients Who Have Medicare and QMB

Legal reference: 441 IAC 75.1(35)“g,” 75.52(5)

If the client has Medicare and is also eligible for QMB, do not use Medicare claims to meet the spenddown. QMB pays Medicare premiums, deductibles, and coinsurances. The provider will submit the claim to Medicare for payment. Medicare crosses the claim over to Medicaid for payment.

Medicare Part A Payments

Legal reference: 441 IAC 75.1(35)“g,” 75.52(5)

If the client has Medicare coverage and is not eligible for QMB, the client may need to meet the Medicare Part A deductible of \$1,260. If the deductible has not been met, the Medicare Part A deductible is used to meet the spenddown.

The provider submits the claim to Medicare for payment. Medicare sends the claim to Medicaid for payment of the deductible amount. This is called “crossover” from Medicare to Medicaid.

The provider submits the claim to Medicare for payment. Medicare submits the claim to Medicaid for payment of the deductible amount or copayment amount. This is called a “crossover” from Medicare to Medicaid. The IME submits the claim to the Medically Needy subsystem for spenddown consideration if the client has a copayment or deductible to pay.

Changes or Corrections on Payments

Legal reference: 441 IAC 75.1(35)“g”

Make changes or corrections when there is a change in insurance coverage.

If the client verifies that the client no longer has Medicare, complete form 470-0397, *Request for Special Update*, and send it to Quality Assurance.

If the client no longer has insurance, complete an *Insurance Questionnaire* and indicate the date insurance was terminated. Send the *Insurance Questionnaire* to the IME Third Party Liability (TPL) Unit. A special update is not required if the date the insurance terminated is on the *Insurance Questionnaire*.

Do not send the claim and *Medically Needy Transmittal* unless the SIQ has been sent to the IME TPL Unit. Indicate on the *Medically Needy Transmittal* that the client no longer has insurance and that the SIQ has been sent. The address of the IME TPL Unit is P.O. Box 36475, Des Moines, IA 50315. The TPL Unit fax number is (515) 725-1352.

Order of Deducting Expenses for Spenddown

Legal reference: 441 IAC 75.22 (249A); 75.1(35)“f”; 75.1(35)“g”

To meet spenddown, deduct medical expenses in the following order:

1. Health insurance premiums. (These are deducted when calculating the spenddown.)
2. Deductibles, coinsurance, or Medicaid copayments, if they remain unpaid.
3. Expenses for necessary medical and remedial services **not covered** under the Medicaid program chronologically by date of submission. (See [Noncovered Medicaid Services](#).)