

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.050	Chapter: Medically Needy Spend Down

MEDICALLY NEEDED SPEND DOWN

Legal Authority: 42 CFR 435.4; 42 CFR 435.301; 42 CFR 435.308; 42 CFR 435.602; 42 CFR 435.603; 42 CFR 435.831; TCA 49-4-902(18) and (29)

1. Policy Statement

Federal regulations provide that otherwise eligible individuals with net income greater than the Medically Needy Income Standard (MNIS) may achieve TennCare Medicaid eligibility if the applicant and his or her financially responsible relatives spend down the amount of the excess income on a monthly basis for medical expenses. Excess monthly income is the difference between total net income and the MNIS based on household size.

2. Spend Down Period

The spend down period is the month of application and the 3 preceding months.

3. Incurred Medical Expenses

a. New Applicants

Applicants may use the following medical and remedial expenses to satisfy the spend down requirement:

- Expenses incurred during the month of application, whether paid or unpaid;
- Expenses paid during the month of application, regardless of when such bills were incurred (only count the portion paid); and/or
 - Expenses incurred during the 3 calendar months prior to the month of application, whether paid or unpaid.

b. Individuals with Continuous Medically Needy Eligibility

Medically Needy enrollees must continue to meet the spend down requirement at redetermination, if household income remains over the MNIS. Current Medically Needy individuals may use the following medical and remedial expenses to meet a Spend Down requirement:

- Expenses incurred during the month of application, whether paid or unpaid;
- Expenses paid during the month of application, regardless when such bills were incurred (only count the portion paid); and/or
- Expenses incurred during the 3 calendar months prior to the date of application, whether paid or unpaid.

Expenses paid during the 3 calendar months prior to the month of application will not be counted unless bills were also incurred during those calendar months.

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Any expenses incurred before the 3 calendar months prior to the month of application will not be counted unless:

- Payment is made on those expenses during the month of application, and only the amount paid during the month of application is counted; or
- All of the following carryover conditions are met:
 - The expenses were previously verified in order to meet spend down criteria;
 - The individual has remained continuously eligible in a medically needy category since that time;
 - The individual has met a spend down during each period of eligibility in order to qualify; and
 - The expenses remain unpaid and have not been written off by a provider.

4. Whose Expenses May be Counted

Medical expenses that are incurred or paid within the spend down period for the following individuals may be used to meet the spend down requirement:

- The applicant;
- Members of the applicant's household;
- The applicant's FRRs or anyone for whom the applicant is financially responsible; and
- Individuals not living in the home or eligible for inclusion if a household member or their FRR is legally obligated to pay their medical expenses. This could include old bills of a child now over the age of 21 or bills a parent is obligated to pay due to a child support order. This may also include medical bills of an individual who is now deceased.

5. Allowable Expenses

a. General Rule

Allowable medical and remedial expenses include expenses that are incurred within the spend down period or payments made on medical bills during the application month regardless of when the bill was incurred. Allowable expenses are those for which the individual is still liable and that are:

- For medical or remedial care, including over the counter;
- Verifiable and for which the individual provides substantiation;
- Incurred by eligible individuals and are the legal responsibility of a household member and not subject to payment in full or part by a third party;
- Recognized under state law but not covered under the state's TennCare Medicaid plan or waiver (continuously eligible individuals); and/or
- Covered under TennCare Medicaid but incurred during the spend down period (new applicants).

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Note: Medical expenses that will be covered by TennCare Medicaid during an eligible period are not allowable expenses.

b. Allowable Medical Expenses

The following are types of medical expenses considered Allowable Medical Expenses for the Medically Needy categories:

- **Acupuncture services**
- **Bed hold at a Long Term Care Facility (Medicaid rate)**
- **Dental expenses**
- **Doctor's fees** - Practitioners and others providing medical services, physicians, surgeons, dentists, optometrists, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, and Christian Science providers.
- **Drugs prescribed by a physician (prior to TennCare eligibility)** - Medicines and drugs prescribed by a doctor incurred prior to establishing TennCare Medicaid eligibility and which remained unpaid or paid in the month under consideration (i.e., Spend Down month).
- **Guide dogs** - Guide dogs for the blind or deaf and the costs of their maintenance.
- **Hospital charges**
- **Medical care charges included in tuition costs** - Charges for medical care included in the tuition fee of a college or private school which is paid on a monthly basis, provided that a breakdown of the charges is included in the bill or is furnished separately by the institution.
- **Nursing home costs**
- **Nursing services** - Nursing services include nursing care in a client's home, if for the purpose of treatment or alleviation of a physical, mental, or emotional disorder and ordered by a physician. The care needed must be medical, e.g., administering medication or therapy. Cost of services solely domestic in nature, such as, the preparation of meals and the performance of housework is not deductible.
- **Organ transplant expenses**
- **Prosthetic devises** – Artificial teeth, limbs, hearing aids and component parts, eyeglasses and crutches.
- **Psychiatric care** - Psychiatric care primarily for alleviating a mental illness or defect; the cost of maintaining a mentally ill individual at a specially equipped medical center where the individual receives continual medical care.
- **Special education for handicapped** - Special school for mentally or physically handicapped individuals if for the alleviation of handicap. Example: The costs of sending a blind child to school to learn Braille, or a deaf child to lip-reading classes, are medical expenses. The costs of meals and lodging, if supplied by the institution, and/or ordinary education furnished incidental to the special services are medical expenses.

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- **Substance abuse treatment** - Treatment at a therapeutic center for drug addicts or alcoholics, including meals and lodging furnished as a necessary incident to the treatment.
- **Transportation for medical/remedial purposes** - Transportation essential to medical care, e.g., bus, taxi, train, or plane fares, and 47 cents for each mile that the client's car is used for medical purposes, in addition to parking fees and tolls.
- **Over the counter (non-prescription) medicine** - Over-the-counter (non-prescription) medicine. Deduct up to \$10 per month for these expenses without verification, using only the client's statement. All of these expenses must be verified if the amount is more than \$10 per month.

Expenses may be allowed if payment is made by a public program of a state or political subdivision that is other than a TennCare Medicaid program and there is cost for the service. Free service to the public cannot be deducted.

Medical expenses related to maternity care (e.g., global fee) are considered incurred the month the physician presents a bill once services have begun (i.e., initial examination by the physician at a minimum). All other medical expenses are considered incurred the date the service is provided.

New bills, if incurred within the spend down period, are deductible for the period in which they are incurred whether or not they have been paid with loan proceeds or a credit card. No carryover expense will be allowed at the next spend down review because the bill has been paid in full. The loan or credit card payments are not allowed as a medical expense at the next review.

If spend down is not met by the medical bills presented at application or redetermination, the daily countable medical expenses incurred during the application month will be added until spend down liability is reached. Use only the portion of the medical expense that is necessary to meet spend down. Document medical expense information clearly in the case notes, including:

- The name of the provider;
- The account number;
- The date of the service;
- The amount of the bill;
- How much was used for the current spend down; and
- How much of the bill remains for future spend down use (carryover).

c. **Non-Allowable Expenses**

The following incurred expenses cannot be deducted from income in order to meet the spend down requirement:

- Expenses incurred prior to the individual becoming eligible for TennCare Medicaid or in a prior period for charges that have been written off as uncollectible or have been forgiven by the provider;

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- Expenses that are covered by the State’s TennCare Medicaid plan and are incurred during a period of eligibility:
 - Costs incurred during a period of TennCare eligibility due to co-pays or services not covered such as dental, hearing and eye care for adults are allowable as a medical expense.
 - Bills incurred during TennCare eligibility which are subject to TennCare reimbursement are not considered outstanding for subsequent spend down periods even if not paid by TennCare.

d. Medical/Health Insurance Premiums

Health insurance premiums may be deducted as a spend down expense only when payment is due, even if paid in another month. Premiums are deducted for health insurance that share the following characteristics:

- It is reported to HCFA as a third party medical resource;
- Benefits are assignable and the eligible individual has agreed to assign them to the state; and
- The premiums are paid by the eligible individual, not a third party.

Note: The State pays the Medicare premiums for individuals eligible for SSI, Pickle/Pass Along, Disabled Adult Child (DAC) and Widow/Widower coverage. Do not deduct Medicare premiums for individuals in a household who are approved as Qualified Medicare Beneficiary (QMB), Special Low-Income Medicare Beneficiary (SLMB) or Qualifying Individual (QI).

e. Third Party Payments

If a medical expense is subject to partial payment by a third party, include only the portion for which the individual is liable in the determination of total incurred medical expenses.

Always verify, if possible, the reimbursement or medical expense by third parties before allowing a deduction. If verification of the reimbursement cannot be obtained within time limit constraints (application or change report processing period), determine from the third party the:

- Type of expense it will cover;
- Rate or percentage or anticipate amount of reimbursement; and
- Anticipated date of reimbursement.

If all possible efforts have been made and verification cannot be obtained about third party payment, allow the portion of the expense the individual/household states they are responsible for.

f. Budgeting Medical Expenses and Carryover

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Regular recurring medical expenses (i.e., insurance premiums or installment payments) are counted as incurred on the date of application.

Only the portion of the medical expense that is necessary to meet spend down will be used.

Any remaining medical expenses to carryover for the next spend down period will be used if still owed or paid during the spend down reapplication month in question.

When carrying over unused medical expenses for use in another spend down period, do not allow any amount that HCFA or a third party will pay.