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TO: Local Commissioners, Medicaid Directors

FROM: Betty Rice, Director
Division of Consumer and Local District Relations

SUBJECT: Consumer Price Index Error - Medicaid Implications

EFFECTIVE DATE: August 2001

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This message is to inform social services districts of how the Medicaid program will treat retroactive lump sum payments and adjustments made by the Social Security Administration (SSA) as a result of a Consumer Price Index (CPI) error for calendar year 1999.

The Bureau of Labor Statistics announced a software error in the computation of the CPI for calendar year 1999. The SSA uses the CPI to calculate annual cost of living adjustments (COLAs) in benefit levels for Old Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI). As a result of the CPI error, the December 1999 COLA percentage was 0.1 percentage point below what it would have been if the error had not occurred (2.4 percent instead of 2.5 percent). The COLAs for 2000 and 2001 were not affected by the error.

Many recipients of SSA/SSI benefits have received lower payments due to the CPI error. The shortfall for many affected recipients is \$1 per month. The shortfall would continue unless an adjustment is made. Therefore, SSA will adjust monthly benefits for August 2001 so that there will not be any future shortfalls in benefit levels. In addition, a single lump-sum payment will be made to compensate for shortfalls that have occurred for months prior to the adjustment.

The following instructions should be followed for Medicaid applicants/recipients (A/Rs) affected by the CPI error.

SSA Benefits:

1. Individuals Who Receive a Retroactive Lump-Sum Payment. For all Medicaid applicants/recipients who receive a retroactive lump-sum

payment, the payment is not to be considered countable income in the month received. For SSI-related A/Rs, any portion of the payment retained beyond the month of receipt is exempt as a resource for six months.

2. Increase in Monthly Benefit Payments Effective August 2001. The Department is unable to duplicate the computations that SSA is using to correct the shortfall in benefit levels. Therefore, for all Medicaid recipients, SSA increases are to be budgeted at next client contact or following the November MBL Mass Rebudgeting, whichever occurs first. This applies to community cases as well as chronic care cases.

It should be noted that in cases where SSA increases are not updated on MBL prior to the November MBL Mass Rebudgeting, the increases for January 1, 2002 will be calculated based on the SSA benefit amount received prior to the August 2001 adjustment. As a result, the benefit amounts calculated during MASS rebudgeting will be slightly below the actual benefit amounts received. When social services districts verify the actual amount of SSA income received effective January 1, 2002, adjustments will be required to be made to the SSA amount on MBL. For undercare chronic care cases, social services districts will make prospective NAMI adjustments to account for the August 2001 SSA increase and any increase resulting from the January 1, 2002 increase that was understated as a result of Mass Rebudgeting.

For all new Medicaid applications, social services districts are to use the actual amount of SSA income received in determining eligibility.

SSI Benefit Levels:

1. Individuals Residing in a Congregate Care Level I, II or III Facility. Effective August 1, 2001, SSA will adjust the Federal Benefit Rate (FBR) for single individuals to \$531. This adjustment will increase the SSI benefit level for single individuals by \$1. For individuals who enter a Congregate Care facility on or after August 1, 2001, the increased SSI benefit level is to be used to determine eligibility for Medicaid. MBL support will be available in August. Undercare cases must be rebudgeted at next client contact or following the November MBL Mass Rebudgeting, whichever occurs first.

Although the couple FBR is not affected by the CPI error, Congregate

Care Level I, II and III rates for a couple are being increased by \$2 to reflect the increase in the SSI benefit level for an individual. Congregate Care rates for a couple are two times the corresponding level for an individual.

2. Disabled Adult Children (DACs). Effective for MBL budgets (Budget Type 04) with a From Date of August 1, 2001 or after, the increased SSI benefit level for a single individual will be used to calculate an individual's Medicaid eligibility under the DAC provision. Undercare cases must be rebudgeted at next client contact or following the November MBL Mass rebudgeting, whichever occurs first.
3. SSI-related Budgets For Disabled Children. In determining eligibility for a SSI-related child, the allocation amount to a single parent is the FBR for an individual. Due to the August 2001 FBR adjustment, the parental allocation amount for single parents will increase. Effective for MBL budgets with an effective From Date of August 1, 2001 or later, the correct allocation amount (\$531) will be used to calculate an SSI-related child's Medicaid eligibility. Undercare cases involving an SSI-related child residing with a single parent should be reviewed at next client contact or following the November MBL Mass Rebudgeting, which ever occurs first.

If social services districts have any questions concerning this message, they should contact their Local District Support representative.