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Description: Excess income or "spenddown" is available net income in excess of an individual's Medicaid level or standard. When determining Medicaid eligibility for A/Rs who are SSI-related, ADC-related, under age 21 or pregnant, any available monthly income in excess of the Medically Needy Level or Medicaid Standard whichever is higher is considered available to meet the cost of medical care and services.

Policy: When the available income of the A/R is greater than the Medically Needy Level or Medicaid Standard whichever is higher, the excess is considered available to meet the cost of medical care and services. In order to become eligible for Medicaid, ADC-related, SSI-related, under age 21 or pregnant A/R(s) either:

- pay or incur medical expenses equal to or greater than their excess income; or
- pay the amount of the excess income directly to a local district.

There are two types of **Medicaid Coverage** available under the Excess Income Program:

- **Outpatient Coverage**- Provided to an A/R who meets his/her spenddown on a monthly basis.
- **Inpatient and Outpatient Coverage**- Provided to an A/R who meets a six-month excess.

To meet either the one or six-month excess, the A/R must demonstrate that he/she has either paid or incurred the amount of the excess income toward a medical need (met the excess income). This is done by submitting paid or incurred medical bills or by paying the excess amount to the LDSS.

The amount and type of the medical bill(s) submitted by the A/R determines the length of time for which the Medicaid coverage (either outpatient only, or inpatient and outpatient coverage) is granted.

In determining an individual's eligibility, local districts use accounting periods:

- Accounting Period- a period of time from one to six months, over which medical bills are applied to excess income;

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- First Prospective Period- the first accounting period that includes the month of application;
    - o Medical expenses paid in the retro period that exceed the A/R's excess income may be carried forward into the first prospective period;
- Current Period- an accounting period that occurs after the first prospective period.

There are a variety of factors that affect the ability to apply/use bills in the eligibility determination including: timeframes, paid vs. unpaid bills (viability), the type of bill, the prioritization of the bill and the accounting period.

In addition to other medical bills, not paid by the A/R, bills that are paid by a public program of the State (such as EPIC or ADAP) or its political subdivisions may be used to meet an A/R's excess income liability.

A/Rs who meet their excess income must spenddown to the appropriate Medically Needy Income Level or Medicaid Standard whichever is higher. A/Rs are not permitted in any instance to spenddown income to the Federal Poverty Levels. This includes applicants applying for coverage under the Medicaid Buy-In Program for Working People with Disabilities (MBI-WPD).

A/Rs with income in excess of the applicable Family Health Plus (FHPlus) standard cannot meet their excess to attain FHPlus eligibility. Applicants who are ADC-related, SSI-related, under age 21 or pregnant who have medical expenses which would allow them to meet their excess to obtain coverage under Medicaid, and who are eligible for FHPlus, complete an application and enrollment form, and are given the choice of participating in either in the Medicaid Spenddown Program or FHPlus. Persons eligible for both Medicaid spenddown and FHPlus are informed of the differences in services provided by each program and all the Medicaid requirements.

References:

SSL Sect.	366(1)(a)(12) & (13) 366 (2)(b) 369-ee
Dept. Reg.	360-4.8
ADMs	04 OMM/ADM-5

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03 OMM/ADM-4
01 OMM/ADM-6
96 ADM-15
91 ADM-11
87 ADM-4

Interpretation: A/Rs who meet their excess income on a monthly basis are eligible for Outpatient Coverage only. A/Rs who meet a six month excess are eligible for both Inpatient and Outpatient coverage. Any A/R with excess income requesting coverage of an inpatient bill must first meet a six month excess.

The use of medical expenses to offset excess income is known as "spenddown". The direct payment of excess income to the local district is known as "Pay-In".

A/Rs who can participate in the Excess Income Program include:

- Individuals who are in a federally participating category (SSI-related, ADC-related or a child under the age of 21) and are also eligible under the appropriate Medicaid Resource Level.

NOTE: Individuals eligible to participate in the Excess Income Program who also have excess resources may spenddown their excess resources (See **RESOURCES** EXCESS RESOURCES). Bills must be applied to excess resources first. Any remaining bills or portions of bills may then be used to reduce excess income.

When the income of a legally responsible relative is counted in the eligibility determination process, medical expenses, which are the legal responsibility of the relative, may also be used to offset any excess income of the applicant. Such expenses may include the medical expenses of the legally responsible relative as well as medical expenses of other family members for whom such relative is legally responsible.

Excess Income or Spenddown is met by:

Showing the LDSS either a paid bill or an incurred bill.

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Types of bills that can be used to meet the Excess/Spenddown:

a) Medicare and other health insurance deductibles or other coinsurance charges;
b) Necessary medical and remedial services that are recognized under State law but are not covered by Medicaid, e.g. chiropractic care; and
c) Necessary medical and remedial services that are covered under the Medicaid Program (See **REFERENCE** MEDICAID COVERED SERVICES).

Such expenses include:

- Medical Expenses
- Medical Transportation
- Prescription Drugs
- Surgical Supplies/Medical Equipment/Prosthetic Devices
- Non-Participating Provider Services (Once Medicaid coverage is authorized, the recipient MUST receive services from Medicaid providers in order for the Medicaid payment to be made. Credit or refunds will NOT be provided for covered services rendered to the recipient by non-participating providers.)
- Over-the-counter drugs when ordered by a physician
- Medical expenses paid/incurred by a public program, e.g. ADAP and EPIC
- Copays
- Non-covered services
- Medical expenses for an individual for whom the A/R is legally responsible
- Medical expenses from a legally responsible relative whose income is available to the A/R

When the A/R presents a combination of bills, the local district uses its judgment in selecting the most appropriate alternatives in order to satisfy program requirements.

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A Prioritization/Hierarchy is applied to bills when evaluating the spenddown:

- Bills not payable by the Medicaid Program such as:
  - Paid bills- Bills paid in the pre-retroactive period (the period prior to the first day of the third month prior to the month of application) cannot be used to grant eligibility.

    Paid expenses are "anchored"/deducted from the income in the accounting period in which it is paid. Exception: An exception is made for expenses incurred and paid in the three-month retroactive period. When no part of the retroactive period is included in the first prospective accounting period, expenses incurred and paid during the retroactive period, which have not been used previously to establish eligibility can be deducted from income in the first prospective accounting period.

    Credit for paid bills may be carried forward for no more than six months, or until there is a break in coverage.
  - Non-covered services
  - Non-participating providers
  - Medical Expenses from a legally responsible relative whose income is available to the A/R
  - Co-pays
- Unpaid medical bills
  - Must be viable (the provider continues to seek payment and has not "written-off" the expense) and not previously used to establish eligibility.
  - Credit can be given in a subsequent accounting period if the individual's liability is met in an accounting period without deducting all incurred, unpaid expenses and the bill is NOT payable by the Medicaid program.

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- o Unpaid bills may be carried forward until there is a break in coverage.
- o Unpaid bills from both the retroactive and pre-retroactive periods can be used to grant eligibility

- Medical bills payable by Medicaid.

NOTE: An expense paid or incurred by a public program can be used to provide no more than six months of Medicaid coverage at a time.

The following subjects are covered in this section:

- Six-month; and
- Pay-In.