

MEDICALLY NEEDED SPENDDOWN

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

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 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 Eligibility Determination Group (EDG) size.

2. Spenddown Period

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

3. Incurred Medical Expenses

The following medical and remedial expenses may be used to satisfy the spenddown requirement:

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

4. Continuous Medically Needy Eligibility

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

- a. Expenses incurred during the month of application, whether paid or unpaid;
- b. Expenses paid during the month of application, regardless of when such bills were incurred (only count the portion paid);

- c. Expenses incurred during the 3 calendar months prior to the date of application, whether paid or unpaid; and
- d. Expenses incurred before the 3 calendar months prior to the month of application, only if:
 - i. Payment is made on those expenses during the month of application, and only the amount paid during the month of application is counted; or
 - ii. All of the following carry forward conditions are met:
 - 1. The expenses were previously verified in order to meet spenddown criteria;
 - 2. The individual has remained continuously eligible in a medically needy category since that time;
 - 3. The individual has met a spenddown during each period of eligibility in order to qualify; and
 - 4. The expenses remain unpaid and have not been written off by a provider.

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.

5. Whose Expenses May be Counted

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

- a. The applicant;
- b. Members of the applicant's EDG;
- c. The applicant's FRRs or anyone for whom the applicant is financially responsible; and
- d. Individuals not living in the home or eligible for inclusion if an EDG 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.

6. Allowable Expenses

a. General Rule

Allowable medical and remedial expenses include verified expenses that are incurred within the spenddown 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:

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

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:

- i. **Acupuncture services**
- ii. **Bed hold at a Long Term Care Facility (Medicaid rate)**
- iii. **Dental expenses**
- iv. **Doctor's fees** - Practitioners and others providing medical services, physicians, surgeons, dentists, optometrists, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, and Christian Science providers.
- v. **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., spenddown month).
- vi. **Guide dogs** - Guide dogs for the blind or deaf and the costs of their maintenance.
- vii. **Hospital charges**
- viii. **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.
- ix. **Nursing home costs**
- x. **Nursing services** - Nursing services include nursing care in an individual's home, if for the purpose of treatment or alleviation of a physical, mental, or emotional disorder and ordered by a provider acting within the provider's scope of practice. 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.
- xi. **Organ transplant expenses**
- xii. **Prosthetic devices** - Artificial teeth, limbs, hearing aids and component parts, eyeglasses and crutches.

- xiii. 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.
- xiv. 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.
- xv. 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.
- xvi. Transportation for medical/remedial purposes** - Transportation essential to medical care, e.g., bus, taxi, train, or plane fares, and 70 cents for each mile that the individual's car is used for medical purposes, in addition to parking fees and tolls.
- xvii. Over the counter (non-prescription) medicine** - Deduct up to \$10 per month for over-the-counter (non-prescription) medicine without verification, using only the individual'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 Medicaid program and there is a 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 spenddown 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 carry forward expense will be allowed at the next spenddown 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 spenddown 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 spenddown liability is reached. Use only the portion of the medical expense that is necessary to meet spenddown.

c. Non-Allowable Expenses

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

- i.** 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;
- ii.** Expenses that are covered by the State's TennCare Medicaid plan and are incurred during a period of eligibility;

1. 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.
2. Bills incurred during TennCare eligibility which are subject to TennCare reimbursement are not considered outstanding for subsequent spenddown periods even if not paid by TennCare.

d. Medical/Health Insurance Premiums

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

- i. It is reported to TennCare as a third party medical resource;
- ii. Benefits are assignable and the eligible individual has agreed to assign them to the state; and
- iii. 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 the EDG 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:

- i. Type of expense it will cover;
- ii. Rate or percentage or anticipate amount of reimbursement; and
- iii. 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/EDG states they are responsible for.

f. Budgeting Medical Expenses and Carry Forward

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 spenddown will be used.

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

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

g. Carry Forward Example

Ms. Smith, a pregnant woman, and her 1 year old child apply for coverage. Ms. Smith has no unearned income. Her Net Countable Earned Income is \$5,000. Ms. Smith pays \$400 per week for childcare. She has \$50,000 of incurred allowable medical expenses.

Ms. Smith’s Net Countable Income is over the MNIS for an EDG size of 3. A spenddown of her allowable medical expenses of \$4,393 is applied. She will have a Future Carry Forward Amount of \$45,607 that will be considered when her eligibility is reassessed.

Spenddown Budget Calculation		
Total Net Countable Income (after allowable budget deductions)		\$ 4,710.00
Income Limit	-	\$ 317.00
Spenddown	=	\$ 4,393.00
Current Year’s Medical Expenses	-	\$ 50,000.00
Previous Year’s Carry Forward Amount	+	\$ 0.00
Total Medical Expenses	=	\$ 50,000.00
Remaining Spenddown Needed	=	\$ 0.00
Future Carry Forward Amount	=	\$ 45,607.00

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Version History

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