Medicaid Spend-Down Program

WHAT IS THE MEDICAID SPEND-DOWN PROGRAM?

The Medicaid Spend-down Program is a New York State program that allows certain individuals who fit within the federal categories of Medicaid (see MFY Fact Sheet on Medicaid) to qualify for Medicaid coverage even though they receive income in excess of eligibility requirements. Spend-down is another term for deductible; it acts like an insurance premium that the individual must pay (or incur the cost of) before Medicaid will pay.

HOW IS IT CALCULATED?

Medicaid uses a formula that takes into account income and resources. Simply put, Medicaid will subtract from your income the allowable amount of income, and will apply certain deductions and income disregards. Each eligibility group has different types of income disregards. The surplus becomes the spend-down amount. Upon acceptance, an applicant will receive a letter indicating Medicaid approval "with a spend-down." The individual must pay for or incur medical expenses equal to his/her monthly spend-down before Medicaid will cover additional medical care expenses in the month.

WHO IS ELIGIBLE FOR THE PROGRAM?

To qualify for the Medicaid Spend-down Program you must meet the income and resource levels of your category, and be age 65 or older, blind, disabled, under 21 or be a parent living in a family with minor children.

> **Note**: Single adults and childless couples are ineligible for the spend-down program.

Residency: You must be a citizen of the United States or a lawful permanent resident and a resident of New York State

HOW IS THE EXCESS INCOME SPENT-DOWN?

There are two different ways an individual may spend-down the spend-down amount. One is through the "Medical Bills System" and the other is through a "Pay-In Program."

MEDICAL BILLS SYSTEM

Overview: This is similar to the insurance deductible example. Once an individual incurs a medical expense equal to his/her spend-down amount in any particular month, Medicaid will cover any additional medical expenses for that calendar month. The amount may be incurred or be paid for by the individual. At this point, Medicaid will pay subsequent medical bills.

Process:
Recipient: The Medicaid recipient will submit in person or via mail paid or unpaid medical bills equal to or greater than his/her monthly spend-down to the local Medicaid office. The bills must be current, meaning dated in that specific month (there is an exception – see below). A good practice tip is to submit the bills with the "Notice of Acceptance" and the "Budget Explanation" – the two forms received upon approval of Medicaid. Doing so will eliminate any confusion if several months have passed since the recipient's Medicaid was last triggered.

Note: The "current bill" exception involves the concept of viability. Medicaid will allow a recipient to use older unpaid medical bills during the current month if it is "viable," that is the initial provider of the medical service re-bills the Medicaid recipient using the current month's date.

Applicant: If an applicant can establish Medicaid eligibility for the prior three months, then he or she may submit previous medical bills up to three months old at the time of application for Medicaid. How Medicaid treats these bills depends on whether they are paid or unpaid and from a Medicaid provider or non-Medicaid provider. If bills are paid, and from a Medicaid or non-Medicaid provider, then only those bills more than the spend-down amount will be credited to the months of eligibility (remember the credit includes the portion of the paid bill above the spend-down). If bills are unpaid, from a Medicaid provider, and the spend-down amount is met, then Medicaid will cover the amount over the spend-down. If bills are unpaid and from a non-Medicaid provider then the total amount of the bills will be credited toward the first month of eligibility and any successive months going forward. Unlike the prior example, Medicaid will not pay a non-Medicaid provider. Applicants may make older unpaid bills viable.

Type of Bills: Bills must be for medical expenses and not items like rent or food. Some medical bill examples include health insurance premiums, doctor bills, mental health bills, prescription drugs, eyeglasses, over-the-counter drugs, dental care and home health care.

PAY-IN PROGRAM

Overview: The Pay-in Program acts like an insurance premium. An individual pays a monthly premium (the spend-down amount) in order to be covered by Medicaid. This payment occurs in advance of any medical expenditure. Medicaid, in turn, covers all Medicaid-covered bills for the month. This program is preferable where the Medicaid recipient knows that he or she has recurring monthly medical expenses over the spend-down amount.

Process: In order to participate in this Program, the Medicaid recipient must complete an "Agreement to Participate in the Medicaid Pay-In Program." This form must be mailed the first time payment is made to the Division of Accounts Receivable and Billing (DARB), not the local Medicaid office. Accompanying this document should be the "Single Item Collection" form which must be completed, indicating the months Medicaid coverage is requested, each time a payment is made. Once DARB receives payment, Medicaid is notified and coverage activated. It is highly recommended that individuals pay no later than the 15th of the prior month that coverage is desired, in the prepaid envelopes from Medicaid.

Tip: Make sure to obtain enough copies of the "Single Item Collection" form from Medicaid since they are not automatically mailed out each month.

Types of Services: Individuals may only receive services from providers who accept Medicaid. Medicaid will neither pay for any services from non-Medicaid providers nor accept any bills from a non-Medicaid provider under the medical bills system the following month.

IS THERE A RECERTIFICATION PROCESS?

All spend-down cases are authorized for twelve months. As long as an individual has used the program at least once during that period, he or she will receive a recertification package. If there has been no use, the individual must reapply.

WHO DO I CONTACT FOR ADDITIONAL INFORMATION?

For additional information call:

HRA Medicaid Helpline (NYC)
(888) 692-6116; or
HRA Info Line (877) 472-8411