Implementation Guide:
Medicaid State Plan Eligibility
Handling of Excess Income (Spenddown)

Contents

Handling of Excess Income - Spenddown

POLICY CITATION

Statute: 1902(a)(17)
1902(f)
Regulation: 42 C.F.R. §435 Subpart I and §436 Subpart I
42 C.F.R. §435.121

BACKGROUND

Overview
This reviewable unit (RU) describes how states handle excess income for their medically needy groups and, for 209(b) states, their mandatory categorically needy group for individuals who are age 65 or older or who have blindness or a disability (the "mandatory 209(b) group").

Spenddown for the Medically Needy
The medically needy option allows states to provide Medicaid to individuals and families who have income and/or countable resources exceeding the categorical eligibility standards. A feature of this option is that individuals who would be eligible for Medicaid, but for income in excess of the categorical eligibility standards, may reduce their countable income using their incurred medical and/or remedial care expenses. If a prospective medically needy individual's *countable income* (i.e., income remaining after standard income deductions, such as the $20 SSI-based disregard, are made) is equal to or below the state's medically needy income level (MNIL), the individual is eligible as medically needy without spenddown. If the individual's countable income is greater than the MNIL, the individual's incurred medical and remedial care expenses, which include expenses incurred by other members of the family and financially responsible relatives, are subtracted from the individual's countable income. If the income remaining is at or below the state's MNIL, the individual will be eligible for Medicaid as medically needy. This process is known as "spending down" excess income, or just as "spenddown."

Spenddown in 209(b) States
Section 1902(f) of the Social Security Act (the Act) provides states the authority, under certain conditions, to apply more restrictive eligibility criteria than are used by the SSI program. In states that elect this option ("209(b) states"), receipt of SSI does not guarantee eligibility for Medicaid. Non-209(b) states cover all SSI recipients through the mandatory eligibility group for individuals receiving SSI, which is described at 42 C.F.R. §435.120. But 209(b) states do not cover this group. Instead, they impose more restrictive criteria through the mandatory eligibility group for individuals in 209(b) states who are age 65 or older or who have blindness or disability ("the mandatory 209(b) group"). This group is described at 42 C.F.R. §435.121. A person receiving SSI can still be eligible for Medicaid in the mandatory 209(b) group, but that person must also meet the more restrictive eligibility requirements imposed by the state.

As described at 42 C.F.R. §435.121(f), when a 209(b) state uses more restrictive requirements to determine eligibility, it must also apply three special income deductions. The state must deduct:

1. SSI payments received by the individual,
2. State supplementary payments that meet the conditions specified in 42 C.F.R. §§435.232 and 435.234, and
3. Medical and remedial care expenses incurred by the individual or by a financially responsible relative.

The deduction of incurred medical expenses allows individuals aged 65 and older, and those who have blindness or a disability, to spend down excess income to become eligible for Medicaid. For individuals who are deemed SSI recipients, in calculating spend down, states have the option of deducting a portion or all of Social Security benefits from income.

Spenddown requirements for 209(b) states differ, as follows, depending on whether or not the state has elected to cover the Medically Needy Populations Based on Age, Blindness or Disability eligibility group.

States with a medically needy program: If a 209(b) state covers the Medically Needy Populations Based on Age, Blindness or Disability eligibility group, the state must allow specified groups of individuals (age 65 or older, or who have blindness or a disability) to spend down to the income standard for the mandatory 209(b) group. The specified groups are:

- SSI recipients,
- Deemed SSI recipients,
- Eligible spouses of SSI recipients,
- State supplement recipients, and
- Individuals who are eligible for but not receiving a state supplementary payment.

Individuals who are age 65 or older, or who have blindness or a disability, and who do not fall into one of the categories listed above, must be allowed to spend down excess income to the state's medically needy income standard.

States that do not have a medically needy program: 209(b) states that do not cover the Medically Needy Populations Based on Age, Blindness or Disability eligibility group, must allow all individuals age 65 or older, or who have blindness or a disability, to spend down their excess income to the income standard for the mandatory 209(b) group.

The rules for handling excess income under spenddown are generally the same for both 209(b) states and non-209(b) states. Where there are differences, those differences are described below.

Budget Period

The budget period is the period of time over which an individual's income is compared to the income standard and the spenddown liability is determined. Budget periods are expressed in months. A state can elect to have a budget period of as little as one month or as many as six months, as follows:

- Using a one-month budget period, an individual must meet his or her spenddown liability each month to remain eligible. Beginning each new month, incurred medical expenses are deducted from the person's countable income. If the person's income is then at or below the state's MNIL standard, the person is eligible for that month. The process is repeated again the next month.
- Under a longer budget period, the state's income standard and the individual's countable income are multiplied by the number of months in the budget period. The difference is the individual's spenddown liability (where the individual's income exceeds the standard). Incurred medical expenses are deducted from the individual's income, and if his or her income is at or below the income standard, the individual is eligible for the length of the budget period. The process does not begin again until the next budget period.

States may establish different budget periods for different groups of people, such as individuals living in the community and individuals living in institutions. For example, two individuals, one in the community and the other in an institution, each have $600 in countable monthly income. The MNIL in their state is $400, and the state imposes a one-month budget period for community-based individuals and a six-month budget period for institutionalized individuals. The spenddown liability for each individual would be as follows:

- <u>1-month budget period</u>. For the individual living in the community, the spenddown would be calculated by subtracting the MNIL of $400 from the $600 in countable monthly income, which would produce a $200 spenddown. The individual must incur at least $200 in medical expenses each month to qualify as medically needy.

  $600 countable monthly income - $400 MNIL = $200 (spenddown liability)

  In any given month, Medicaid would provide medical assistance after the individual has incurred at least $200 in medical expenses.

- <u>6-month budget period</u>. For the individual in the institution, the state's $400 MNIL and the individual's $600 in countable monthly income would be multiplied by six, which would equal, respectively, $2,400 and $3,600. The $2,400 would be subtracted from $3,600, which would produce a $1,200 spenddown. The individual living in the institution would need to incur at least $1,200 in medical expenses to become eligible as medically needy.

  $3,600 countable monthly income - $2,400 MNIL = $1,200 (spenddown liability)

  Medicaid would provide medical assistance for the remainder of the budget period once the individual incurred $1,200 in medical expenses.

<u>Option: Retroactive Period</u>. Just like the categorically needy, the medically needy may establish eligibility for Medicaid up to three months prior to the date of application, if an applicant was eligible or would have been eligible and received Medicaid covered services during this period. For medically needy budget periods, states may, instead of considering the retroactive period as a special and discrete period, choose to include all, or a portion, of the retroactive period in an applicant's first budget period. This option is applicable only when the budget period is greater than one month and only when the applicant received covered services during the retroactive period. When a state elects this option, it must be applied uniformly to all medically needy

applicants. As described at 42 C.F.R. §435.831(a)(2), this option is not available to 209(b) states.

Deduction of Expenses

When countable income exceeds the MNIL for a budget period, or in 209(b) states exceeds the categorically needy income standard for a budget period, medical and remedial care expenses must be deducted.

Required deductions include:

1. Health insurance premiums and enrollment fees (including Medicare and Medicaid).
2. Cost sharing, including deductibles, copayments, and coinsurance.
3. Expenses for necessary medical and remedial services that are recognized under state law but not included in the Medicaid state plan.
4. Expenses for necessary medical and remedial services that are included in the Medicaid state plan, including those that exceed agency limitations on amount, duration, and scope of services.

Expenses subject to payment by a third party cannot be deducted unless the third party is a public program of the state or territory, or a local government within the state or territory. Such program must be entirely financed by state or territory funds, except for cost sharing amounts required by individuals. If the program is funded in whole or in part with federal funds, the expenses cannot be deducted to meet spenddown liability.

Option: Projection of Institutional Expenses. For institutionalized individuals, states may project institutional expenses (excluding expenses in acute care facilities) as incurred medical expenses in calculating whether spenddown requirements are met. When this option is elected, projected institutional expenses must be counted at the Medicaid reimbursement rate, not the private patient rate. If an individual is not eligible because his spenddown liability for the budget period exceeds his projected institutional expenses (at the Medicaid rate), the state must determine his eligibility by deducting:

1. Actually incurred institutional and non-institutional expenses at the private pay rate, or
2. A combination of actually incurred institutional and non-institutional expenses at the private payment rate plus projected expenses at the Medicaid rate.

Timeframe of Deduction of Expenses

The timeframe for incurred expenses that may be counted toward spenddown liability varies depending on whether a state utilizes more restrictive financial methodologies.

- ***209(b) States*** – States that use more restrictive financial methodologies under section 1902(f) of the Act may not impose a limit on the age of expenses that may be deducted to meet spenddown liability. Incurred medical and remedial care expenses can be deducted, no matter the age of the expense, if they have not already been used in another budget period, and if the individual is either still liable for them or has paid for them in the current budget period.

- ***1634 and SSI Criteria States and Territories*** – States that do not use more restrictive financial methodologies under section 1902(f) of the Act have the option to place an age limit on the incurred medical expenses used by an individual in a spenddown (provided that all expenses incurred in the three months preceding an individual's application may be used). However, even if a state elects this option, it must deduct from an individual's income any payments made during a budget period, by the individual, toward a bill that exceeds the state's age limit.

  In 1634 and SSI criteria states and in territories, the state must also deduct unpaid eligible expenses that are carried over from the prior budget period (carryover expenses) and have not yet been deducted in a previous budget period. For excess expenses to be carried over, an individual must:
    - Be determined eligible for the budget period in which the excess expenses were unused,
    - Continue to be determined eligible in each subsequent budget period in which any part of the excess remains unused, and
    - Continue to be subject to spenddown in each of the subsequent budget periods.

  The expense must be carried over for as long as it remains a continued liability, has not yet been used for spenddown, and the beneficiary has not experienced a period of ineligibility since documentation of the expense.

Order of Deduction of Expenses

When deducting incurred medical expenses from income, for medically needy individuals, and for categorically needy individuals in 209(b) states, a state may choose to deduct expenses in order based on the type of service or to deduct expenses in chronological order. Whichever option is chosen by the state, it must be applied consistently.

1. ***Order by type of service.*** When this option is selected, all premiums and cost sharing incurred during the budget period are deducted first. Next, the state would deduct any costs incurred for services not included in the state plan, followed by the costs incurred for services included in the state plan, which exceed agency limitations on the amount, duration, or scope of services. Finally, the state would deduct the costs incurred for all other services included in the state plan.
2. ***Chronological order.*** When this option is selected, the state elects to use either the order in which services are furnished to the individual (or the individual's family or financially responsible relatives) or the order in which the individual presents bills for services to the agency. In both cases, eligibility does not depend on when a provider mails the bills. An individual may document the date of service without a bill from the provider.

Reasonable Limitations

As described at 42 C.F.R. §435.831(g)(3), states may place reasonable limitations on deductible expenses. Limitations may be established for premiums, cost sharing, or expenses for medical and remedial services. For example, specific dollar limits may be placed on individual services, or limits may be imposed on the number of visits or items that can be deducted. A reasonable limitation placed on the number of visits (or the number of items) must exceed the limits included in the Medicaid state plan. In addition, any dollar limits must be specific to an item or service; states cannot impose an accumulative dollar limit.

States that (1) do not use a more restrictive methodology under section 1902(f) of the Act (non-209(b) states), and (2) allow for deduction of expenses incurred prior to the third month before the month of application, may place reasonable limitations on the expenses incurred earlier than the third month before the month of application.

Spenddown Payments Made by Individuals

Section 1903(f)(2) of the Act provides a state option for individuals to pay-in toward their spenddown liability. This option allows individuals to qualify as medically needy by paying to the state the total amount of their spenddown liability, or any difference between their spenddown liability and the amount of their incurred medical and remedial care expenses. Prior months' incurred expenses (including carryover expenses), are deducted from the individual's countable income first. Then, the remaining unmet portion of the spenddown liability may be met through pay-in.

Example: an individual's spenddown liability is $600 for the budget period. He has $400 in incurred expenses that are carried over from the prior budget period. The state has elected the option to permit pay-in spenddown.

$600 spenddown liability - $400 carryover of incurred expenses = $200

In this example, the individual could qualify by paying in the remaining $200 portion of his or her spenddown liability for the budget period.

In addition to reducing an individual's spenddown liability, the pay-in amount is also used to pay for services that are received by the recipient during the budget period and are <u>not</u> included in the state plan. States must allow beneficiaries to use their pay-in amounts for such services.

<u>Options: Unused Pay-in Amounts</u>. When an individual pays-in to meet a spenddown obligation for a specific budget period, and the cost of services and items provided to the individual during that budget period are less than the pay-in amount, the state does not retain the unused amount. On a case-by-case basis, states can either refund unused pay-in amounts or apply the unused amounts toward spenddown liability in the next budget period. Both options may be utilized by a state, at their discretion, depending on each individual situation.

<u>Option: Installment Payments</u>. When a state utilizes a budget period longer than one month, the state may require individuals to pay the full pay-in amounts for the full budget period, or the state may allow individuals to pay monthly installments.

When a state chooses to offer pay-in spenddown, all individuals must have the option to meet their spenddown liability through the pay-in option, using incurred expenses under regular spenddown, or a combination of paid-in and incurred expenses. States cannot require any individual to utilize the pay-in option.

REVIEWABLE UNIT DEPENDENCIES

Many RUs in MACPro are dependent upon other RUs. Each time a primary RU is changed, there could be an effect on other, secondary RUs which are dependent on the primary. For example, in the **Mandatory Eligibility Groups** RU, there is a question as to whether the state covers the Adult Group. If ***Yes*** is selected, and if a box is checked to include the Adult Group in the submission package, then the **Adult Group** RU will be included by the system in the package and the user can navigate to it to complete it. If ***No*** is selected, the **Adult Group** RU will not be included in the package. In this example, the **Mandatory Eligibility Groups** RU is the ***Primary RU*** and the **Adult Group** RU is the ***Secondary RU***. The **Adult Group** RU is considered to be dependent on selections made in the **Mandatory Eligibility Groups** RU.

Whenever a change in a primary RU may affect a secondary RU, you either need to revise the secondary RU (if it is already in the package) or add the secondary RU to the package so that it can be updated in the same submission package as the primary RU.

The following table explains the dependent relationships for the **Handling of Excess Income (Spenddown)** RU.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Handling of Excess Income (Spenddown)	<u>For States Only:</u> Unless the **Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Handling of Excess Income (Spenddown)** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Handling of Excess Income (Spenddown)	For States Only: If ***1634 State*** *or* ***SSI Criteria State*** is selected in section A of the **Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability** RU (primary), the question at **A.2.** of the **Handling of Excess Income (Spenddown)** RU (secondary) about including the retroactive period in the budget period will display.	• You must complete, save and validate the primary RU before you can complete the secondary RU. • Once the primary RU is approved in MACPro, it does not have to be included again in a submission package unless the basis changes, in which case the secondary RU also has to be included again.
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Handling of Excess Income (Spenddown)	For States Only: The selection of ***209(b) State,*** or ***SSI Criteria*** or ***1634 State*** as the basis for the eligibility determination in section A of the **Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability** RU (primary) affects the requirements displayed in section C of **the Handling of Excess Income (Spenddown)** RU (secondary) with respect to deductions for incurred expenses.	• You must complete, save and validate the primary RU before you can complete the secondary RU. • Once the primary RU is approved in MACPro, it does not have to be included again in a submission package unless the basis changes, in which case the secondary RU also has to be included again.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Handling of Excess Income (Spenddown)	For States Only: If ***1634 State*** *or* ***SSI Criteria State*** is selected in section A of the **Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability** RU (primary), an additional option will display at **E.3.** of the **Handling of Excess Income (Spenddown)** RU (secondary) about expenses incurred earlier than the third month before the month of application.	• You must complete, save and validate the primary RU before you can complete the secondary RU. • Once the primary RU is approved in MACPro, it does not have to be included again in a submission package unless the basis changes, in which case the secondary RU also has to be included again.
Handling of Excess Income (Spenddown)	More Restrictive Requirements than SSI under 1902(f) - (209(b) States)	For States Only: Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Handling of Excess Income (Spenddown)	Individuals in 209(b) States Who Are Age 65 or Older or Who Have Blindness or a Disability	For States Only: Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Individuals in 209(b) States Who Are Age 65 or Older or Who Have Blindness or a Disability** RU (secondary) cannot be displayed. In order to display the secondary RU, another RU, **More Restrictive Requirements than SSI under 1902(f) - (209(b) States)** must be completed and validated, and this RU cannot be displayed until the primary RU is completed.	If the secondary RU will not display: • Add the primary RU to the package, complete it and validate it. • Add the **More Restrictive Requirements than SSI under 1902(f) - (209(b) States)** RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Pregnant Women	Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Medically Needy Pregnant Women** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Pregnant Women	The **Handling of Excess Income (Spenddown)** RU (primary) must be approved or included in the same package in order for the user to view it from the **Medically Needy Pregnant Women** RU (secondary).	Click on the ***View…*** link to see the most current version of the primary RU. • If the primary RU has been included in the package, that version will display. • If the primary RU has not been included in the package, the latest approved version will display.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Handling of Excess Income (Spenddown)	Medically Needy Children under Age 18	Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Medically Needy Children under Age 18** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Children under Age 18	The **Handling of Excess Income (Spenddown)** RU (primary) must be approved or included in the same package in order for the user to view it from the **Medically Needy Children under Age 18** RU (secondary).	Click on the ***View…*** link to see the most current version of the primary RU. • If the primary RU has been included in the package, that version will display. • If the primary RU has not been included in the package, the latest approved version will display.
Handling of Excess Income (Spenddown)	Medically Needy Reasonable Classifications of Individuals under Age 21	Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Medically Needy Reasonable Classifications of Individuals under Age 21** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Reasonable Classifications of Individuals under Age 21	The **Handling of Excess Income (Spenddown)** RU (primary) must be approved or included in the same package in order for the user to view it from the **Medically Needy Reasonable Classifications of Individuals under Age 21** RU (secondary).	Click on the ***View…*** link to see the most current version of the primary RU. • If the primary RU has been included in the package, that version will display. • If the primary RU has not been included in the package, the latest approved version will display.

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Handling of Excess Income (Spenddown)	Medically Needy Parents and Other Caretaker Relatives	Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Medically Needy Parents and Other Caretaker Relatives** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Parents and Other Caretaker Relatives	The **Handling of Excess Income (Spenddown)** RU (primary) must be approved or included in the same package in order for the user to view it from the **Medically Needy Parents and Other Caretaker Relatives** RU (secondary).	Click on the ***View…*** link to see the most current version of the primary RU. • If the primary RU has been included in the package, that version will display. • If the primary RU has not been included in the package, the latest approved version will display.
Handling of Excess Income (Spenddown)	Medically Needy Populations Based on Age, Blindness or Disability	Unless the **Handling of Excess Income (Spenddown)** RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the **Medically Needy Populations Based on Age, Blindness or Disability** RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: • Add the primary RU to the package, complete it and validate it. • Alternatively, remove the secondary RU from the package.
Handling of Excess Income (Spenddown)	Medically Needy Populations Based on Age, Blindness or Disability	The **Handling of Excess Income (Spenddown)** RU (primary) must be approved or included in the same package in order for the user to view it from the **Medically Needy Populations Based on Age, Blindness or Disability** RU (secondary).	Click on the ***View…*** link to see the most current version of the primary RU. • If the primary RU has been included in the package, that version will display. • If the primary RU has not been included in the package, the latest approved version will display.

INSTRUCTIONS

Where there are unique instructions for a 1634, SSI Criteria, or 209(b) state, or for a territory, the reader will be directed to the appropriate instructions.

There is an introductory statement about the deduction of incurred medical expenses when countable income exceeds the income standard.

A. <u>Budget Periods</u>

- There is a statement about income being considered available for payment of medical expenses in budget periods not exceeding six months.
- At **A.1.,** select one of the two options (**A.1.a.** or **A.1.b.**) to define the budget period(s) used for spenddown.
  - If **A.1.a.,** ***One budget period of*** is selected, select one of the six options presented.
  - If **A.1.b.,** ***More than one budget period, as described below:*** is selected, select one or more of the three options presented.
    - If **A.1.b.i.,** ***Community budget period*** is selected, select one of the six options presented.
    - If **A.1.b.ii.,** ***Institutional budget period*** is selected, select one of the six options presented.
    - If **A.1.b.iii.,** ***Other budget period*** is selected, provide additional information as follows:
      - Enter the name of the budget period in the text box provided.
      - Select one of the six options presented to define the length of the budget period.
      - Enter a description of the budget period in the text box provided.
      - To add additional budget periods, select the ***Add*** link and repeat the above steps,
      - To delete a budget period, select the ***Delete*** link below the budget period's name and description.

For 1634 States, SSI Criteria States and Territories Only

- At **A.2.**, indicate, ***Yes** or **No***, if the state includes part or all of the retroactive period in the budget period.

B. <u>Types of Eligible Expenses</u>

- **B.1.** has a statement and a list of expenses the state includes when determining incurred medical expenses to be deducted from income.
- At **B.2.**, indicate, ***Yes** or **No***, if the state also projects institutional expenses as incurred medical expenses in calculating whether spenddown requirements are met.
- **B.3.** has a statement about the deduction of expenses subject to payment by a third party.

C. <u>Timeframe of Deduction of Expenses</u>

For 209(b) States Only

- **C.1.** through **C.3.** describe the deduction of incurred expenses, no matter the age of the expense.

For 1634 States, SSI Criteria States and Territories Only

- **C.1.** describes the deduction of incurred expenses during a retroactive budget period or a budget period that includes both a retroactive and prospective period.
  - At **C.1.c.**, select one of the three options presented.
    - If **C.1.c.ii** is selected, in the text box enter the age limit established by the state for the deduction of expenses incurred prior to the budget period (i.e., the number of months prior to application).
- **C.2.** describes the deduction of incurred expenses for the prospective budget period(s).

D. <u>Order of Deduction of Expenses</u>

Select one of the three options presented to describe the order in which medical expenses are deducted.

E. <u>Reasonable Limitations</u>

Indicate ***Yes*** or ***No***, if the state sets reasonable limits on the amount to be deducted for expenses.

- If ***Yes*** is selected, select one or more of the options presented (**E.1.** and **E.2.** in 209(b) states, or **E.1.** through **E.3.** in 1634 and SSI criteria states) to describe the state's reasonable limits.
  - Enter a description for each option selected.

F. <u>Spenddown Payments Made by Individuals</u>

Indicate ***Yes*** or ***No***, if the state permits individuals to pay-in their spenddown liability.

- If ***Yes*** is selected:
  - **F.1.** has a statement that the state provides all individuals with the option to pay-in their spenddown or to use incurred expenses for spenddown.
  - **F.2.** has a statement that the state disburses to the individual amounts for services not covered under the state plan.
  - At **F.3.,** select one of the two options presented to describe the requirements for paying the spenddown liability if a budget period of more than one month is used.
  - At **F.4.,** select one or both of the options presented to describe how refunds are handled.

G. <u>Additional Information (Optional)</u>

Except in limited circumstances, this field remains blank. Please consult with CMS before adding any additional information concerning this RU.

REVIEW CRITERIA

If more than one budget period is selected at A.1., the state must select at least two different types of budget periods at A.1.b.i through A.1.b.iii.

The names and descriptions of other budget periods at A.1.b.iii., if any, must be sufficiently clear, detailed and complete to permit the reviewer to determine that the state's description meets applicable federal statutory, regulatory and policy requirements. If more than one other budget period is described, each budget period must have a unique name and description.

For territories, 1634 States and SSI Criteria States: The month entered at C.1.c.ii. (if selected) must be greater than the third month before the month of application, e.g., fourth month or sixth month. This text box must clearly describe the maximum age (i.e., how old they can be) of unpaid eligible expenses that may be deducted for spenddown if not previously used.

If the state applies reasonable limitations on the amount to be deducted for expenses in section E, one or more reasonable limits must be selected. The description of any limitation must be sufficiently clear, detailed and complete to permit the reviewer to determine that the state's description meets applicable federal statutory, regulatory and policy requirements.