

Department of Public Health
and Human Services

Section:
MEDICALLY NEEDY

MEDICAL ASSISTANCE

Subject:
Medical Expense Option

Supersedes: MA 703-1 (01/01/07)

References: 42 CFR 435.914; 42 CFR 440.60, .170; and ARM 37.82.101, .1107, .1111

GENERAL RULE--To establish Medically Needy coverage, recipients must satisfy their incurment obligation. The incurment obligation is equal to the difference between their "total countable income" and the appropriate "medically needy income level" (MNIL). (See MA 002)

Recipients may elect to satisfy their incurment obligation by incurring medical expenses equal to the amount of the incurment obligation.

**EXPENSES
APPLICABLE
TOWARD
INCURMENT**

The following medical expenses can be applied toward an incurment obligation:

1. services rendered to the recipient or a financially responsible relative;
2. services recognized under Montana State law; and
3. services for which the recipient has liability.

In other words, the bills must be the legal responsibility of and payable by the recipient or financially responsible relative (see definition below) for services rendered to the recipient or a financially responsible relative.

**FINANCIALLY
RESPONSIBLE
RELATIVE**

Only medical expenses of the recipient and the recipient's deemed spouse or the recipient and the recipient's deemed parents can be applied toward the incurment obligation. Use the following criteria to determine whose bills can be used for each case:

1. The recipient's bills only - if no deemed income was used when determining the recipient's income eligibility;
2. The recipient's and the ineligible parents' bills - if there was parental income deemed to the recipient and used to determine the recipient's income eligibility (see MA 601-2 and MA 603-2);

3. The recipient's and the ineligible spouse's bills - if income was deemed from the ineligible spouse when determining the recipient's income eligibility (see MA 601-2 and MA 603-1); or
4. Bills of both members of the couple - if both the husband and wife meet all eligibility criteria.

**EXPENSES WHICH
CAN BE USED TO
SATISFY THE
INCURMENT**

Recipients may use the following expenses to satisfy their incurment obligations for both prospective and retrospective eligibility periods:

1. **Paid** and **unpaid** medical expenses incurred during the benefit month;
2. **Paid** and **unpaid** medical expenses incurred during the three months preceding the benefit month; and
3. Current payments on the unpaid balances of bills incurred more than three months prior to the benefit month. Current payments on bills incurred more than three months prior to the benefit month must be made to the provider or a collection agent contracted by the provider. Incurred bills must be outstanding to the provider and not to a third party, such as a credit card or financing company. Once a bill has been paid in full to the provider, it has changed form and is no longer an outstanding medical bill, but rather a bill owed to a credit card company or financial institution. Interest charged on an unpaid medical expense cannot be used to satisfy an incurment.

NOTE: A collection agency is not a third party. When a collection agency is involved in collecting a bill, the bill is still due to the provider.



A current payment on an old bill may be used to offset an incurment in the month the payment is made, and in the three months following the month in which a current payment is made or until used in full to offset incurments, whichever is earlier.

Example: Freda, a Medicaid recipient, receives a dental bridge through Dr. Jones. Dental bridges are not Medicaid-covered services for people over 20; Freda is 35. Freda makes a payment agreement with Dr. Jones to pay \$200 on the services each month until the service is paid in full. Freda's payments to Dr. Jones can be used to offset her incurment until the bill has been used in full to offset incurments OR until Dr. Jones is

paid in full. However, if Freda had instead paid for the bridge through a small loan at her credit union, or paid the bill with a credit card, or even through a finance company recommended by Dr. Jones, the bill for the bridge would only be available to be used to offset her incurment in the month of service and the three following months. This is because once Dr. Jones was paid in full for his services, there was no unpaid medical bill, but rather an unpaid loan through a third party.

Medical expenses paid by a third party (e.g., health insurance) cannot be used to meet the incurment requirement.



Institution charges incurred during an institutional coverage ineligibility period due to uncompensated transfer of assets may not be used to offset an incurment nor as incurred medical expenses in post-eligibility treatment of income for institutional liability toward cost of care.

Medical bills and supporting documentation must be provided within the time span that the bill could be used to meet an incurment. A bill cannot be allowed toward meeting an incurment, and past months cannot be adjusted, if this requirement is not met. Bills submitted after denial or closure of an application cannot be used to redetermine the denial or closure. (For example, if the August incurment was met and benefits authorized on August 24, new August bills must be submitted no later than November 30 in order for August benefits to be adjusted. If August had been denied prior to November 30, new bills would not affect that denial; the individual would need to reapply for benefits.)

MEDICAL EXPENSE DEDUCTIONS

Medical expenses which can be applied toward an incurment obligation must:

1. Not have been applied toward another month's incurment obligation;
- ▶ 2. Not be a Medicaid-covered service incurred during a period of Medicaid eligibility, regardless of whether the provider accepts Medicaid;

NOTE: Medical travel is a Medicaid-covered service except when the medical travel took place prior to application for Medicaid, thus making pre-approval impossible.



Example: Jason receives dental fillings in June from Dr. Owens. Jason is open and authorized for Medicaid for June. However, Dr. Owens is not a Medicaid-participating provider. Jason submits his bill from Dr. Owens to be used toward his incurment. The bill from Dr. Owens cannot be used to offset Jason's incurment, as the services were Medicaid-covered services received in an open Medicaid coverage span.

3. Not be a Medicare-covered or Qualified Medicare Beneficiary-covered (QMB) service incurred during a month of QMB eligibility;
4. Not be subject to payment by a third party (unless reasonable measures have been taken to determine the liability of the third party);
5. Not be anticipated (included on INCU prior to being incurred);
6. Be deducted in a specific order:
 - a. Medical expenses (as per limits for medical expenses in this manual section) that were incurred in the previous three months, chronologically;
 - b. Medicare and/or health insurance premiums (regardless of day due within the month) are applied toward the incurment before other current month medical expenses (entered on the TEAMS INCU screen with a date of service of "00");
 - i. If the medically needy participant also qualifies as a QMB or a Special Low-Income Medicare Beneficiary (SLMB), Medicaid will pay the Medicare Part B premium. Do not apply the premium toward the participant's incurment obligation.
 - ii. Medicaid and Medicare Savings Program (MSP) recipients are automatically enrolled in Social Security Extra Help which pays basic Medicare Prescription Drug Plan (PDP) premiums. This enrollment runs for the remainder of the calendar year beginning with the first month of Medicaid or MSP authorization, and if the Medicaid or MSP is authorized September or later, for the following year as well. Do not allow basic Medicare PDP premiums that will be reimbursed or paid by Extra Help, but only the difference between the basic and a



higher-level PDP (if the client is enrolled in an enhanced or premium PDP), or the difference between a higher basic PDP premium and the Extra Help payment, against the incurment.

- c. Necessary medical care or any other type of remedial care recognized under Montana law, which must be furnished by a licensed medical practitioner within the scope and limitations of their medical practice as defined by state law, but which is not a benefit of the Medicaid program (e.g., chiropractic) are deducted chronologically after all Medicare and/or health insurance premiums.

Examples (not all-inclusive): Goods and services that will not fit this description include health club membership, travel to services which themselves do not meet this definition, goods supplied by a durable medical equipment supplier which are not included in the Montana Medicaid State Plan, shoes, hot tubs, vitamins, etc., even if prescribed by a physician.

- d. Expenses for medical services which are a benefit of the Medicaid program are deducted chronologically after allowable expenses described in a, b and c above.

SERVICES RECOGNIZED UNDER STATE LAW

Services which, under State or federal law, must be performed by a licensed medical practitioner or which, under State or federal law, must be prescribed by a licensed practitioner in order to be obtained may be used to reduce the incurment obligation.

NOTE: Services performed by naturopathic physicians may be applied toward an incurment obligation because naturopathic physicians are licensed in Montana. However, because they are not licensed to prescribe drugs, medicines purchased through naturopaths cannot be applied toward the incurment obligation.

Services recognized under State law include services which are normally payable by Medicaid, but which exceed the agency's limits on amount, duration or scope of services. For example, if Montana Medicaid limits physical therapy sessions to 25 per year, the 26th and subsequent sessions would be allowable deductions toward the recipient's incurment. Likewise, because Medicaid travel reimburses a minimal amount of per diem for overnight travel, any additional UNREIMBURSED costs for the travel (for example, if the motel cost was higher than what was reimbursed) can be used to offset the incurment obligation.

Services or products which can be purchased without a prescription cannot be used to reduce an incurment obligation, other than as listed below.

In addition to the services or products that fall into the categories above, the following services or products are Medicaid covered services under the Montana Medicaid State Plan (recognized under state law), they must be used to reduce the incurment obligation, **as long as they are prescribed by a physician:**

NOTE: Prescriptions must be renewed yearly by State law.

1. Diabetic supplies (including glucose test strips, insulin and syringes);
2. Antacids;
3. Analgesics with aspirin;
4. Laxatives;
5. Medication to eradicate lice infestation;
6. H₂ antagonist gastrointestinal products (such as Zantac);
7. Bronchosaline;
8. Nicoderm;
9. Adult diapers if the recipient:
 - a. is over age three;
 - b. has a diagnosis of incontinence; and
 - c. does not reside in a nursing home;
- ▶ 10. Monthly personal vehicle costs for medical transportation (See MA 1101-1) at the rate of \$.22 per mile unless the individual was open for Medicaid on the date the travel took place, as it is then a benefit of the Medicaid program;
11. Medically necessary personal care services purchased through an enrolled Medicaid provider;

NOTE: All medically needy recipients, not just waiver-eligible recipients, may apply medically necessary personal care services toward their incurments.

12. Postage for mail-order prescription drugs (and those non-prescription drugs and items listed above) provided by a pharmacy located in a different community than the recipient's residence. Pharmacy delivery charges cannot be allowed under this provision.

HEALTH INSURANCE PREMIUMS

When health insurance premiums for several coverage months are due in a given month, the premiums paid in that given month **cannot** be prorated over the coverage period. However, the premium amount which exceeds the recipient's incurment obligation can be applied against his or her incurment obligation in the next month(s).

NOTE: This policy also applies to recipients residing in nursing homes.

Example: The recipient's July incurment is \$150 and quarterly (July through September) health insurance premium is \$300. One hundred fifty dollars (\$150) of the premium can be applied toward the July incurment, \$150 can be applied toward the August incurment (i.e., as a paid medical expense incurred during the three preceding months), and \$0 applied toward September's incurment.

Example: The recipient's July incurment is \$400 and quarterly (July through September) health insurance premium is \$300. Three hundred dollars (\$300) can be applied toward the July incurment with nothing remaining to be applied toward the August and September incurment obligations.

Specific illness or situation health insurance policy premiums (not indemnity policies), such as cancer policies or long term care policies, can be allowed toward the incurment even if the individual does not currently have the specific illness or situation.

BILLS WITH THIRD PARTY INVOLVEMENT

Take reasonable measures to determine the legal liability of third parties to pay for incurred medical expenses. However, do not delay eligibility determination simply because the third party's liability cannot be verified.

NOTE: Document the case file with the reasonable measure used to determine the amount of the recipient's liability.

To determine what amount can be applied toward an incurment obligation when a third party is involved, absent evidence to the contrary, assume the recipient will be responsible for:

1. 20% of a bill when Medicare is the third party; or
2. Whatever amount the insurance policy does not cover.

NOTE: When the recipient has not met the health insurance deductible, any unmet deductible amount must also be applied toward the incurment obligation.

Example: Eldon has health insurance which typically pays 75% of the medical costs. Absent evidence to the contrary, assume he is responsible for 25% of the bill.

VA AID & ATTENDANCE

Veterans Administration pays Aid & Attendance (A&A) to eligible veterans in order to assist the veterans in paying medical expenses. Medicaid does not consider VA A&A as income in determining eligibility and incurment, instead, VA A&A is considered to be a third party liability. Therefore, monthly medical bills equal to the amount of VA A&A benefits received by the A&A recipient cannot be applied against the A&A recipient's incurment.

Some expenses may be considered medical expenses by VA that would not be considered medical expenses by Medicaid. Expenses that are considered medical expenses by VA can be used to offset the VA A&A, but not the Medicaid portion of the incurment. In CHIMES, these expenses will be noted as "covered only by A&A" on the Incurment web page.

Medical expenses that are assumed to be offset by VA A&A are then considered to be paid by a third party, and cannot be carried forward to a future Medicaid benefit month to be used to offset either the VA A&A or the Medicaid incurment once again. Once a medical expense has been used to offset VA A&A, even in a month in which Medicaid is not authorized, the bill is considered to be covered by a third party, because an individual receives VA A&A each month regardless of whether he or she receives Medicaid benefits or not.

Example: Herman receives VA A&A benefits of \$700 per month. This payment is based on VA's determination that Herman has excess medical needs of at least \$700 per month. Based on Herman's other income, he has an incurment of \$500 per month. The first \$700 of his medical bills each month (after other TPL, such as Medicare, pays) cannot be applied toward his incurment because VA has supplied Herman with an A&A payment intended to cover \$700 per month in medical expenses.

If any individual whose income is used in determining an incurment (and therefore whose medical bills can be used to offset the incurment) receives VA A&A, all individuals in the filing unit must use the medical expense option to meet their incurment(s). No filing unit member may use the cash option.

For information on calculating the amount of A&A in a VA payment, see MA 501-1.

MEDICAID PAYMENT

Montana Medicaid will pay for unpaid medical expenses that:

1. were incurred by an eligible recipient during the retroactive or prospective eligibility period;
2. were never applied toward an incurment obligation;
3. are not the responsibility of a third party; and

NOTE: If the medical expenses have not been paid by the third party and reasonable measures to determine the third party's liability have been taken, that portion of the medical expenses which remains the recipient's obligation can be applied toward the incurment.

4. are services covered by the Montana Medicaid program.

PROCEDURE:

Responsibility

ACTION

Applicant/
Representative

1. Complete an application form (HCS-250, HCS-245, etc.); appear for interview; and provide required verification.

Eligibility Case
Manager

2. If eligible, determine recipient's incurment obligation.
3. Provide recipient with form HCS-410, "Medically Needy Declaration of Choice".

Applicant or
Representative

4. Choose an option (cash, medical expense or combination) on HCS-410.

Eligibility Case
Manager

5. When the recipient chooses to incur medical expenses to establish medically needy coverage, enter all submitted medical expenses on the system. **For the date the recipient has incurred enough expenses to at least equal the incurment obligation:**

- a. Complete an HCS-454, "Provider Information Memo" (also known as a 'One Day Authorization') for bill incurred on that date that the client is partially responsible for, and to those providers who will be able to bill Medicaid for their services;

Example: The recipient must meet a \$200 incurment obligation. He uses the following bills (DOS = Date of Service):

DOS 020005	Blue Cross Ins.	\$50
DOS 020305	Dr. Jones	\$25
DOS 020605	XYZ Pharmacy	\$45
DOS 020605	Dr. Smith	\$50
DOS 020605	Dr. Jones	\$75
DOS 020605	Doctors' Lab	\$25

HCS-454s are completed for Dr. Jones showing the recipient is responsible for \$30 of the bill incurred on 2/06/05, and for Doctors' Lab showing the recipient is responsible for \$0 of the bill incurred on 2/06/05.

On the date the incurment is met, all medical bills submitted for that date, with appropriate provider ID numbers must be entered on the system as well as on the HCS-454s. When a provider has more than one valid provider ID number, it may be necessary to contact the provider to ensure that the correct provider number for the service rendered is entered onto INCU. If, within three months of the date a service was provided, and after the date the incurment was met and authorized, the client verifies more medical bills for the date the incurment was met, send HCS-454s to the providers, but do not adjust the INCU screen if working in TEAMS (if working in CHIMES, add the additional bills to the Incurment web page). If the bills submitted are for a date prior to the day the incurment was met, then the newly submitted bills must be added to either system. (See "Expenses Which Can Be Used to Satisfy the Incurment" in this section.)



If the incurment is met on the last day of the month, send an e-mail to Ashley Campbell (ashley.campbell@acs-inc.com) so she can manually

add the one-day authorizations to the payment system. She will need the following information:

- i. recipient's SSN or client ID number,
 - ii. date of the one-day authorizations,
 - ii. provider numbers for each one-day authorization that the recipient is responsible to pay, and
 - iv. amounts the recipient is responsible to pay to each provider.
- b. Authorize issuance of the Medicaid eligibility effective the day **after** the recipient meets the incurment through the end of the month.
6. Generate appropriate system notice.

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