

Technical Assistance Document

DLTC Memo Series 2008-2

This technical assistance document contains examples that illustrate the types of medical/remedial expenses which will no longer be allowed when processing Family Care enrollment, both at the nursing home and non-nursing home level of care, Partnership, and Home and Community Based Waiver eligibility determinations. The new policy applies to all new applications and to current enrollees/participants at the time of review/recertification.

1. Example of a bill that remains unpaid, but was previously used to meet a Medicaid deductible.

On 08/08/06 the Income Maintenance Worker (IMW) processed Mr. Jones' initial Medicaid application under the Medically Needy "with a deductible" program. Under this program, the deductible is calculated on a six-month basis. Mr. Jones' deductible was determined to be \$7,850.00.

At the time, the IMW verified that Mr. Jones had an outstanding hospital bill in the amount of \$8,000.00 - for which Mr. Jones was liable. The IMW used \$7,850.00 of the \$8,000.00 hospital bill to certify Mr. Jones for Medicaid for a six-month period. Note that Medicaid did not cover the \$8,000.00 bill: the outstanding bill just enabled Mr. Jones to become Medicaid certified for the six-month period. Mr. Jones will continue to be liable for the \$8,000.00. Medicaid did cover all other Medicaid covered services during the first six-month period.

When the six months of Medicaid certification ended, Mr. Jones had no other outstanding medical expenses to meet a subsequent deductible, except for the unused \$150.00 balance on the hospital bill ($8,000 - 7,850 = 150$). Because this amount was insufficient to satisfy the next deductible, and Mr. Jones had no other outstanding medical bills, Medicaid eligibility was terminated after the IMW tested and found Mr. Jones ineligible for other types of Medicaid.

The following year, in October 2007, Mr. Jones applies for Medicaid under the Medicaid Home and Community Based Waiver. He is a Group C applicant with monthly income of \$2,000 and a monthly spenddown liability of \$1,300.00. The care manager asks Mr. Jones if he has any outstanding medical/remedial expenses that are his liability, and Mr. Jones provides the outstanding \$8,000.00 hospital bill from the previous year. The care manager asks Mr. Jones if this bill was ever used in the past to certify him for Medicaid. Mr. Jones is not sure, but he recalls bringing the bill in to the IMW the previous year when he was in need of Medicaid coverage.

The care manager has a conversation with the IMW, and the latter confirms that the same bill - except for \$150.00 - was already used in 2006 to certify Mr. Jones for Medicaid. Therefore, the IMW informs the care manager that now only \$150.00 can be used as a medical/remedial expense, for just one month.

Mr. Jones does have additional medical/remedial expenses identified by the care manager in the Individual Service Plan, and those expenses added together enable Mr. Jones to pass the Group C financial eligibility test. As usual, Mr. Jones is responsible for his monthly spenddown under the Waiver.

2. Example of bill incurred for the cost of institutional care provided during a previous Medicaid divestment penalty period.

Mrs. Roth was in a nursing home from January through February 2006. Due to a divestment, she was found ineligible for institutional Medicaid. At discharge, Mrs. Roth was liable for a nursing home bill in the amount of \$10,000. Mrs. Roth had no other insurance coverage for this bill.

The following year, in September 2007, Mrs. Roth applies for Medicaid Home and Community Based Waivers. She wishes to use payment of \$150.00 per month that she is making on the

nursing home bill from January and February 2006 as a medical/remedial expense. Upon review, it was determined that the bill was incurred while there was a divestment penalty in effect. As a result, the monthly payments she is currently making cannot be used as a medical/remedial expense for the waiver program and will remain her obligation.

3A. Example of a bill that represents a patient liability during some previous period of institutionalization and Medicaid eligibility.

Mr. Tennant was in the nursing home for two full months. Medicaid covered the stay, except that Mr. Tennant is liable for a total of \$300.00, his two-month patient liability.

A month after discharge from the nursing home, Mr. Tennant applies for the Medicaid Home and Community Based Waiver. When asked about medical/remedial expenses, he shows the care manager the outstanding nursing home bill and states that he will begin making monthly payments of \$30.00 to the nursing home starting with the current month.

Because \$300.00 represents the patient liability for a previous institutionalization, it cannot be counted as a medical remedial expense.

3B. Example of a bill that represents a past unpaid cost-share obligation.

Ms. Purfitt is a waiver participant who has a monthly cost-share obligation of \$150.00 per month. Because of some unexpected expenses, she was unable to pay her cost-share towards waiver services for two months. The total amount due is \$300.00. After a conversation with the care manager, Ms. Purfitt agrees to pay the cost-share arrears by making three \$100.00 payments during the next three months, in addition to paying the current monthly cost-share amount.

Payments on cost-share arrears cannot be used as a medical remedial expense to reduce the current cost-share obligation. In other words, it would be incorrect to increase the medical/remedial expenses by an additional \$100.00 to reflect payments towards the cost-share arrears.

4. Example of bill that will be paid by a legally liable third party, e.g. private health insurance, Medicare, Medicaid, etc.

Ms. Harris is hospitalized. She has private health insurance at the time of her hospitalization. At discharge, she receives a bill from the hospital for \$10,000.00. Her private health insurance is expected to cover 80% (\$8,000.00) and Ms. Harris is liable for the remaining \$2,000.00. Ms. Harris pays off the \$2,000.00 for which she is liable.

Two months later, Ms. Harris applies for Family Care. She is still receiving a bill from the hospital for \$8,000.00, because her private health insurance has not settled the claim yet.

When asked to bring in verification of outstanding bills for medical/remedial expenses, Ms. Harris provides the outstanding \$8,000.00 hospital bill. Mrs. Harris is also asked if she had any kind of health insurance at the time of her hospitalization.

She explains that she did have private health insurance, but that the claim has not been resolved yet. In the meantime, since she has received a collection notice from the hospital, she is planning to start making monthly payments of \$50.00, which she assumes will be reimbursed to her after the claim is settled.

In this situation, it would be inappropriate to use the monthly payments that Ms. Harris intends to make on the outstanding \$8,000.00 bill as a medical/remedial expense. The private health insurance is liable for it and it is expected that they will eventually pay it.

Note that if the insurance company ultimately rejects the claim, and Ms. Harris can provide verification that she is liable for the bill and is making payments on it, then these payments can be used as a medical/remedial expense.

5. Example of an outstanding bill which was previously allowed as a medical/remedial expense to reduce a cost-share obligation.

Mr. Banks has an outstanding surgical bill in the amount of \$1,200.00 for which he is liable. When he applies for Medicaid Home and Community Based Waivers in September 2007, he mentions that he has just made arrangements with the hospital to start making \$100.00 monthly payments on this bill in September 2007.

The care manager has a conversation with the Income Maintenance Worker and the latter confirms that this is an allowable bill – namely, in this case, the bill was never used to meet a Medicaid deductible and it was not incurred during a period of divestment penalty.

The \$100.00 monthly payments can be used to reduce his Medicaid Waiver cost-share liability.

However, ultimately Mr. Banks has not made any of these monthly payments and the \$1,200.00 medical bill is still outstanding in September 2008, at recertification time. Now Mr. Banks states that he will begin making \$100.00 payments towards the bill in September 2008.

In this situation, even though the bill is still outstanding, monthly payments that never actually occurred were already allowed as a medical/remedial expense from September 2007 through August 2008, and cannot be allowed again. In addition, Mr. Banks may be subject to the recovery of cost of waiver services equal to \$100 for each month that he did not make a payment towards the surgical bill ($\$100 \times 12 = \$1,200$). The Waiver program had paid \$100.00 more than would have been required each of the 12 months.

Note that in these situations it would be helpful to follow the protocol spelled out in the Financial Eligibility Section (Section 3) of the COP Waiver Basics Manual, under Common Questions and Answers. The pertinent question asks: “What unpaid medical bills can be counted as medical expenses? How should the expenses be monitored?” The Financial Eligibility Section is available on the web, at: http://dhfs.wisconsin.gov/LTC_COP/waiverbasics/section3.pdf