



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care  
Financing Administration

*Policy*  
**Memorandum**

Date

8-29-91

From

Director  
Medicaid Bureau

Subject

Section 1902(r)(2) Authority and Spenddown of Resources

To

Regional Administrators  
Region I-X

Attention: All Associate Regional Administrators  
Division of Medicaid

The purpose of this memorandum is to ensure a consistent understanding of the option available to States to incorporate a resource spenddown for Medicaid eligibility purposes under the authority at Section 1902(r)(2) of the Social Security Act. There have been some regional questions on this topic.

This is just one among many policy options States may seek under the section 1902(r)(2) authority. Accordingly, we have not attempted to write instructions to cover all possible options. Instead, current instructions describe the flexibility available to States under 1902(r)(2), establish certain guidelines, and provide examples. A resource spenddown is not specifically authorized under the other provisions of the Medicaid law. It is also not part of the cash program financial policies that provide the baseline guidance for Medicaid eligibility. Therefore, a resource spenddown policy that meets the established program requirements (proposed and approved via the State plan amendment process, etc.) can be approved under the authority at 1902(r)(2).

We envision that State proposals in this area will most likely resemble established income spenddown policies. As in spenddown of income, an excess countable resource amount will be calculated. Any medical or remedial expenses not used to offset excess countable income can then be applied to offset excess countable resources.

As such policies have the potential for considerable program cost increases, any such proposal must be examined in accordance with our usual thoroughness.

*Assign to Henry  
(if not already)*

**RECEIVED**

SEP 17 1991

HCFA \_\_\_\_\_

DIVISION OF MEDICAID

*Copy Policy 2*



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing  
Administration

OCT 3 1991

Regional Office VI  
1200 Main Tower Building  
Dallas, Texas 75202

**DALLAS REGIONAL MEDICAL SERVICES LETTER NO. 91 - 78**

**TO: State Agencies Administering Approved Medical Assistance Plans**

**SUBJECT: Section 1902(r)(2) Authority and Spenddown of Resources**

The purpose of this letter is to ensure a consistent understanding of the option available to State agencies to incorporate a resource spenddown for Medicaid eligibility purposes, under the authority at Section 1902(r)(2) of the Social Security Act. There have been some recent questions concerning this particular topic.

This is just one of the many policy options a State may seek under the 1902(r)(2) authority. Accordingly, our Central Office has not attempted to write instructions to cover all possible options. Instead, current instructions describe the flexibility available to States under 1902(r)(2), establish certain guidelines, and provide examples. A resource spenddown is not specifically authorized under the other provisions of the Medicaid law. It is also not part of the cash program financial policy that provides the baseline guidance for Medicaid eligibility. Therefore, a resource spenddown policy that meets the established program requirements (proposed and approved through the State plan amendment process) can be approved under the authority at 1902(r)(2).

We envision that any State proposal in this area will most likely resemble established income spenddown policies. As in the spenddown of income, an excess countable resource amount will be calculated. Any medical or remedial expenses not used to offset excess countable income can then be applied to offset excess countable resources.

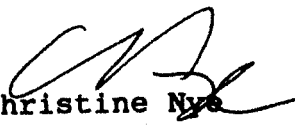
If you have any questions regarding spenddown of resources or the authority at 1902(r)(2), please contact either Gary Martin or your State Medicaid Representative at (214) 767-3693.

Sincerely,

James L. Reed

Associate Regional Administrator  
Division of Medicaid

As always, Medicaid Bureau staff are ready to provide any guidance or technical assistance you may need on this and any other topic under our jurisdictions.



Christine Nye

MAY 3 1991

CMR letter  
Due 5/20  
Agree from IM to OMM.  
514

Refer to:  
FMC-21

NOTE TO: Bill Hickman

SUBJECT: Medicaid Eligibility Policy - Spenddown of  
Resources--ACTION

This note is to alert you to an issue raised by the San Francisco Regional Office (RO) while reviewing our Medicaid Eligibility Quality Control (MEQC) regulation (MB-32-N). This regulation invited comment on the Secretary's decision not to publish regulations based on the findings of the quality control studies mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985. The regulation was cleared by your office on February 11.

The San Francisco RO expressed concern about our response to a comment regarding multiple counting of resources in MEQC reviews. (The commenter was Covington and Burling, on behalf of 18 States.) Their comment cited the National Academy of Sciences' recommendation that excess resource errors be assigned only to the first month of eligibility or further until resources are spent down. In our response, we indicated that States have the option to apply incurred medical expenses against excess resources, otherwise, the statute requires that excess resources constitute ineligibility for Medicaid.

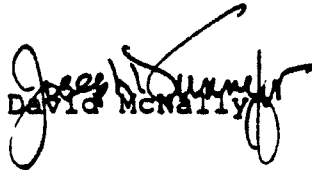
The San Francisco RO stated that they were not aware of this policy option and requested that the response in the regulation be clarified to avoid misapplication of the policy by the States. The RO also requested that a formal mechanism be developed to consistently ensure implementation of court decisions; e.g., State Medicaid Manual or memorandum.

We will respond to the RO comment by revising our response to indicate that States are free to adopt more liberal policies under section 1902(r)(2) of the Social Security Act. This response is not specific to the correct policy implementation of applying incurred medical expenses against excess resources because we believe that, although we are committed to respond to the comment, the MEQC regulation is not the appropriate vehicle by which to issue national Medicaid eligibility policy. Therefore, we recommend that, unless you have done so, your office notify all ROs of this policy.

Page 2 - Bill Hickman

We have delayed the departmental clearance of our regulation pending your consideration of our recommendation. We would appreciate a quick response because we plan to renew action on the regulation publication within 10 days.

Members of your staff may direct questions to Janet E. Reichert on extension 65936.

  
DAVID MCNALLY



DEPARTMENT OF HEALTH & HUMAN SERVICES

*YIICK*

Health Care  
Financing Administration

Memorandum

AUG - 2 1991

TO: Tina Nye  
Director, Medicaid Bureau

FROM: *TA Gustafson*  
Tom Gustafson  
Deputy Director, Office of Legislation and Policy

SUBJECT: Comments on Spenddown of Resources Under Section  
1902(r)(2)

We agree that a memo to all Regional Offices will lead to greater consistency in how a State may, under section 1902(r)(2) of the Act, elect to take a person's excess resources into account in computing the amount of their spenddown liability for a particular eligibility budget period. That is, a State may add a person's excess resources to excess income to arrive at the amount of medical bills incurred during the budget period that the person is liable to pay before Medicaid kicks in.

However the term "spenddown of resources" means different things to different people. As it is typically used in the literature and by the media, the term refers to the depletion of lifetime savings by elderly individuals who pay for long-term nursing home care, a process that often starts long before a person applies for Medicaid. Therefore we would urge you to add to the draft memo a brief description of what the term "spenddown" means in the context of section 1902(r)(2), taking care to distinguish this use of the term from its more common use.



DEPARTMENT OF HEALTH & HUMAN SERVICES

DMF-PFI  
Office of the General Counsel  
Health Care Financing Division

AUG 19 1991

MEMORANDUM

TO : Christine Nye  
Director, Medicaid Bureau

FROM : Myra K. Erhardt *MyE*  
Attorney

SUBJECT: Spenddown of Resources/ § 1902(r)(2) Authority

We clear the memorandum to the regions on the above captioned issue without legal comment. We have made one editorial comment on a copy of the memorandum.

Please let us know if we may be of further assistance.

## Memorandum

Date \_\_\_\_\_  
From Director  
Medicaid Bureau

Subject Section 1902(r)(2) Authority and Spenddown of Resources

To Regional Administrator  
Region I -X  
Attention: All Associate Regional Administrators  
Division of Medicaid

**DRAFT**

The purpose of this memorandum is to ensure a consistent understanding of the option available to States to incorporate a resource spenddown for Medicaid eligibility purposes under the authority at Section 1902(r)(2) of the Social Security Act. There have been some regional questions on this topic.

This is just one among many policy options States may seek under the section 1902(r)(2) authority. Accordingly, we have not attempted to write instructions to cover all possible options. Instead, current instructions describe the flexibility available to States under 1902(r)(2), establish certain guidelines, and provide examples. A resource spenddown is not specifically authorized under the other provisions of the Medicaid law. It is also not part of the cash program financial policies that provide the baseline guidance for Medicaid eligibility. Therefore, a resource spenddown policy that ~~meets~~ the established program requirements (proposed and approved via the State plan amendment process, etc.) can be approved under the authority at 1902(r)(2). *meets*

As such policies have the potential for considerable program cost increases, any such proposal must be examined in accordance with our usual thoroughness. As always, Medicaid Bureau staff are ready to provide any guidance or technical assistance you may need on this and any other topic under our jurisdictions.

Christine Nye





DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care  
Financing Administration

*Pollock*  
**Memorandum**

Date

8-29-91

PM-91-234

**OFFICIAL FILE COPY**

From

Director  
Medicaid Bureau

Subject

Section 1902(r)(2) Authority and Spenddown of Resources

To

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**RECEIVED**


SEP 17 1991

HCFA \_\_\_\_\_

DIVISION OF MEDICAID

ME-1145

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Christine Nye

MAY 3 1991

CMI Control  
Due 5/20  
Agree from IMP to OMM.  
5/19

Refer to:  
FMC-21

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David McNally



DEPARTMENT OF HEALTH & HUMAN SERVICES

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Health Care  
Financing Administration

Memorandum

AUG - 2 1991

TO: Tina Nye  
Director, Medicaid Bureau

FROM: *TAC Gustafson*  
Tom Gustafson  
Deputy Director, Office of Legislation and Policy

SUBJECT: Comments on Spenddown of Resources Under Section  
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DEPARTMENT OF HEALTH & HUMAN SERVICES

DMC-174  
Office of the General Counsel  
Health Care Financing Division

AUG 19 1991

MEMORANDUM

TO : Christine Nye  
Director, Medicaid Bureau

FROM : Myra K. Erhardt *MYE*  
Attorney

SUBJECT: Spenddown of Resources/ § 1902(r)(2) Authority

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