



Policy Memo

KHPA POLICY NO: 2009-12-02	From: Jeanine Schieferecke Senior Manager - Medicaid Eligibility
Date: December 7, 2009	KEESM Reference: 5130, 5430(15)(c)
RE: Implementation of New MSP Resource Standard and LIS Resource Exemption	Program(s): Medicare Savings Programs and Medicare Part D Subsidy Program

The purpose of this memo is to provide instruction to SRS and KHPA eligibility staff concerning the new Medicare Savings Programs (QMB, LMB, Expanded LMB) resource standard and the new resource exemption for the Medicare Part D Subsidy Program. The new resource standard and the new resource exemption are both effective January 1, 2010.

A. Background

The Medicare Improvements for Patients and Providers Act (MIPPA) was enacted on July 15, 2008. MIPPA was designed to create significant changes and opportunities for Medicare beneficiaries. Those changes include an increase in the resource limit for the Medicare Savings Programs (MSP) to match the Medicare Part D full subsidy resource limit. Also included is the requirement to exempt the cash surrender value of all life insurance policies for the Medicare Part D Subsidy Program. Both of these changes are effective with any determination of eligibility for the month of January 2010 on forward.

B. Medicare Savings Programs

- (1) **Current Resource Limit** – The current resource limit for the Medically Needy (MN) medical program is \$2,000 for an assistance group of one person and \$3,000 for an assistance group of two or more persons. The resource limit for the Medicare Savings Programs (MSP) is twice this amount - \$4,000 for one person and \$6,000 for two or more persons. These limits continue to be effective for MSP eligibility determinations through the month of December 2009.
- (2) **New Resource Limit** – Effective with eligibility determinations commencing with the month of January 2010, the Medicare Savings Programs (MSP) resource limit increases to \$6,600 for an assistance group of one person and \$9,910 for an assistance group of two or more persons. These amounts mirror the Medicare Part D subsidy limit for full subsidy coverage and are indexed annually based on the change in the Consumer Price Index (CPI).
- (3) **Process Issues** – In order to accommodate the new resource limit described in (2) above, the following

Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220
www.khpa.ks.gov

Medicaid and HealthWave:
 Phone: 785-296-3981
 Fax: 785-296-4813

State Employee Health Plan:
 Phone: 785-368-6361
 Fax: 785-368-7180

State Self Insurance Fund:
 Phone: 785-296-2364
 Fax: 785-296-6995

eligibility determination work-around processes for the Medicare Savings Programs (MSP) are required:

- (a) **LMB and Expanded LMB** – The KAECSES system does not make an automated resource determination for either the LMB or the Expanded LMB programs where countable resources exceed the Medically Needy (MN) limits of \$2,000 and \$3,000, but are within the allowable MSP limits (\$6,600 and \$9,910 effective January 2010). The current work-around process for these programs does not change. Resources are manipulated by coding the amount of countable resources in excess of \$2,000 or \$3,000 as ‘XM’ on the system. This allows the worker to authorize LMB or Expanded LMB coverage by having the system recognize resource eligibility.
- (b) **QMB** - The KAECSES system currently makes an automated resource determination for the QMB program. However, the increased resource limit will not be updated in time for the January 2010 implementation. Therefore, the same work-around used for the LMB and Expanded LMB programs described in (a) above will be required for any QMB determination effective with the month of January 2010 on forward. The amount of countable resources in excess of the \$4,000 and \$6,000 limits currently programmed into KAECSES, but within the allowable MSP limits (\$6,600 and \$9,910 effective January 2010), must be coded as ‘XM’ on the system. As with the LMB and Expanded LMB programs, the system will recognize resource eligibility and allow the worker to authorize coverage.
- (c) **Documentation** – When resources are manipulated as described above, the worker must still document resource eligibility. All resources should initially be coded correctly on the KAECSES system according to policy. If countable resources are over the limits programmed into the system but under the new allowable limits of \$6,600 and \$9,910, a screen print of the MSRD screen is made and placed in the case file to document resource eligibility. Countable resources in excess of these new limits are then coded as ‘XM’ to allow authorization of MSP coverage.

C. Medicare Part D Subsidy Program

- (1) **Life Insurance Resource Exclusion** – Effective January 1, 2010 the cash surrender value of all life insurance policies owned by the individual or their spouse are exempt in determining eligibility for the Medicare Part D Subsidy Program.
- (2) **Process Issues** – In order to accommodate the new Medicare Part D Subsidy resource exclusion described in (1) above, the following processes are required to ensure a correct eligibility determination:
 - (a) **Subsidy-Only Determination** – No special process is required where the only medical program involved is the Medicare Part D Subsidy Program. Effective with determinations for the month of January 2010 on forward, all life insurance policies owned by the individual or their spouse shall be coded as ‘EL’ (Life insurance – exempt all programs) on the KAECSES OTAP screen.
 - (b) **Medically Needy (MN) and Subsidy Determination** - Where a combined eligibility determination for both Medically Needy (MN) and Subsidy is required in the same month, a special process is required to account for the difference in how life insurance policies are treated as a resource in each program.
 - 1. If counting the cash surrender value of the life insurance policies under the Medically Needy (MN) resource rules results in eligibility for that program, then there is also resource eligibility for the Subsidy Program. No manipulation of the KAECSES system is necessary and both programs may be authorized.

2. If counting the cash surrender value of the life insurance policies under the Medically Needy (MN) resource rules results in ineligibility for that program, then a separate eligibility determination must be made for the Subsidy Program by exempting the life insurance policies. If countable resources are now within the allowable limit for the Subsidy Program, eligibility may be authorized for that program. If countable resources exceed the allowable limit, then there is no Subsidy eligibility.
3. **Documentation** - When countable resources are within the allowable limit as described in 1. above, the case file should contain a notation that the life insurance policies are exempt as a resource for the Subsidy Program, but were counted for purposes of the Medically Needy (MN) program. No other documentation is necessary.

In the situation described in 2. above, the worker must document resource ineligibility for the Medically Needy (MN) program. The life insurance policies shall be coded on KAECSES according to the resource rules for that program. A screen print of the MSRD screen is made and placed in the case file to document ineligibility. Eligibility is then determined for Subsidy-only by exempting the life insurance policies on the system and manually applying the Subsidy Program resource limit. If countable resources exceed the allowable limit for this program, then a screen print of the MSRD screen is made and placed in the case file.

If you have any questions or concerns about the information in this memo, please contact Tim T. Schroeder at (785) 296-1144 or Tim.Schroeder@khp.ks.gov.