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MEMORANDUM

To:	EES Chiefs and Staff HealthWave Clearinghouse Staff	Date:	March 10, 2004
From:	Jeanine Schieferecke	RE:	Medically Needy/Spenddown Enhancements

The purpose of this memo is to provide an update of the original spenddown design implemented with the interChange MMIS. As you are aware, production of beneficiary spenddown letters was delayed pending the resolution of several system defects. These defects have now been corrected and spenddown letter mailing has been scheduled. Information on several changes and enhancements made as part of the resolution are also included in this memo.

I. Background

Almost immediately upon implementation of the new spenddown process, concerns were raised regarding the operation of the new system. The majority of these concerns were related to claims processing and the application of bills toward the spenddown. Many of the problems were corrected immediately. Other problems required some basic design changes in the spenddown processing rules.

II. Claims Processing

Medical claims processing is extremely complex and detailed. The reasons for this are many but the fact that Medicaid providers submit bills in a variety of formats and the large number of edits and audits required to process medical claims accurately are key reasons. State or federal requirements (such as HIPAA) can mandate variations for certain providers and claim types that further complicate the process.

To understand the spenddown process it is critical that staff with responsibility for Medically Needy cases have a basic understanding of MMIS claims processing. However because of the complexities of the MMIS claims engine, eligibility staff are not expected to become claims processing experts. Specific SRS and fiscal agent staff assigned to the Medicaid Claims Team are the primary resources for claims processing issues. Eligibility staff must be knowledgeable of policies and procedures for allowing bills, specifically those instances when bills are allowed through MEEX or the Beneficiary Billed claim process.

Previous communication regarding the types of bills allowed and the manner in which they are to be allowed continue to hold true. However, some additional situations in which Beneficiary Billed claims may be needed have been identified.

The following rules apply for allowing medical claims against spenddown, with new information noted:

A. **MEEX:** Allow health insurance, due and owing, bills for non-participating family members and nursing facility expenses on MEEX.

B. **Provider Billed:** Medicaid providers can direct bill almost all claims to be used against the spenddown. Electronic Medicare crossover claims are also allowed against spenddown, as are ADAP claims paid through state funds.

   Please note the following changes have been made to the original spenddown process for provider billed claims:

   1. **Claim Type -** The method used to determine the allowable amount for spenddown is now associated to the type of bill the provider uses (e.g. pharmacy, inpatient, professional). Special processing rules have been incorporated for each billing type to account for special differences between the types.

   2. **Claims with Multiple Details -** For multiple services billed on a single claim, special logic will be used to determine the amount to be used against the spenddown. This will allow for more consistent processing where TPL exists.

   3. **Adjustments to Previous Claims -** The spenddown process will now account for adjustments, reversals or other modifications to claims previously billed to MMIS. When an error is made with the original claim a provider will file an adjustment to correct the claim. Adjusted claims usually result when keying errors are made by providers or the claim is misfiled (e.g., incorrect procedure codes or diagnosis codes). Another type of adjustment is made when a pharmacy submits a claim but reverses the charge because the drug was not dispensed, including situations where the client didn't pick up the prescription. Because expenses are allowed against the spenddown as soon as the claim is billed, a change in claim status may cause the case status to change from met to unmet or vice versa. When a claim adjustment is made, the original claim becomes known as a 'mother' claim. The new claim is known as a 'daughter' claim. The mother and daughter claim are linked forever and can be viewed on the expanded window explained in item III below. Information on the notice requirements surrounding these types of changes are addressed in item VI below. When services are simply rebilled, without tying the new claim to the original, it is treated as

duplicate bill, and will not be allowed against spenddown.

4. **Preemptive Indicator -** Certain services are never allowable against spenddown, such as acupuncture and routine household equipment. These services have been identified in the MMIS through the use of a spenddown preemptive indicator. A service with a spenddown preemptive indicator of Y will not be allowed against the spenddown. The use of this indicator has been further delineated in claims processing logic.

   Impact on Eligibility Worker: Eligibility staff who routinely view claims information may notice these differences. However, it is important to again stress that eligibility staff are not responsible for the detailed claims resolution that will be necessary to accurately determine claim disposition, including spenddown claims. Questions and concerns re.g.,arding claims are to be referred to the Medicaid Liaison for assistance.

C. **Beneficiary Billed -** Claims which cannot be directly billed to Medicaid (e.g., not a Medicaid provider) or claims which the provider will not direct bill Medicaid must still be handled through a Beneficiary Billed claim.

   Although the basic process has not changed since interChange implementation, the instances where a Beneficiary Billed claim is needed may be more frequent. The general rule that providers should be encouraged to bill the MMIS directly, and are expected to do so, continues to remain true. However, a Medicaid provider cannot be forced to bill the MMIS for a person with a spenddown balance. If this happens, a beneficiary billed claim form is to be used to credit an allowable medical service or item.

   The refinements made in the preemptive edit may also require additional Beneficiary Billed claims until providers become accustom to the changes. One specific preemptive edit will occur when prescriptions are billed sooner than allowed because of the 30 day supply limitation. Providers may override this edit, which will allow the claim to apply to spenddown, but there will probably be a time period of adjustment to this new edit.

   The billing software used by some providers may also continue to interfere with the provider's ability to submit an electronic claim. Please keep in mind that providers may submit paper claims as well as electronic, and should be encouraged to do so in some instances.

   Regardless of the billing method, when the disposition of a specific claim is at issue and requires further review, the item is to be referred to the local Medicaid Liaison for assistance. The liaison will refer the issue to central office or fiscal agent claims staff for additional details, if necessary. Eligibility staff are not expected to conduct detailed claims research.

III. **Spenddown Windows in the MMIS:**

We told you last fall that copies of all spenddown correspondences sent to beneficiaries would be available through the OnDemand Archival and Retrival system. This will no longer occur. Because of storage limitations OnDemand will not hold copies of these letters. Instead, copies will be available through three new MMIS windows. Descriptions of these new windows follow. Please remember, as with other spenddown windows, these are related to a specific case number and may be tied to multiple beneficiaries.

A. **Spenddown Notice Search -** Use this window to select a base period. All applicable base periods in which a medically needy benefit plan exists will display. Access this window from the Beneficiary subsystem.

B. **Spenddown Notice List -** Once a base period is selected from the above window, a list of all notices generated for the chosen base period, will display. Select the notice to view.

C. **Spenddown Notice Layout -** This window will display information on the notice sent to the case head. Information regarding the different types of notices is provided below (see item V). Although the window is not an exact replica of the notice sent to the case head, all information sent to the consumer is displayed on this window. Because it contains duplicate information included in the actual notice, it may be used when a copy of a notice is needed, such as in an appeal situation. Although there are three separate notice types, only one type is displayed below. The 'Agency Use' column is only displayed on the window. It does not appear on the notice sent to the beneficiary.

D. **Spenddown Claim -** Although not new window to the MMIS, a modification has been made to this window. The purpose of this window is to display a record of all claims that have applied to spenddown for any given base period. The 'Show All Claims' option has been added to the existing window that will allow the user to see a history of claims activity against the spenddown. When this field is selected, information for claims previously allowed against the spenddown will display. A status of 'active' tells us the claim is currently used against the spenddown. A status of 'inactive' tells us the claim was once used against spenddown, but has since been adjusted or reversed. If adjusted, more information about the mother and daughter claims (see item II (B)(3) above) can be viewed by selecting the ICN. The switch to select the new option is located in the top right hand corner of the window.

IV. **New KAECSES Alert:**

Last fall we told you a hard copy of the spenddown summary letter would be sent to the individual case worker when a spenddown became met. This will not occur. As explained above, new windows have been created in the MMIS that

allow the user to view copies of all spenddown notices. A new KAECSES alert has been created to notify the worker when a spenddown has been met.

The new alert will be generated when a Spenddown Summary notice is sent. The summary notice will be sent when a spenddown is met through an MMIS bill, including past base periods. This will occur the Saturday following the receipt of a PB or BB claim satisfying the spenddown. However, a decrease in the spenddown amount sent from KAECSES may also trigger this alert, if other claims have already been allowed against the spenddown. Separate alerts will be produced for each base period.

The alert will read '(base period start) MM-YY / (base period end) MM-YY Spenddown Met'

Upon receipt of this alert, staff are expected to review the summary notice on the MMIS window to determine appropriate food stamp medical deductions. Keep in mind no alert will be generated for a case going back into spenddown status.

V. Spenddown Letters

One of the primary results of the redesigned spenddown process will be the generation of spenddown letters. As explained previously, no spenddown notifications generated from the MMIS have been mailed. A deliberate decision was made to delay the distribution of the notices until accurate letters could be produced. As changes have now been implemented to ensure accurate letters, mailing has been scheduled as indicated below.

However, please make note that modifications have been made to the spenddown letters originally presented last fall. First, an additional letter has also been added. These changes were necessary to accurately account for claims and to provide the beneficiary a more complete summary of spenddown activity. Second, the planned notices were modified to accommodate variances in situations. The three spenddown notices are described below and sample copies of the notices are included with this material.

A. **Weekly Notice (Spenddown Activity Letter) -** This notice is produced every Saturday following the weekly MMIS claims financial cycle. It lists all bills used against the spenddown during the week. This notice is only produced if claims activity occurs within the week. An adjustment made to a claim previously used against spenddown may also trigger a new weekly notice.

B. **Summary Notice (Spenddown Met Letter) -** This notice is produced when claims activity causes the case to move from unmet to met status during the previous week.

   NOTE: The online version of this letter has an additional column, 'agency use' which is not contained on the beneficiary letter. This column is used to substantiate the portion of the bill the Medicaid program is expected to

cover. Any amount appearing in this column will be considered for payment by Medicaid. Do NOT interpret this column to be the amount Medicaid should have paid.

C. **Spenddown Unmet Letter -** This is a new notice. It is produced when a client moves from met to unmet spenddown status during the previous week in one of the following situations:

- an KAECSES update is received with an increased spenddown amount or a shortened base period which causes a previously met spenddown to become unmet

  OR

- an adjustment to a claim used against the spenddown is processed which reduces the amount allowed against thespenddown causing a previously met spenddown to become unmet.

This notice is only produced when timely and adequate notification may be given through the MMIS, as explained in item VI below.

All notices are created early Saturday morning and mailed the following Monday. he delay may cause some confusion for clients who receive services over the weekend. Both the Saturday creation date and the Monday mailing date are displayed on the actual notice.

VI. Spenddown Processing Dates

As indicated above, cases will only go back into spenddown status when timely and adequate notice can be given. This means that the notice will only be sent if the action occurs in the current base period. A spenddown will continue to be considered met if timely notice cannot be given for the current base period. For example, a claim used to meet a spenddown today for the period 06/03 through 11/03 is adjusted by the provider and a lower amount is now allowable toward spenddown. The reduced claim is no longer sufficient to satisfy the spenddown. Because timely notice cannot be given to move the case back into spenddown status, the case will continue to be considered met for claims payment purposes. .

For spenddown status changes, timely and adequate notice is different than that used for KAECSES actions. Because notices are sent out weekly in the MMIS as opposed to daily, the deadline for making status changes must account for the delayed mailing time. MMIS processes spenddown notices one time a week, and all activity is stored until that processing date. Therefore, consideration must be given not only to the date in which the change is made, but also the date the notice will ultimately be mailed. In practice, an action may be taken several days before 10 day change deadline and miss the critical mailing deadline.

For example, Joe has a spenddown of $500 for the period of 01/04 through 07/04. He met his spenddown on 02/01/04 with a provider billed claim from a hospital. On 03/10/04, action is taken to increase his spenddown from $500 to $1000 because of an increase in income. The MMIS receives this update and determines if the following Monday is before or after 10 day deadline. In this case, the following Monday is 03-15. It is prior to 10 day deadline. Therefore, the case will be moved back into spenddown status beginning 04-01-04.

If the exact situation existed for Jane, except the increase had been processed on 03-15-04, the following Monday would be 03-22-04. This is after 10 day deadline. The case would not be moved into unmet spenddown status until 05-01-04.

The chart below provides these deadlines for the near future. These dates will be added to the KAECSES code cards with the next revision.

Impact on Eligibility Staff: The new deadline is applicable only to MMIS changes, not other eligibility processes. However, the deadline should be considered when prioritizing workload. All income and other changes continue to be made according to 10 day change deadline as demonstrated in Jane's case above. Even though the date the case was moved into spenddown status differs from that in Jack's case, the amount of the spenddown did not change. The income increase is budgeted independent of the spenddown status change deadline and although is must be considered, it does not directly drive the effective date of such action. The current 10 day change deadline is also included for reference purposes.

Staff must also continue to send an appropriate notice of action any time action is taken in KAECSES to change the amount of the spenddown or bills are used on the MEEX screen to change the amount of spenddown. Actions taken or generated from MMIS, including Beneficiary Billed claims, will be generated from the MMIS.

Spenddown Met to Unmet Status Change Deadlines					
MONTH	**10 Clear DayChange**	**MMIS Met to Unmet**	**MONTH**	**10 Clear Day Change**	**MMIS Met to Unmet**
04-2004	3/18/04	3/12/04	07-2004	6/17/04	6/11/04
05-2004	4/19/04	4/9/04	08-2004	7/20/04	7/16/04
06-2004	5/20/04	5/14/04	09-2004	8/19/04	8/13/04

VII. Initial Mailing of Spenddown Letters and Alerts

As noted earlier, beneficiary letters have not yet been produced from the MMIS, leaving the beneficiary without official notification of expenses used against the spenddown since 10-2003. Although individuals are entitled to this information, the volume and complexity of sending all past due notices would be overwhelming. Therefore, only a selected portion of notices will be sent, as outlined below. A beneficiary may obtain a list of spenddown expenses used to

date for any base period . This is to be made available to the beneficiary when requested, as explained below.

All initial notices will be produced and mailed on March 10, 2004. All claims activity through March 9, 2004 is to be reflected on these notices. The following will be produced for the initial mailing:

A. **Summary Notice (Spenddown Met Letter) -** The notice itemizing expenses for a met spenddown will be sent if the following are true:

   1. A claim meeting the spenddown was processed between 10-18-03 and 03-09-04 by the interChange MMIS; and

   2. The base period for the spenddown has an end date of 12-31-03 or later. Spenddown periods with earlier end dates will not receive a notice.

   For example, John has a base period of 10/01/03 through 03/31/04. On 01-15-04 a claim was received to meet his spenddown for this period. John will be sent a summary notice.

B. **KAECSES Spenddown Met Alert -** As indicated earlier, an alert notifying the caseworker of the met spenddown will be produced when a summary notice is sent. A special alert will also be sent for all spenddown base periods which have been met since 10-16-03 and have base periods ending before 12-31-03.

   For example, Jane had an old base period of 01/01/03 - 06/30/03. On 01-15-04 a claim was received with a date of service of 05-30-03 to meet this spenddown. A notice will not be sent to Jane, but a KAECSES alert will be produced to inform the worker the spenddown has been met.

C. **Weekly Notice (Spenddown Activity Letter) -** This notice, telling the case head of any bills processed and used against the spenddown during the week, will also be initiated. All claims activity processed between 02/28/04 and 03/09/04 will be reported. No prior activity will be reported on the weekly notices until the spenddown is met.

Initial notices will be mailed on March 11, 2004. Approximately 1750 weekly activity letters and 2450 spenddown met summaries will be mailed. Copies are available through the windows described above. An additional 640 alerts will be created for older base periods. These special alerts, as well as the alerts for met summaries, are scheduled to be sent to KAECSES prior to 03-13-03.

The first cycle of regularly scheduled notices reflecting activity between March 10 and March 12, 2004 are scheduled to be mailed on March 15, 2004. The first cycle of the spenddown unmet letter will also be produced at this time.

Because of the decision to withhold many of the regularly scheduled notices, an individual may request a copy of the spenddown account. To accommodate this

request, a screen print of the spenddown claim window can be made for the given base period.

Please keep in mind that some of the material previously released may no longer be accurate, including the training packet released last fall. If you have questions about this material, feel free to contact me at (785) 296-8866. KAECSES and other systems related questions are directed to SRSTSC (HelpDesk) and questions regarding individual claims are directed to the local Medicaid Liaison.

JS:jmm