AGED, BLIND AND DISABLED MEDICAID 805-2
Post Eligibility Treatment of Income (PETI)

Supersedes: ABD 805-2 (01/01/2021)

Reference: 42 CFR 435.725 and .832; ARM 37.82.101, .1320; 42 U.S.C. 1396r-5; General Appropriations Act of 2007 (DP 22904)

Overview: When Medicaid is contributing to the cost of institutional care, the institutionalized individual's (whether married or unmarried) gross monthly income, less allowable deductions, must be applied to the cost of care. This is known as "Step 2" in the institutional budget process. The institutionalized individual's (married or unmarried) spend down is calculated using a different method when Medicaid is not contributing to the cost of care. Total deductions cannot exceed the institutionalized individual's (married or unmarried) gross income. **NOTE:** Blind/disabled work expenses are not used in PETI.

When Medicaid is contributing to the cost of care, allowable deductions may include:

1. Up to $65 of gross earned income;
2. A $50 personal needs allowance (or the remaining income amount, if less than $50); **NOTE:** In addition to the $50 personal needs allowance, veterans receive an additional exclusion of up to $90 per month in VA pension income. The amount of VA pension income that exceeds $90 per month is countable.
3. A community spouse income maintenance allowance (allowed only when institutionalized individual is married); **NOTE:** Allow this deduction unless the institutionalized spouse specifically refuses it. The deduction is not allowed unless the funds are actually transferred to the community spouse.
4. Family maintenance allowance allowance (allowed only when institutionalized individual is married);
5. The institutionalized individual's (married or unmarried) incurred medical or remedial care expenses, including health insurance premiums; **NOTE:** Medicare Part B premiums must be entered as a medical expense for nursing home residents who receive Medicare, but not QMB or SLMB.
6. Court-ordered child support actually paid (CMA 601-3);
7. Court-ordered alimony actually paid (CMA 601-3); and
8. Home maintenance allowance (only when institutionalized individual is not married).

INCURRED MEDICAL EXPENSES:

Some of the institutionalized individual's medical expenses can be deducted from their income when determining their cost of care liability. Medical expenses incurred during an asset transfer penalty month are not allowed. Life insurance premiums are not medical expenses and are not deductible. Incurred medical expense deductions are limited to:

1. Medical expenses incurred in the three months immediately preceding the institutional care Medicaid application or coverage request; or
2. Current payments on expenses incurred more than three months prior to application/coverage request.

Incurred medical expenses must also meet ALL of the following to be allowed:

1. Unpaid at time of institutional Medicaid application/coverage request; AND
2. Medical services, supplies or equipment recognized and regulated by State law; AND
3. Not payable by a third party; AND
4. Not previously used to meet/reduce a spend down or offset the client's cost of care liability in a previous month.

Allowable medical expenses must be reported and verified with in the application/request processing period, or within three months of coverage request date, whichever is later. See CMA 703-1 for more information.

1. Health insurance premiums (including Medicare);
2. Medical expenses incurred while institutionalized that are:
    a. prescribed by a physician;
    b. not Medicaid-covered services;
    c. not payable by a third party; and
    d. subject to the limitations outlined in CMA 703-1.

Items included in the Medicaid payment to a nursing facility as part of Medicaid-covered services cannot be separately billed to the nursing home resident and cannot be deducted if the family purchases them elsewhere and brings them to the facility. **NOTE:** These include, but are not limited to eye drops, wipes, procedure gloves, etc.

Medicaid-covered services received from a non-participating provider are not allowable. Providers have up to a year to enroll in Medicaid and bill for the services. Medical expenses incurred after application must be reported timely (within 10 days of knowledge).

HOME MAINTENANCE (UNMARRIED INDIVIDUALS ONLY):

Allow a home maintenance allowance equal to the MNIL for one (CMA 002) in the following time periods:

1. Month of Entry: The individual entered the facility after the first day of the month (including when entering from a hospital stay if they entered the hospital from the community); or
2. Up to six months: The individual intends to return home/to the community within six month of entering the nursing home (even when housing expenses are not verified during stay); or **NOTE**: The home maintenance allowance is only allowed when a statement from the client's doctor/physician confirms the possibility of the client returning to their home/the community within six months of entering the nursing home.
3. Month of Discharge: The client returns home/to the community before the last day of the month.

SPOUSAL INCOME MAINTENANCE ALLOWANCE (MARRIED INDIVIDUALS):

The community spouse income maintenance allowance is the lesser of:

1. $3,435 (Effective 01/01/2022) less the community spouse's own total gross monthly income (see "Income Attribution" in CMA 500); or
   NOTE: Total gross income includes all income (including gross SSI) the community spouse receives from all sources; income deductions, exclusions, exemptions or disregards do not apply, except in very few situations. Only those payments excluded from all public assistance determinations by other laws are not considered. These include Native American Income and tax stimulus payments.
2. A combination of:
   a. Community spouse's shelter expenses (principal residence) that exceed the $654 basic shelter allowance; plus
   b. $2,178 basic needs standard; less
   c. Community spouse's total gross income (see "NOTE" above)
      NOTE: The community spouse's income and shelter expenses are used to establish the Community Spouse Income Maintenance Allowance. Changes in these values must be reported to the Department within ten (10) days of knowing of the change.
      NOTE: If the community spouse applies for Medicaid coverage (such as MSP or medically needy), the CSIMA is countable income in the eligibility determination.

SHELTER EXPENSES:

Allowable shelter expenses (see "Spousal Income Maintenance Allowance" above) include:

1. Rent or mortgage (including principal and interest) payments.
2. Property taxes and homeowner's insurance. **NOTE:** If property tax and homeowner's insurance are prorated to a monthly amount, the notice must include this information.
3. Condo or Co-op maintenance charge or homeowners' association fees; AND
4. Utilities (if paid separately).

UTILITY EXPENSES:

Allow the SNAP SUA (Standard Utility Allowance) as defined in SNAP 602-4 when the community spouse is responsible for major heating/cooling costs.

Allow the SNAP standard telephone allowance as defined in SNAP 602-4 when the community spouse is not responsible for major heating/cooling but does have a telephone.

Actual utility expenses are never used, whether or not the community spouse is or isn't responsible for major heating/cooling. For example, if the community spouse is responsible for electricity (not related to heating or cooling) and water, but not for heating, cooling or telephone, no utility expense is allowed.

FAMILY ALLOWANCE (MARRIED INDIVIDUALS):

Only children, parents or siblings of either the institutionalized or community spouse are eligible to receive a family maintenance allowance; they must live with the community spouse and be eligible to be claimed as dependents for tax purposes. Family members who receive HCBS waiver services or are institutionalized are not eligible for a family maintenance allowance. Each additional dependent can receive a maximum maintenance needs allowance equal to 1/3 the difference between the $2,178 (Effective 07/01/2021) basic needs standard and the family member's gross income.

FAMILY CONTRIBUTION TO FACILITY:

An additional amount paid directly to the facility to upgrade the client to a private room (regardless of who pays) is not considered vendor/in-kind income for shelter. Expenses paid directly to the residential facility are medical expenses.

NOTICE:

When the institutionalized individual is married, both spouses must each receive a notice detailing the institutionalized spouse's applicable deductions and each spouse can appeal the allowance determination. An unmarried individual and/or their authorized representative must receive the same notice. A notice must also be sent to the medical facility stating the client's cost of care liability, **even when it is zero**.

Effective Date: January 01, 2022