

# Implementation Guide: Medicaid State Plan Eligibility Medically Needy Income Level

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## Medically Needy Income Level

### **POLICY CITATION**

**Statute:** 1902(a)(10)(C), 1902(a)(17), 1903(f)

**Regulations:** 42 C.F.R. §435.811 and §436.811

### **BACKGROUND**

#### **Overview**

This reviewable unit (RU) describes the income standard used by states to determine medically needy eligibility. It includes the basis for the medically needy income level (MNIL), the income standard itself, and any variations on the standard.

The medically needy option allows states to provide Medicaid to individuals and families who have income and/or countable resources exceeding the categorically needy eligibility standards (i.e., standard in a mandatory eligibility group or an option for coverage group other than the medically needy). States have significant flexibility regarding the medically needy eligibility groups covered, the income and resource levels applied, and the coverage offered to medically needy individuals. A unique feature of medically needy eligibility is that individuals who would be Medicaid eligible, but for income in excess of the eligibility standard for a specific medically needy group, may reduce their countable income using incurred medical and remedial care expenses. This process is known as “spending down” excess income, or just as “spenddown.” Additional information on the spenddown can be found in the implementation guide that accompanies the **Handling of Excess Income (Spenddown) RU**.

#### **Income Level**

Section 1902(a)(10)(C) of the Social Security Act (the Act), as codified at 42 C.F.R. §§435.811 and 436.811, requires the use of a single MNIL, which is applied to all medically needy groups. The MNIL may vary based on the number of individuals in the household and to account for variations between urban and rural areas. However, it does not vary across medically needy groups with one exception – 209(b) states may establish a separate MNIL for individuals who are age 65 or older, or who have blindness or a disability.

As described at 42 C.F.R. §§435.811(b) and 436.811(b), the MNIL must take into account the number of individuals in the applicant or beneficiary’s household. If the standard is expressed as a dollar amount, the MNIL may increase (but not decrease) incrementally based on household size.

**Option: Cost of Living Variation.** Section 1902(a)(17) of the Act permits variation in the MNIL to account for differences in costs between urban and rural areas. As described at 42 C.F.R. §§435.811(f) and 436.811(f), this flexibility allows states to vary the MNIL for urban and rural areas to account for differences in the cost of living.

Option: 209(b) States Only. While generally, states must apply the same standard to all medically needy individuals, 209(b) states have flexibility to establish a more restrictive MNIL for individuals who are age 65 or older, or who have blindness or a disability. Section 1902(f) of the Act provides the authority for 209(b) states to use more restrictive criteria for individuals who are age 65 or older, or who have blindness or a disability. This authority also allows 209(b) states to use a more restrictive income and/or resource standard for this population of medically needy individuals than for other medically needy individuals.

### **Basis for Income Level**

The MNIL must be at least as high as the minimum and it cannot exceed the maximum permitted. The minimum is the state's July 16, 1996 AFDC income standard, or if lower, the state's income standard for the parents and other caretaker relatives eligibility group described at 42 C.F.R. §435.110 and in the **Parents and Other Caretaker Relatives** RU.

The maximum is based on the federal financial participation (FFP) limitations for this group. As described at section 1903(f) of the Act, FFP is limited to 133 1/3 percent of the highest amount that would have been paid to a family under part A of title IV of the Act. In some states, the maximum for the MNIL is the state's 1996 AFDC income standard because the state covers the Parents and Other Caretaker Relatives eligibility group at or below the 1996 standard. In other states, coverage of parents and other caretaker relatives has increased since 1996. In those states, the FFP cap is 133 1/3 percent of the income standard for the Parents and Other Caretaker Relatives eligibility group.

## REVIEWABLE UNIT DEPENDENCIES

Many RUs in MACPro are dependent upon other RUs. Each time a primary RU is changed, there could be an effect on other, secondary RUs which are dependent on the primary. For example, in the **Mandatory Eligibility Groups** RU, there is a question as to whether the state covers the Adult Group. If **Yes** is selected, and if a box is checked to include the Adult Group in the submission package, then the **Adult Group** RU will be included by the system in the package and the user can navigate to it to complete it. If **No** is selected, the **Adult Group** RU will not be included in the package. In this example, the **Mandatory Eligibility Groups** RU is the **Primary RU** and the **Adult Group** RU is the **Secondary RU**. The **Adult Group** RU is considered to be dependent on selections made in the **Mandatory Eligibility Groups** RU.

Whenever a change in a primary RU may affect a secondary RU, you either need to revise the secondary RU (if it is already in the package) or add the secondary RU to the package so that it can be updated in the same submission package as the primary RU.

The following table explains the dependent relationships for the **Medically Needy Income Level** RU:

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Medically Needy Income Level	Unless the <b>Eligibility Determinations for Individuals Age 65 or Older or Who Have Blindness or a Disability</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Income Level</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Medically Needy Income Level	If <b>209(b) State</b> is selected in section A of the <b>Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability</b> RU (primary), the state has an option to establish a separate income level for individuals who are 65 years old or older, have blindness or a disability in the <b>Medically Needy Income Level</b> RU (secondary).	<ul style="list-style-type: none"> <li>• You must complete, save and validate the primary RU before you can complete the secondary RU.</li> <li>• Once the primary RU is approved in MACPro, it does not have to be included again in a submission package unless the basis changes, in which case the secondary RU also has to be included again.</li> </ul>

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Medically Needy Income Level	Medically Needy Pregnant Women	Unless the <b>Medically Needy Income Level</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Pregnant Women</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Medically Needy Income Level	Medically Needy Pregnant Women	The <b>Medically Needy Income Level</b> RU (primary) must be approved or included in the same package in order for the user to view the MNIL for the <b>Medically Needy Pregnant Women</b> RU (secondary).	Click on the <i>View...</i> link to see the most current version of the MNIL. <ul style="list-style-type: none"> <li>• If the primary RU has been included in the package, that version will display.</li> <li>• If the primary RU has not been included in the package, the latest approved version will display.</li> </ul>
Medically Needy Income Level	Medically Needy Children under Age 18	Unless the <b>Medically Needy Income Level</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Children under Age 18</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Medically Needy Income Level	Medically Needy Children under Age 18	The <b>Medically Needy Income Level</b> RU (primary) must be approved or included in the same package in order for the user to view the MNIL for the <b>Medically Needy Children under Age 18</b> RU (secondary).	Click on the <i>View...</i> link to see the most current version of the MNIL. <ul style="list-style-type: none"> <li>• If the primary RU has been included in the package, that version will display.</li> <li>• If the primary RU has not been included in the package, the latest approved version will display.</li> </ul>

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Medically Needy Income Level	Medically Needy Reasonable Classifications of Individuals under Age 21	Unless the <b>Medically Needy Income Level</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Reasonable Classifications of Individuals under Age 21</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Medically Needy Income Level	Medically Needy Reasonable Classifications of Individuals under Age 21	The <b>Medically Needy Income Level</b> RU (primary) must be approved or included in the same package in order for the user to view the MNIL for the <b>Medically Needy Reasonable Classifications of Individuals under Age 21</b> RU (secondary).	Click on the <i>View...</i> link to see the most current version of the MNIL. <ul style="list-style-type: none"> <li>• If the primary RU has been included in the package, that version will display.</li> <li>• If the primary RU has not been included in the package, the latest approved version will display.</li> </ul>
Medically Needy Income Level	Medically Needy Parents and Other Caretaker Relatives	Unless the <b>Medically Needy Income Level</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Parents and Other Caretaker Relatives</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Medically Needy Income Level	Medically Needy Parents and Other Caretaker Relatives	The <b>Medically Needy Income Level</b> RU (primary) must be approved or included in the same package in order for the user to view the MNIL for the <b>Medically Needy Parents and Other Caretaker Relatives</b> RU (secondary).	Click on the <i>View...</i> link to see the most current version of the MNIL. <ul style="list-style-type: none"> <li>• If the primary RU has been included in the package, that version will display.</li> <li>• If the primary RU has not been included in the package, the latest approved version will display.</li> </ul>

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Medically Needy Income Level	Medically Needy Populations Based on Age, Blindness or Disability	Unless the <b>Medically Needy Income Level</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Medically Needy Populations Based on Age, Blindness or Disability</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Medically Needy Income Level	Medically Needy Populations Based on Age, Blindness or Disability	The <b>Medically Needy Income Level</b> RU (primary) must be approved or included in the same package in order for the user to view the MNIL for the <b>Medically Needy Populations Based on Age, Blindness or Disability</b> RU (secondary).	Click on the <i>View...</i> link to see the most current version of the MNIL. <ul style="list-style-type: none"> <li>• If the primary RU has been included in the package, that version will display.</li> <li>• If the primary RU has not been included in the package, the latest approved version will display.</li> </ul>

## INSTRUCTIONS

Where there are unique instructions for a 1634, SSI Criteria, or 209(b) state, the reader will be directed to the appropriate instructions.

### A. Income Level Used

*For Territories, 1634 States and SSI Criteria States*

- At **A.1.**, there is a statement regarding the requirement to have a single income level for the medically needy.
- At **A.2.**, indicate, **Yes or No**, if the income level varies based on differences between costs in urban and rural areas.
  - If **No**, go to **A.3.** to enter the income standard.
  - If **Yes**, provide information regarding the geographic areas for which the income level varies:
    - Provide the name of area and description in the text boxes provided
    - For additional areas, select the **+Add another area** link and repeat the above step.
    - To delete a previously added area, select **Delete** next to its name and description.
    - Go to **A.3.** to enter the income standard for each area entered.
- At **A.3.**, select the **Add Medically Needy Income Level** link to enter the income standard. If geographic areas were entered, do this for each geographic area. A new screen will appear in which to enter the level.
  - Select whether the standard is a dollar amount or a percentage.
  - If **A dollar amount** was selected, a table will be displayed with the **Household Size** of “1” already filled in.
    - Next to **Household Size**, under the column heading **Standard**:
      - Enter the income standard amount for the household size of 1.
      - Select the **+Add a household size** link to add additional household sizes. Each time this is selected, the household size will increase by 1.
      - Enter the income standard amount for each household size, up to as large a household as is defined in your state’s policy.
    - To delete a household size row, select the **X** to the right of the amount. When you do this, any rows below the row you removed will move up one household size. You may need to correct the dollar amounts for these rows.
    - Select **Yes** or **No** to indicate whether an additional incremental amount for larger household sizes is used.
      - If **Yes** is selected, enter the incremental amount in the text box.
    - Select **Yes** or **No** to indicate if the dollar amounts increase automatically each year.
      - If **Yes** is selected:



- Select one of the two options for the basis of the increase.
- If **Other basis** is selected, enter the name of the basis in the text box.
- Select the day and month the automatic annual increase occurs.
- Select the **Save Income Standard** button to save the data entered and display it in the RU.
- If **A percentage** is selected, choose the option which best describes the percentage.
  - If **A percent of the Federal Poverty Level** or **A percent of the SSI Federal Benefit Rate** is selected, enter the amount of the percentage in the text box provided.
  - If **Other** is selected,
    - At **A percent of:**, enter the source of the percentage in the text box provided.
    - Enter the amount of the percentage in the text box provided.
  - Select the **Save Income Standard** button to save the data entered and display it in the RU.

*For 209(b) States*

- At **A.1.**, there is a statement regarding the requirement to have a single income level for the medically needy, subject to the answer to **A.3.**
- At **A.2.**, indicate, **Yes or No**, if the income level varies based on differences between costs in urban and rural areas.
  - If **No**, go to **A.3.** to indicate whether there is a separate income level for certain individuals.
  - If **Yes**, provide information regarding the geographic areas for which the income level varies:
    - Provide the name of area and description in the text boxes provided.
    - For additional areas, select the **+Name of area** link and repeat the above step.
    - To delete a previously added area, select **Delete** next to its name and description.
    - Go to **A.3.** to indicate whether there is a separate income level for certain individuals.
- At **A.3.**, indicate, **Yes or No**, if there is a separate income level for individuals who are age 65 or older, or who have blindness or a disability.
  - If **No**, go to **A.4.** to enter the income level.
  - If **Yes**,
    - At **A.3.a.**, there are statements that the separate level must be equal to or higher than the higher of (i) the lowest categorically needy income level or (ii) the medically needy income level in effect on January 1, 1972.

- At **A.3.b.**, select one or more populations for whom the separate income level is used.
  - Go to **A.4.** to enter the income level.
- At **A.4.**, select the **Add Medically Needy Income Level** link(s) to enter the income level(s). If geographic areas were entered, do this for each geographic area. If a separate level for selected populations was selected, do this for the basic level and the separate level. If both geographic areas and a separate level for selected populations were selected, enter a basic and separate level for each geographic area. A new screen will appear in which to enter the level.
  - Select whether the standard is a dollar amount or a percentage.
  - If **A dollar amount** was selected, a table will be displayed with the **Household Size** of “1” already filled in.
    - Next to **Household Size**, under the column heading **Standard**:
      - Enter the income level amount for the household size of 1.
      - Select the **+Add a household size** link to add additional household sizes. Each time this is selected, the household size will increase by 1.
      - Enter the income level amount for each household size, up to as large a household as is defined in your state’s policy.
    - To delete a household size row, select the **X** to the right of the amount. When you do this, any rows below the row you removed will move up one household size. You may need to correct the dollar amounts for these rows.
    - Select **Yes** or **No** to indicate whether an additional incremental amount for larger household sizes is used.
      - If **Yes** is selected, enter the incremental amount in the text box.
    - Select **Yes** or **No** to indicate if the dollar amounts increase automatically each year.
      - If **Yes** is selected:
        - Select one of the two options for the basis of the increase.
        - If **Other basis** is selected, enter the name of the basis in the text box.
        - Select the day and month the automatic annual increase occurs.
    - Select the **Save Medically Needy Income Level** button to save the data entered and display it in the RU.
  - If **A percentage** is selected, choose the option which best describes the percentage.
    - If **A percent of the Federal Poverty Level** or **A percent of the SSI Federal Benefit Rate** is selected, enter the amount of the percentage in the text box provided.
    - If **Other** is selected,
      - At **A percent of:**, enter the source of the percentage in the text box provided.
      - Enter the amount of the percentage in the text box provided.

- Select the *Save Medically Needy Income Level* button to save the data entered and display it in the RU.
- If *Yes* is selected at **A.3.**, at **A.5.**, select the *Add Medically Needy Income Level* link(s) to enter the separate income levels for individuals age 65 or older or who have blindness or a disability using the same instructions as for **A.4.** above.

## **B. Basis for Income Level**

- At **B.1.**, there is a statement that the minimum income level for this eligibility group is the lower of the state's July, 1996 AFDC payment standard or the state's income standard used for the Parents and Other Caretaker Relatives eligibility group.
  - If you wish to view the July, 1996 AFDC payment standard, select the *View approved version of AFDC Payment Standard in Effect As of July 16, 1996* link.
    - The table in the **AFDC Income Standard** (for states) or **Income Standards - AFDC-Related - Territories** (for territories) RU that pertains to these standards will appear if there is an approved version of the RU in MACPro.
    - If there is no approved version of the RU in MACPro, a screen will appear with the following message: "There is no approved version of this reviewable unit in MACPro available to display."
    - Select the *Medically Needy Income Level* link to return to the **Medically Needy Income Level** RU.
  - If you wish to view the current Parents and Other Caretaker Relatives income standard, select the *View approved version of income standard for Parents and Other Caretaker Relatives* link.
    - The **Parents and Other Caretaker Relatives** RU will appear if there is an approved version of the RU in MACPro.
    - If there is no approved version of the RU in MACPro a screen will appear with the following message: "There is no approved version of this reviewable unit in MACPro available to display."
    - Select the *Medically Needy Income Level* link to return to the **Medically Needy Income Level** RU.

### *For States only*

- At **B.2.**, there is a statement that the maximum income level for this eligibility group is 133 1/3 percent of the higher of the state's 1996 AFDC payment standard or the state's income standard for the Parents and Other Caretaker Relatives eligibility group.
  - If you wish to view the July, 1996 AFDC payment standard, select the *View approved version of AFDC Payment Income Standard in Effect As of July 16, 1996* link.
    - The table in the **AFDC Income Standard** RU that pertains to these standards will appear if there is an approved version of the RU in MACPro.

- If there is no approved version of the RU in MACPro, a screen will appear with the following message: “There is no approved version of this reviewable unit in MACPro available to display.”
- Select the *Medically Needy Income Level* link to return to the **Medically Needy Income Level** RU.
- If you wish to view the current Parents and Other Caretaker Relatives standard, select the *View approved version of income standard for Parents and Other Caretaker Relatives* link.
  - The **Parents and Other Caretaker Relatives** RU will appear if there is an approved version of the RU in MACPro.
  - If there is no approved version of the RU in MACPro a screen will appear with the following message: “There is no approved version of this reviewable unit in MACPro available to display.”
  - Select the *Medically Needy Income Level* link to return to the **Medically Needy Income Level** RU.

**C. Additional Information (Optional)**

Except in limited circumstances, this field remains blank. Please consult with CMS before adding any additional information concerning this RU.

**REVIEW CRITERIA**

*For both states and territories, the income level(s) must be no lower than the minimum income level.*

*For states, the income level(s) must be no higher than the maximum income limit.*