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**INSTITUTIONALIZATION**

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**MEDICAID INCOME COMPUTATION**

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**H. HEALTH  
INSURANCE  
PREMIUM  
DEDUCTION**

A health insurance premium incurred by a recipient that is not subject to payment by a third party is an allowable deduction from the recipient's Medicaid Income. This deduction is limited to one health insurance premium per recipient provided the recipient pays the premium out of his own funds.

If a recipient owns more than one health insurance policy, the recipient must choose the one premium that is to be claimed as a deduction.

**1. Verification  
Required**

Before a health insurance premium is allowed as a deduction, the recipient or representative must verify that the recipient is the one who pays the expense. In addition, verification must be submitted to show that the recipient is the insured, the amount of the premium and the period of time the premium covers. Failure to verify the expense properly will result in the disallowance of the expense.

The recipient or representative must submit any and all official documentation necessary to verify the information specified above. Copies of premium notices, the health insurance policy, and/or other official notices may be required. All verification submitted must be photocopied and filed in the case record to clearly document the allowance of the expense.

Form DOM-339, Statement Regarding Payment of Health Insurance Premiums and Non-Covered Medical Expenses, will be used in conjunction with the client's own records, to verify payment of a health insurance premium. A DOM-339 will be issued on an annual basis, in accordance with the instructions for the form, even if the expense is paid monthly.

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**2. Retrospective  
Budgeting  
of Health  
Insurance  
Premiums**

The premium that the recipient claims will be allowed as a one-time deduction in the third month following the month in which the premium is billed. Recipient cases with premiums claimed are reworked quarterly, if applicable (if a premium was billed in the previous quarter). Quarters are divided as follows:

Oct	Jan	Apr	July
Nov	Feb	May	Aug
Dec	Mar	June	Sept

Premiums billed in October are allowed as a one-time expense in January. Likewise, premiums billed in November are allowed in February. Premium expenses billed monthly are deducted retrospectively, also; however, it is only necessary to verify and recalculate amounts on a quarterly basis. Premiums are deducted in one month only (in Institutional budgeting) in the month which is the third month following the month billed. If the premium amount exceeds the recipient's Medicaid Income, any excess is not carried over into subsequent months.

Health Insurance will be verified once per year regardless of whether the expense is allowed monthly, quarterly, semi-annually or annually.

**Policy  
Liberalization**

Effective April 1, 2001, health insurance premiums will be allowed in the current month that the premium is billed. Retrospective budgeting will no longer be used.

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3.     **Effective**                     For newly approved Medicaid eligibles, i.e., the client was not  
**Date of**                             Medicaid eligible upon entry into LTC, the first month a  
**Premium**                            health insurance premium is allowed is the third month  
**Deduction**                         following the month in which the premium is billed. The  
  premium must be billed in or after the month of initial  
  eligibility. For example, if an annual premium is billed in  
  October and eligibility does not begin until November, the  
  premium cannot be allowed until the quarter after the quarter  
  of the next billing.

For Medicaid eligibles who enter LTC, i.e., the client enters LTC eligible as SSI or MAO (any existing MAO coverage group), a health insurance premium billed in the quarter prior to entry can be allowed in the quarter of entry into LTC. The premium is deducted retrospectively; however, a premium billed in the quarter prior to entry is an allowable deduction in the first quarter provided the client was eligible (as SSI or MAO) in the month billed. For example, a PLAD eligible is billed for a quarterly health insurance premium in August and enters a nursing home in October. The August premium is an allowable expense in November if properly verified.

Note: Allow a health insurance premium deductions to begin in the first quarter following the expiration of a transfer penalty provided the client was eligible for all other services during the transfer penalty and was billed in the previous quarter for the premium.

Effective April 1, 2001, a health insurance premium deduction will be allowed in the current month that premium is billed provided the transfer penalty has expired.

4.     **Reconciliation**               When an institutionalized recipient becomes ineligible for  
**in Last**                             Medicaid, dies or leaves the institution, the worker must  
  make  
**Quarter of**                           a final one time adjustment to reconcile the allowable  
**Eligibility**                         expenses from the previous quarter and the expenses incurred  
  in the last quarter of eligibility. This one time adjustment will  
  allow the previous quarter's expenses and the final quarter's  
  expenses as a one time deduction in the month of ineligibility.

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For example: Client dies in January. In the month of January, the current budget reflects actual expenses incurred in October. A one-time adjustment must now be made to allow expenses that would have been deducted for November, December and January in order to reconcile all expenses that would have been allowed had the client lived and remained eligible.

This will require verification of the final quarter's allowable expenses up until the client become ineligible or dies. Verification will be obtained via DOM-339 allowing 10 days for verification to be submitted.

Note: If the client was ineligible in the previous quarter, allow only final quarter expenses in the reconciliation. For example, if a client becomes eligible and dies in the same quarter, allow expenses in the month(s) prior to and including the month of death as a one time deduction.

A reconciliation for health insurance will be completed in order to bring the budget in line with allowing the premium in the current month. After this reconciliation has been completed, there will not be a reconciliation during the month of death. Applications approved after April 1, 2001, will not require a reconciliation.