



COMMISSIONER
Chris Traylor

February 1, 2011

To: Nursing Facility Contractors
Subject: Contract Oversight and Support Information Letter Number 11-25
Trust Fund Accounting Related to Incurred Medical Expenses (IMEs)

The Medicaid Eligibility worker may make an Incurred Medical Expense (IME) adjustment to the applied income to cover certain dental expenses, specialty medical equipment and medical insurance premiums. For the purpose of this information letter, providers of these services will be referred to as "Service Providers."

DADS receives numerous complaints from Service Providers as well as family members related to Incurred Medical Expense (IMEs). The following is provided as guidance for Nursing Facilities related to the routine handling of funds associated with these expenses.

The correct accounting treatment for an IME will result in the Service Provider receiving payment for services rendered, the Nursing Facility receiving correct vendor payment and the resident receiving necessary care not routinely provided by Medicaid.

Before any payments are made to the Service Provider, the Nursing Facility should consult with the resident, Responsible Party, Legally Authorized Representative or Guardian for authorization to pay the Service Provider.

If authorization to pay is denied for reasons of unsatisfactory service, etc, the Medicaid Eligibility worker should be contacted to determine whether or not the adjustment should be reversed and no payment made to the Service Provider.

Several scenarios of payments to be made are presented here, as the accounting treatment will vary depending on the circumstances.

Facility is Representative Payee

Review Form 1259, Correction to Applied Income, and Form 4808, Notice of Change in Applied Income or Co- Pay, to determine what months the Applied Income (AI) is to be adjusted for, and to determine the revised AI amount (routinely the AI is adjusted to zero). If the adjustment reflected on Forms 1259 and 4808 is:

- Retroactive
 - adjust the Account Receivable (A/R) for the resident: reverse the AI charge for the time period covered on the Payment Plan (Forms 1259/4808 as applicable) and charge the new amount as indicated. The credit created should be used to pay the Service Provider-do not refund to the family;

- refund the credit balance to the resident's trust fund;
 - cut a check from the trust fund to the Service Provider;
 - mail the check to the Service Provider; and
 - include with the check an itemized listing of what is being paid, or a copy of the invoice from the Service Provider.
- not retroactive
 - charge the resident the AI amount indicated on the payment plan (Form 4808) for the months indicated. Some months may be in the future, and will require that this step be done each month after the Social Security check is deposited into the trust fund;
 - calculate the amount available to pay the bill: Social Security check less the Personal Needs Allowance less the amount of AI charged on the payment plan;
 - write a check from the trust fund to the Service Provider for the amount; and
 - mail the check and a copy of the invoice to the Service Provider.

Facility is not Representative Payee, but the Social Security checks are direct deposited to the resident's trust fund.

Review Form 1259 and Form 4808 to determine what months the AI is to be adjusted for, and to determine the revised AI amount (routinely the AI is adjusted to zero). If the adjustment reflected on Forms 1259 and 4808 is:

- retroactive:
 - adjust the A/R for the resident: reverse the AI charge for the time period covered on the Payment Plan (Forms 1259/4808 as applicable) and charge the new amount as indicated. The credit created should be used to pay the Service Provider-do not refund to the family;
 - refund the credit balance to the resident's trust fund;
 - cut a check from the trust fund to the Service Provider;
 - mail the check and a copy of the invoice to the Service Provider; and
 - mail a copy of the check and invoice to the family, guardian or responsible party.
- not retroactive:
 - charge the resident the AI amount indicated on the payment plan (Form 4808) for the months indicated. Some months may be in the future, and will require that this step be done each month after the Social Security check is deposited into the trust fund);
 - calculate the amount available to pay the bill: Social Security check less the Personal Needs Allowance less the amount of AI charged on the payment plan;
 - write a check from the trust fund to the Service Provider for the amount;
 - mail the check and a copy of the invoice to the Service Provider; and
 - mail a copy of the check and the paid invoice to the family, guardian or responsible party for their records.

Facility is not Representative Payee and check does not come to the facility (family or guardian is receiving the check and paying the nursing facility bill) and the adjustment is:

- retroactive:
 - adjust the A/R for the resident: reverse the AI charge for the time period covered on the Payment Plan (Forms 1259/4808 as applicable) and charge the new amount as indicated. The credit created should be used to pay the Service Provider-do not refund to the family;
 - write a check from the operating account to the Service Provider for the amount of the credit;
 - mail the check and a copy of the invoice to the Service Provider; and
 - mail a copy of the check and the paid invoice to the family, guardian or responsible party for their records.

- not retroactive:
 - charge the resident the AI amount indicated on the payment plan (Form 4808) for the months indicated. Some months may be in the future, and will require that this step be done each month in the future;
 - notify the family or guardian in writing that the bill for applied income has been reduced because of the medical IME. The difference between the old applied income and the reduced applied income must be paid to the Service Provider. A bill will be sent to them by the Service Provider; and
 - notify the Service Provider to mail the bill to the family member.

For questions regarding the content of this letter, please contact the Nursing Facility Trust Fund Monitoring Unit Manager at (512) 438- 5824 or sandra.moore@dads.state.tx.us.

Sincerely,

[signature on file]

Teresa Richard
Director
Center for Policy and Innovation

TR:cp