<table>
<tr><td rowspan="4"></td><td colspan="4">GEORGIA DIVISION OF FAMILY AND CHILDREN SERVICES
MEDICAID POLICY MANUAL</td></tr>
<tr><td>Chapter:</td><td>2550</td><td rowspan="2">Effective Date:</td><td rowspan="2">December 2022</td></tr>
<tr><td>Policy Title:</td><td>Averaging Income and Incurred Medical Expenses</td></tr>
<tr><td>Policy Number:</td><td>2557</td><td>Previous Policy Update:</td><td>MT 58</td></tr>
</table>

REQUIREMENTS

Income and incurred medical expenses (IMEs) used in the patient liability budget are projected using an average of the income and IMEs from the previous three months.

BASIC CONSIDERATIONS

Averaging and reconciliation procedures are used in all patient liability and cost share budgets.

Averaging periods are three months, beginning with the month of admission to LA-D or the first month of Medicaid eligibility, whichever is later.

NOTE: An averaging period may be shortened to avoid reconciling income at the end of a period that would cause hardship to an A/R.

The expected average income and IMEs for the ongoing three months are projected as accurately as possible. The projected average is based on the following:

- regular recurring income/IMEs received/incurred during the three previous months
- regular recurring income/IMEs expected to be received/ incurred during the ongoing three month period
- any irregular or non-recurring income/IMEs expected to be received during the ongoing three-month period (e.g. lump sums, quarterly interest, a large, one-time IME).

NOTE: The projection should not include income or IMEs received or incurred in the previous three months if it is not expected to be received or incurred in the ongoing three month period.

Averaging periods can be flexible, depending on the receipt of unexpected income.

A budget is completed every three months to reconcile the projected income with the actual income received.

BASIC CONSIDERATIONS (cont.)

NOTE: Large medical expenses which are a one–time, non-recurring expense are not treated in the manner of a significant change because it is not a recurring event. These are to be treated separately with no averaging. See Section 2558 – 1.

PROCEDURES

Averaging

Follow the steps below to determine a monthly average income and IME:

Step 1 Verify the gross income received by the individual, including income placed in a Qualified Income Trust (QIT), for each of the three months previous to the first month of the averaging period.

Step 2 Determine the total gross income for each month separately. Round each monthly total down to the nearest dollar.

Step 3 Add the monthly totals together and divide by three. Round down to the nearest dollar.

Step 4 Determine if the individual expects to receive any income in the averaging period which was not received in the previous three months (e.g., yearly farm rental income). Divide this total by three. Round down to the nearest dollar.

Step 5 Add the total from Step 3 to the total from Step 4. This is the projected monthly average income to be used in the patient liability budgets for the averaging period.

Step 6 Verify all allowable IMEs for each of the three months previous to the first month of the averaging period. Refer to Section 2555, Incurred Medical Expenses.

Step 7 Determine the total amount of IME for each month separately. Round each month's total up to the nearest dollar.

Step 8 Add the monthly totals together and divide by three. Round up to the nearest dollar.

Step 9 Determine if the A/R expects to incur any medical expense in the averaging period which was not incurred in the previous three months. Divide this total by three. Round up to the nearest dollar.

PROCEDURES (cont.)

Averaging (cont.)

Step 10 Add the total from Step 8 to the total from Step 9. This is the projected monthly average IME to be used in the patient liability budgets for the averaging period.

Step 11 Complete patient liability budgets for the averaging period using the projected monthly averages for income and IME from step 10.

Reconciliation

Reconcile the projected amounts of income and IME used for the averaging period with the actual income/IME received.

Reconciliation occurs in three instances:
- at the beginning of each new averaging period
- whenever a significant change occurs (refer to Section 2558, Significant Change in Income or IME)
- whenever the vendor payment or cost share is terminated (except for discharges to another nursing home).

The reconciliation month is the first month of a new averaging period. It must be completed in the current benefit month in the current eligibility system, allowing for timely notice. Refer to Section 2701.

The following instructions are for completing manual reconciliation.

Step 1 Reconciliation should be completed in the system answering the Apply towards reconciliation question found on the Income or Medical Expense screens.

Step 2 Verify the actual income received by the individual, including income placed in a QIT, for each month of the just completed three month averaging period.

Step 3 Determine the total gross income for each month separately. Round each monthly total down to the nearest dollar.

Step 4 Combine the three rounded monthly totals from Step 2 to determine the total actual income which should have been used in the just completed averaging period.

PROCEDURES (cont.)

Reconciliation (cont.)

Step 5 Combine the three projected average monthly incomes used in the just completed averaging period to determine the total projected income.
Compare the total projected income from Step 4 to the total amount from Step 3.
If the total actual income is greater than the total projected income, add the difference in actual income and projected income from the income for the first month of the new averaging period (see Step 9).

Step 6 If the total actual income is less than the total projected income, subtract the difference in actual income and projected income from the income for the first month of the new averaging period (Step 9).
Repeat Steps 1 through 4, using IMEs instead of income. Use only IMEs which have been verified timely to determine actual IME. Round each IME total up to the nearest dollar.

Step 7 Compare the total projected IME with the total actual IME.

- If the total actual IME is greater than the total projected IME, add the difference in actual IME and projected IME to the IME deduction for the first month of the new averaging period (see Step 9).
- If the total actual IME is less than the actual projected IME, subtract the difference in actual IME and projected IME from the IME deduction for the first month of the new averaging period (see Step 9).

Step 8 Use the averaging procedures previously explained to determine new projected averages for both income and IME to use in the new averaging period.

Step 9 Complete a patient liability budget for the first month of the new averaging period.

- Add the income reconciliation amount from Step 5 to the new projected average income used in the patient liability budget for the first month of the new averaging period.
- Add the IME reconciliation amount from Step 7 to the new projected average IME amount used in the patient liability budget for the first month of the new ongoing budget period.

Step 10 Complete patient liability budgets for the second and third months of the new ongoing budget period using the new projected average income and IME amounts.

PROCEDURES (cont.)

Reconciliation (cont.)

Step 11 Complete appropriate fields in the computer system to calculate the new patient liability for the months of the new averaging period. Notify the A/R and PR via system generated notice of the change in monthly patient liability.

Notification

Refer to Section 2701 for notification requirements pertaining to changes in PL/CS.