

TO: Nursing Facilities (In-State and Out-of-State), State and County Governmental Psychiatric Hospitals, and Psychiatric Extended Stay Hospitals

SUBJECT: Indemnity Benefit Plans

EFFECTIVE: Immediately

BACKGROUND: On March 13, 1992 the Health Care Financing Administration (HCFA) issued a clarification of the eligibility and Third Party Liability (TPL) implications of indemnity benefit plans. These plans pay a fixed per diem rate to the insured individual when he or she becomes an inpatient of a governmental psychiatric hospital, psychiatric extended stay hospital, or nursing facility.

In determining Medicaid eligibility for an individual who is receiving indemnity benefits as an inpatient in a governmental psychiatric hospital, psychiatric extended stay hospital, or nursing facility, payments which are considered "income" must be distinguished from those which are not treated as income at all but are considered to be a "third party resource".

If the benefit is paid to the individual and could be used to meet his/her needs, it is considered to be income, unless the benefit is restricted to the purchase or reimbursement of medical services covered by the policy. If this income puts the individual over the Medicaid income cap of \$1302 for any month, he or she would be ineligible for Medicaid.

If the benefit is paid directly to a facility, it is not considered income. However, amounts paid to a facility for purposes of other than medical/psychiatric care may be considered income if the facility would make it available to the individual so that he or she could use it for personal needs.

ACTION: Once an individual has been determined eligible for Medicaid, consideration must be given to determining total income available for contribution to the cost of care, or potential third party resource.

Indemnity benefits paid to an individual, whether or not they are counted as income in determining financial eligibility, must be included in the post-eligibility determinations of the income

available to offset the cost of care. Accordingly, the County Welfare Agency (CWA) or Institutional Services Section (ISS) area office, as appropriate, will prepare a PA-3L (Statement of Available Income for Medicaid Payment) indicating the monthly amount of the indemnity benefit under "Other Income", annotating the source of the income and the code "I", for indemnity benefit, under "Remarks". The available income will be shown on the Turn Around Document (TAD) under "Patient Payment" (block #35).

If the indemnity benefit is paid directly to the governmental psychiatric hospital, psychiatric extended stay hospital, or nursing facility, no indication of this benefit will be shown on the PA-3L. Instead, the CWA or ISS area office will forward this information to the Bureau of Third Party Liability at the Division of Medical Assistance and Health Services. Subsequent to entering the TPL information into the system, the State will notify the facility and the CWA.

For benefits which are considered TPL, governmental psychiatric hospitals, psychiatric extended stay hospitals, or nursing facilities must identify payments received from these plans under "Insurance Payment" (block #36) on the TAD and show the appropriate carrier code (block #33). The insurance codes can be located in Appendix "D" of the Nursing Facility Services Fiscal Agent Billing Supplement. Failure to provide this information will prevent the payment of the claim.

Questions concerning this Newsletter may be directed to Ellen Keane, Bureau of Claims and Accounts, at (609) 588-2885.

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