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| <b>KDHE-DHCF POLICY NO: PM2025-05-02</b>   | <b>From: Erin Kelley, Director of Policy</b>   |
| <b>Date: May 23, 2025</b>  | <b>Medical KEESM Reference(s): 2663, 4310, 7430, 8113, 8143</b><br><br><b>KFMAM Reference(s): 03100, 6410.02</b> |
| <b>RE: Implementation to Increase the Protected Income Limit for Medically Needy Budgeted Programs</b> | <b>Program(s): All Medical Programs</b>  |

This memo sets forth instructions for implementation of policy changes related to the increase in the Medically Needy protected income limit. This policy becomes effective with eligibility determinations made with a July 1, 2025 effective date. The policy manuals will be updated with the next scheduled revision.

**I. CHANGES IMPACTING ALL MEDICAL PROGRAMS**

**A. BACKGROUND**

The Kansas Medically Needy protected income limit (PIL) has been set at \$475 since the federal implementation of the July 16, 1996 Personal Responsibility and WORK Opportunity Reconciliation Act of 1996 (P.L. 104-193) was enacted. As the protected income limit was set by that federal law and adopted by Kansas Legislature, the \$475 PIL has remained set at that amount since.

**B. NEW POLICY**

Effective July 1, 2025, the protected income limit for programs that use the Medically Needy, also known as “independent living”, budgeting methodology will increase from \$475 to 100% of the Supplemental Security Income (SSI) amount, also known as the SSI

Federal Benefit Level (FBR). The 100% of the SSI Income amount shall be based on household size, which means effective July 1, 2025, the Medically Needy protected income limit is as follows:

| Household Size         | Protected Income Limit |
|------------------------|------------------------|
| Household of 1         | \$967.00               |
| Household of 2         | \$1,450.00             |
| Each additional person | Add \$484.00           |

As the SSI benefit level increases each year during the annual COLA increase, the protected income amount also will increase annually going forward. This amount will be updated and accessible to staff in the F-8 Kansas Medical Assistance Standards.

**Note:** This policy does not change the assistance planning household size or individual budgeting unit (IBU) definitions. Staff should continue to budget household sizes accordingly as noted in MKEESM 4310 and KFMAM 03100.

As Medically Needy is also considered the “Independent Living” protected income limit (PIL), the following groups will be impacted by this policy:

- Medically Needy Spenddown – Elderly & Disabled (E&D)
- Medically Needy Spenddown – Family Medical (FM)
- PMDT Tier 1 SSI Presumptive with a \$0 Spenddown
- Long Term Care (Nursing Facility) – Temporary (or short term) stays
- Long Term Care (Nursing Facility) – Permanent Stay - Month of entrance
- Income Allocation to a Dependent Child – Not Living with the Community Spouse

This change will apply to all eligibility determinations made with an effective date of July 1, 2025 or later. The KEES system will be updated to apply the new protected income limit to all active recipients currently budgeted under the independent living PIL. This includes individuals receiving Medically Needy Spenddown and Long Term Care – Temporary Stay coverage.

This system update will ensure that all affected recipients transition to the new PIL without requiring individual action from eligibility staff. KEES will implement the change in coordination with the July 1, 2025 effective date.

As part of this update, notices must be sent to the consumers and authorized administrative roles informing them of any changes in their share of cost (i.e., spenddown amount or patient liability) in accordance with standard policy and procedures. Because the update will also affect Long Term Care Nursing Facility recipients who use the independent living methodology (e.g., temporary stays or the month of entry for permanent stays), facilities will

be notified of any liability change through a special report that will be generated following the system updates and batch EDBC completing. The reports will be mailed from Central Office. Eligibility staff will not be required to send a manual notice for any case that successful completed by batch EDBC.

## **1. EXCEPTIONS AND SPECIAL CASES**

Some individuals budgeted under the independent living methodology will not be affected by this PIL, such as:

- Individuals with a \$0 spenddown, or
- Individuals who have already met their spenddown.

Additionally, some cases may not be included in the batch EDBC update due to data conditions that will prevent EDBC from running such as:

- A pending review submitted to the Clearinghouse that has not yet been processed, or
- A spenddown base period ending on or before July 2025.

These cases are to be identified either when the new spenddown is established by staff or by the next scheduled renewal, whichever occurs first, and appropriate action taken to apply the increased PIL.

## **2. STAFF ACTION ON EXCLUDED CASES**

When staff identify excluded cases, they must review the individual's spenddown status in KMMS, along with any known, allowable expenses within the case file, to determine if applying the new PIL retroactively to July 2025 would be benefit the consumer. If applying the new PIL does not help the individual meet their spenddown or bring them within the 67% threshold needed to establish a new spenddown, staff are not required to retroactively run EDBC and the decision documented in the case journal. In such cases, the new PIL shall be applied prospectively starting with the first month of the new spenddown base period.

## **C. TRANSITIONING FROM OLD PIL TO THE NEW PIL**

KEES will implement this update to align with the July 1, 2025 effective date. Notices must be sent to the consumers and authorized administrative roles advising of the change in their share of cost (spenddown amount or patient liability) per standard policy and process. As this system update will also impact Long Term Care – Temporary Stay coverage recipients, a separate report will be generated after the system update that will be sent to

each Kansas nursing facility, advising of the change in the beneficiary's share of cost. Eligibility staff will not be required to send a manual notice to the facility advising of the change.

Additionally, this new PIL increases the amount of money that individuals may protect each month will result in either a lower spenddown amount for their existing spenddown or result in their spenddown amount being reduced completely. If the new PIL results in no spenddown or their unmet spenddown becoming met, any unpaid medical expenses incurred during the existing base period must be rebilled by the provider to KMAP for the claim to be reimbursed. Past due and owing expenses that were originally applied towards the existing base period, that do not result in the spenddown becoming met are still allowable per existing policy. However, should that past due and owing expense enable the individual to meet their new lowered spenddown amount and a balance remains on the expense, staff shall calculate that expense amount and notate the journal the next time the case is entered for eligibility processing, (i.e., either case maintenance, review, etc.).

## **D. KDHE FORM UPDATES**

The following form and other documents are being updated because of this protected income limit increase. New versions of these documents will be available on the KDHE Eligibility Policy website prior to the implementation of this policy.

- FS-3(s) – Overview of E&D Program Fact Sheet
- FS-8(s) – Spenddown - Medically Needy Fact Sheet
- W-2 Family Medical Spenddown Worksheet
- W-3 E&D Spenddown Worksheet
- 3104.7 – Income Allocation Worksheet

## **QUESTIONS**

For questions or concerns related to this document, please contact the KDHE Medical Policy Staff at [KDHE.MedicaidEligibilityPolicy@ks.gov](mailto:KDHE.MedicaidEligibilityPolicy@ks.gov).

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Questions regarding any KEES issues are directed to the KEES Help Desk at [KEES.HelpDesk@ks.gov](mailto:KEES.HelpDesk@ks.gov).