Information partners can use on:

**Medicaid Spenddown & Extra Help**

A person with Medicare who’s also eligible for Medicaid because of high medical expenses (higher than their available income) can get help with the cost of Medicare drug coverage (Part D).

**What’s Extra Help?**

Extra Help is a program that lowers out-of-pocket Medicare drug costs. People with both Medicare and Medicaid automatically qualify for Extra Help, and only pay a small copayment for Medicare-covered drugs.

**What’s spenddown?**

Spenddown is a way for someone with Medicare to qualify for Medicaid, even if their income is higher than the state’s Medicaid limit. Under spenddown, a state lets the person subtract their non-covered medical expenses and cost sharing (like Medicare premiums and deductibles) from their available income. This lowers the person’s countable income to a level that qualifies them for Medicaid.

**What’s a spenddown period?**

A spenddown period is a state-set time period during which a person’s non-covered medical expenses must be high enough to lower their available income to a level that qualifies them for Medicaid. States can choose to set spenddown periods anywhere between 1–6 months. For example, in a state with a 1-month spenddown period, a person’s non-covered medical expenses and Medicare cost sharing must lower their income to the Medicaid limit each month to qualify for Medicaid that month.

**How does Extra Help impact a person who qualifies for Medicaid through spenddown?**

When a person qualifies for Medicaid through spenddown, they automatically qualify for Extra Help for at least the rest of the calendar year:

- People who qualify for Medicaid through spenddown in the first 6 months of a calendar year are eligible for Extra Help for the rest of that year.
- People who qualify for Medicaid through spenddown in the last 6 months of a calendar year are eligible for Extra Help for the rest of the current year and the entire following year.
How does Extra Help impact a person who qualifies for Medicaid through spenddown? (continued)

However, the Extra Help the person gets will potentially lower the medical expenses they would otherwise use to meet their spenddown limit. This might slow down the time it takes the person to meet their spenddown limit to qualify for Medicaid for the rest of the calendar year.

The example below shows how qualifying for Extra Help may affect a person who’s eligible for Medicaid through spenddown.

**Month 1**

Julie has Medicare and gets $1,200 a month in Social Security. Her state’s Medicaid income limit is $1,000 a month, so her $1,200 monthly income is too high for her to qualify for Medicaid. She must have at least $200 a month in medical expenses to spend down to her state’s income limit. In January, she pays $150 out-of-pocket for prescription drugs (including her monthly premium) and $75 for doctor visits. This amounts to a total of $225 in medical expenses. After Julie spends $200 in medical expenses in January, she’s eligible for Medicaid for the rest of the month. Medicaid pays the remaining $25 of her medical expenses, leaving her with $1,000 for other expenses. In addition, since she’s eligible for Medicaid, Julie automatically qualifies for Extra Help. Julie’s Extra Help will last through the end of the calendar year, even if she doesn’t qualify for Medicaid in some later months because she has lower medical expenses.

**Month 2**

With Extra Help and a Medicare drug plan, Julie pays no monthly premium, has no deductible, and pays only small copayments. In February, her copayments are $4 for each of her 10 generic prescriptions, for a total of $40. She spends $75 for her doctor visits, for a total of $115 in medical expenses in February. Her monthly medical expenses aren’t enough to qualify for Medicaid (she doesn’t exceed her $200 spenddown amount). But, the Extra Help she gets increases the income available to her. Even without getting Medicaid, she now has $1,085 available for other expenses, $85 more than she had before getting the Extra Help.

**Month 3**

During a month where Julie’s medical expenses for items other than prescription drugs are high, she’ll qualify for Medicaid once she has medical expenses of at least $200.

For example, in May, Julie has $210 in doctor visits and $40 in total prescription drug copayments, for a total of $250 in medical expenses. She meets her spenddown amount, so Medicaid pays the additional $50 of her medical expenses. She can still rely on the Medicaid Program in months when she has higher medical expenses.
What if a person no longer automatically qualifies for Extra Help as of January 1 next year?

Each fall, Medicare uses state data to find out if a person will continue to automatically qualify for Extra Help in the coming year.

Using the example from the previous page, let’s say the state reports data in September showing that Julie didn’t qualify for Medicaid in either July or August. As a result, Medicare determines that Julie no longer automatically qualifies for Extra Help beginning January 1 of the next calendar year. Julie gets a grey letter in the mail that tells her she doesn’t automatically qualify for Extra Help, and encourages her to apply through Social Security to see if she qualifies based on her income and resources.

If Julie doesn’t qualify for Extra Help through Social Security, she’ll automatically qualify for it if she goes over her Medicaid spenddown amount at least once during a calendar year. For example, after not qualifying for Extra Help in January because she didn’t go over her spenddown amount, Julie will automatically qualify for Extra Help in February if she goes over her Medicaid spenddown amount that month. If that happens, her state tells Medicare, and she gets a letter from Medicare saying she automatically qualifies for Extra Help beginning with the month she qualified for Medicaid (February) until at least December 31 of the same year.

For more information:

- Call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.
- Call your State Medical Assistance (Medicaid) office. Visit Medicaid.gov/about-us/beneficiary-resources/index.html#statemenu for the phone number.
- Call your State Health Insurance Assistance Program (SHIP). Visit shiphelp.org or call 1-800-MEDICARE for the phone number.

You have the right to get Medicare information in an accessible format, like large print, braille, or audio. You also have the right to file a complaint if you feel you’ve been discriminated against. Visit Medicare.gov/about-us/accessibility-nondiscrimination-notice, or call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users can call 1-877-486-2048.

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