Spend Down

To comply with government benefits requirements.

What is a spend down?

Upon receiving your settlement proceeds you may have too much income or assets to qualify for needs-based government benefits such as Medicaid, Supplemental Security Income (SSI), Food Stamps, or other means-tested benefits. Please note that traditional retirement/Social Security, veterans' benefits, Tricare, Medicare, and Social Security Disability Insurance are not needs-based benefits. These are entitlement or paid into programs that will not be affected byreceiving the settlement funds.

For Medicaid and SSI, the countable resources must not be worth more than $2,000 for an individual or $3,000 for a couple. If the countable resources are over these amounts, it's called an excess income. However, you can still qualify for these needs-based benefits if you spend the excess income/assets and follow the spend down procedures listed below.

Medical bills that can be counted toward a spend down:

- Your own or spouse's medical bills
- Past unpaid medical bills (sometimes up to 6 years old) for you or any of the people named above
- Part of any medical bill not covered by Medicare or private insurance
- Medical expenses (including insurance premiums) paid by certain public programs, for example, the Elderly Pharmaceutical Insurance Program (EPIC) and the Child Health Insurance Program (CHIP)
- Medical expenses or payments to therapists, day treatment, drug and alcohol programs, nurses, personal care attendants, and home health aides (as required by a physician)
- Prescription drug bills
- Some over-the-counter drugs and medical supplies, such as bandages and dressings (if they have been ordered by a doctor or are medically necessary)

Note: The spend down must be reported to the Social Security Administration and/or the Department of Health and Human Services (DHHS).

Type of expenses to count toward a spend down include:

- A vehicle including registration and insurance
- Education expenses
- Entertainment/recreation expenses
- Paying off debts
- Pre-pay burial arrangements
- Furniture
- Clothing
- Home modifications

Choosing Not to Participate
In a Spend Down

What happens to SSI when a lump sum is received?

Any Lump sum payment will count as income in the month received. In the next month, the lump sum counts as an asset. Here is what happens to SSI:

First, Social Security will look to see if the lump sum received puts you over the income limits for the month you get both SSI and the lump sum.

For example: You get $734 of SSI on December 1st. Then get a $50,000 lump sum payout in mid-December. Since you are over the income guidelines for December, Social Security will send you a notice that you were overpaid SSI for December. They will try to collect that $734 by reducing the future SSI payments; likely the following month.

Second, the lump sum received will count against the $2,000 limit on asset. When Social Security looks to see if you are over the asset limit, they look at the first day of the month.

For example: You get a lump sum in December. You spend it down below the asset limit on or before December 31st. You will not have an asset problem for January.

What happens to Medicaid when a lump sum is received?

The lump-sum is considered to be "income" in the month that the lump sum is received. You will need to report to DHHS that you have received income and must report this within 10 days of getting the money. The lump sum will not end the Medicaid for the month in which monies are received.

For example, you get the lump sum in December, you will keep your Medicaid for December. You do not have to pay anything back.

In the next month, anything left over from the lump sum counts as an "asset." It will count against the asset limits for Medicaid. You will need to get the lump sum, and any other assets, below the assets limit by any time in the month after the lump sum payment; otherwise, you may lose your Medicaid.