APPENDIX G
INCOME METHODOLOGIES PRIOR TO 1/1/14

10.7 AFDC MEDICAID (Categorically Needy, Mandatory)

NOTE: The spenddown provision does not apply.

Income eligibility for AFDC Medicaid is determined in the same way eligibility was determined for an AFDC/U payment when that Program was active. Although eligibility is determined for the former AFDC/U Program, Medicaid is the only benefit received.

A. BUDGETING METHOD

NOTE: Treatment of the income of persons employed under an annual contract and of migrant farm workers with seasonal employment requires special instructions. See item D of this section (10.7).

Eligibility is determined on a monthly basis. Therefore, it is necessary to determine a monthly amount of income to count for the eligibility period. The following information applies to earned and unearned income.

For all cases, the Worker must determine the amount of income that can be reasonably anticipated for the AG. For all cases, income is projected*; past income is used only when it reflects the income the client reasonably expects to receive.

***NOTE:** There are two exceptions to this. They are found below in item 5.

1. Methods For Reasonably Anticipating Income

There are 2 methods for reasonably anticipating the income the client expects to receive. One method uses past income and the other method uses future income. Both methods may be used for the same AG for the same certification period because the method used varies with the circumstances of each source of income. The situations which prompt usage of one or the other method are listed below. More details are contained in the follow items.

Use past income only when both of the following conditions exist for a source of income:

- Income from the source is expected to continue into the certification period; and

- The amount of income from the same source is expected to be more or less the same.

NOTE: For these purposes, the same source of earned income means income from the same employer, not just the continued receipt of earned income.

Use future income when either of the following conditions exist for a source of income:

- Income from a new source is expected to be received in the certification period; or

- The rate of pay or the number of hours worked for an old source is expected to change during the certification period.

NOTE: For these purposes, a new source of earned income means income from a different employer. Income that normally fluctuates does not require use of future income. Future income is used for old sources only when the hourly, weekly, monthly, etc. rate of pay changes or the number of hours worked during a pay period increases or decreases permanently.

EXAMPLE: The T family members have the following income: Mr. T has earnings that fluctuate greatly from week to week. He expects no change in his earnings. Mrs. T was earning a substantial monthly salary, but was laid off last week. She will begin work next week at a job that pays $5.15/hr. She does not know how many hours she will work, but her employer has told her she will work a minimum of 20 hrs/wk. Mr. T's income is anticipated by using his past income as an indication of what he can expect to receive in the certification period. Mrs. T's income from an old source cannot be used because it will not be received in the upcoming certification period. Instead, the Worker must anticipate what her future earnings will be based on the best information available at the time. Mr. T's source of income meets the requirements for using past income to anticipate the future income, but Mrs. T's source is new and must be projected.

2. Consideration Of Past Income

It is necessary to consider information about the client's income sources before the Worker can decide which income to use. The Worker must follow the steps below for each old income source.

NOTE: when the amount of an anticipated income source is determined by use of an income tax return, it is not necessary to change the method by which that income source is anticipated at each redetermination prior to the next tax return, unless the anticipated income from that source for the upcoming certification period is expected to change.

NOTE: The Worker must not use year-to-date amounts on pay stubs to consider, anticipate or verify income unless the client has verification of all payment amounts, but is missing only one.

Step 1: Determine the amount of income received by all persons in the Income Group in the 30 calendar days prior to the application/redetermination date.

The appropriate time period is determined by counting back 30 days beginning with the calendar day prior to the date of application/redetermination. The income from this 30-day period is the minimum amount of income which must be considered. When, in the Worker's judgment, future income may be more reasonably anticipated by considering the income from a longer period of time, the Worker considers income for the time period he determines to be reasonable. Whether the Worker considers income from the prior 30 days, or from a longer period of time, all of the income received from that source during that time period must be considered. All pay periods during the appropriate time period must be considered and must be consecutive.

Step 2: Determine if the income from the previous 30 days is reasonably expected to continue into the new certification period.

If it is not expected to continue, the income from this source is no longer considered for use in the new certification period.

If it is expected to continue, determine if the amount is reasonably expected to be more or less the same. If so, the income source is used for the new certification period and treated according to item 4 below. If it is not expected to continue at more or less the same amount, the income source is used for the new certification period and treated according to item 3 below.

Step 3: Record the results of Step 2, including the amount of income, why the source is or is not being considered for the new certification period, the client's statement about continuation of the income from this source, the time period used, and, if more than the previous 30 days, the reason additional income was considered.

Once the Worker has determined all of the old sources of income to consider and the time period for which they are considered, he must then determine if any source should be considered for future income.

3. Consideration Of Future Income

When the client reasonably expects to receive income from a new source during the new certification period, or when the amount of income from an old source is expected to change, the Worker must consider the income which can be reasonably expected to be received.

NOTE: When the amount of income or the date of receipt cannot be reasonably anticipated, income from that source is not considered until the necessary information can be obtained. See Step 2 below.

Step 1: Determine if the Income Group expects to receive income from a new source, or expects a different amount from an old source, in the new certification period.

If not, none of the following steps are necessary. However, the Worker must record the client's statement that he does not expected income from a new source.

Step 2: Determine the amount of income the client can be reasonably expected to receive from the new source, or the new amount from the old source. If the amount of income cannot be reasonably anticipated, none of the following steps are necessary and income from this source is not considered for the new certification period. The Worker must record the client's statement that he expects income from a new source or that the amount from an old source will change. In addition, the Worker must record why the amount of income cannot be reasonably anticipated and information about all the attempts made to determine the amount.

When it is possible to reasonably anticipate a range of income, the minimum amount that can be anticipated is used.

EXAMPLE: A client is scheduled to start work in February, the month following the month of application. He knows he will earn $5.15/hour, but is not sure how many hours he will work. The Worker verifies through the employer that he will work 30-40 hours/week. The Worker anticipates the income by using 30 hours, the minimum number of hours he is expected to work

Step 3: Determine when the client can be reasonably expected to receive income from the new source or the changed amount from the old source. If the date of receipt cannot be reasonably anticipated, income from this source is not considered. The Worker must record the client's statement that he expects income from a new source or a change in the amount from an old source. In addition, the Worker must record why the date of receipt cannot be anticipated and information about attempts made to determine the date of receipt.

Step 4: When the amount and date of receipt can be anticipated, the Worker treats the income according to item 4 below.

The Worker must record how the amount and date of receipt were projected.

4. How To Use Past And Future Income

Once the Worker determines all of the income sources which are to be considered for use, the amount of monthly income is determined as follows, based on the frequency of receipt and whether the amount is stable or fluctuates.

NOTE: Some past income will never be used. When income from an old source is not expected to continue into the new certification period, it will never be used. In addition, some future income will never be used. When income from a new source is received but could not have been anticipated, that income is not used.

When the ***Frequency*** of Receipt is:	When the ***Amount*** is ***Stable***	When the ***Amount Fluctuates******
Monthly	Use ***Actual*** Monthly Amount	Use ***Average**** Monthly Amount
More Often than Monthly	***Convert*** Amount/period to Monthly Amount	Find ***Average**** Amount/period and ***Convert*** to Monthly Amount
Less Often than Monthly	***Prorate*** to Find Amount for Intended Period. If Not Monthly, ***Convert or Prorate*** Amount	***Prorate*** to Find Amount for Intended Period. If Not Monthly, ***Convert or Prorate*** Amount

***NOTE:** The purpose of finding an average amount of fluctuating income is to even out the highs and lows in the amount of income. The client is not, then, required to report fluctuating income each pay period and the Worker is not required to change income monthly. Should the client report fluctuations in the amount of income, the Worker is only required to recalculate the countable income when, in his judgment, the fluctuation will affect eligibility. All changes reported by the client must be considered, but not necessarily used. Reported changes must be recorded and the Worker must record why the reported income was or was not used.

Conversion of income to a monthly amount is accomplished by multiplying an actual or average amount as follows:

- Weekly amount x 4.3
- Bi-weekly amount (every 2 weeks) x 2.15
- Semi-monthly (twice/month) x 2

Proration of income to determine a monthly amount is accomplished by dividing the amount received by the number of time periods it is intended to cover as follows:

- Bi-monthly amount (2 months) ÷ 2
- Quarterly amount (3 months) ÷ 3
- Semi-annual amount (twice/year) ÷ 6
- Annual amount ÷ 12

- 6-week amount ÷ 6 and converted to monthly amount by using x 4.3
- 8-week amount ÷ 8 and converted to monthly amount by using x 4.3

EXAMPLE: A woman begins working on the 2nd Monday of a month. She earns $200/wk and is paid every Friday. Her average weekly pay is $200. For the 1st month she has earnings, she expects to be paid 3 times. Her income for the month is $200 x 3 = $600. A change must be made for the anticipated income from the 2nd month of her employment.

EXAMPLE: Family of 4. The man works and earns a monthly salary of $300. His wife works part-time and is paid weekly. She earns $5.15/hr., but the number of hours she works fluctuates each week. His mother receives $150 every 3 months from the mineral rights to some property she owns out of state. His son just received a disability insurance check in the amount of $420 for the past 6 weeks. Income is determined as follows:

Monthly Pay, Amount Stable = $300 Salary = Monthly Amount

More Often, Amount Fluctuates = $5.15/hr. x Average No. Hours/week x 4.3 Monthly Amount

Less Often = $150 ÷ 3 Mos. = Monthly Amount

Less Often = $420 ÷ 6 Wks. x 4.3 Wks. = Monthly Amount

5. **EXCEPTION:** Use Of Actual Income

There are two exceptions to the rules in items 1 - 4 above. It applies to both applicants and recipients and requires use of actual income instead of conversion or proration of it.

a. Applicants

(1) Terminated Income

When an income source terminates in the month of application or in the 30 days prior to the date of application, income from this source must not be converted to a monthly amount. Instead, the Worker must use the actual amount already received from the terminated source in the month of application plus the amount expected to be received from this source later in the month of application. This is the

amount used as income for the month of application. Income from this source for the past 30 days or from the month of application must not be used to convert the terminated income to a monthly amount.

EXAMPLE: A client applies on September 10th. His job ended on August 31st. He was paid on that date, but still has another pay due him on September 15th. Because the income is from a terminated source, the income from this source cannot be converted. Instead, the amount already received in the month of application ($0) plus the amount expected to be received on September 15th are used to determine his eligibility for the month of application.

(2) Backdated Eligibility Requested

When backdated Medicaid eligibility is requested, the actual income received in the month(s) prior to the month of application is used to determine eligibility. Income for the month of application and any months thereafter is determined according to the policy in items 1 through 4 above.

b. Recipients

When:

- A client reports the beginning or ending of a source of income; and

- The client is not expected to receive a full month's income, i.e., the appropriate number of payments within the month, income from this source must not be converted to a monthly amount.

Instead, the Worker must use the actual amount of income. If income from the source is ending, no income from the source is counted in future months. Income from this source for the past 30 days or from the current month must not be used to convert the terminated income to a monthly amount.

If the income from the source is beginning, the Worker must use income already received from the source plus the amount expected to be received from this source later in the month.

This is the amount used as income for the month following the change. Income from this first month must not be used to convert the income to a monthly amount until the second month following the change.

6. Examples

The following are examples of methods to anticipate income, based on several different situations. The Worker must always base anticipated income on the individual situation, not solely on the information contained in the examples below.

EXAMPLE: An application is made on June 22nd. The client indicates that he is paid biweekly and he does not expect any change in his income. The Worker requests that the client provide information about pay received in the 30 days prior to June 22nd and uses this income to anticipate income for the certification period. The Worker records the client's statement about expecting no changes, as well as how the income was verified and the method used to convert the income to a monthly amount.

EXAMPLE: Same situation as previous example, except that the client indicates that his pay fluctuates each pay day and he expects this pattern to continue without any change in status, rate or source of income. After a discussion with the client, the Worker and client agree that 2 additional pay periods prior will provide enough information to reasonably anticipate income for the certification period. The Worker records the results of the discussion with the client, how the income was verified and the method used to convert the income to a monthly amount.

EXAMPLE: A redetermination is conducted on July 7th. The client indicates that he is paid weekly and his income fluctuates because his hours of work are unpredictable. He also states that beginning the following month, he will receive an increase in his hourly rate. The Worker requests that the client provide income for the 60 days prior to the redetermination date in order to anticipate the average number of hours the client works. He requests the information from the past 60 days because the Worker and the client agree that 60 days provides a good indication of the fluctuations in his income. The Worker uses the average number of hours the client works, based on the previous 60 days, but uses the new hourly pay rate to anticipate income for the new certification period. The Worker records the client's statement about fluctuating hours, the new pay rate, how the number of hours was verified and calculated, how the new hourly rate was verified, why income from the previous 60 days was requested, and how the anticipated amount was calculated.

EXAMPLE: An application is made July 8th. The client indicates that he just began a new job 2 weeks prior to making application. He is paid weekly and has received 2 pays. He indicates that his employer has told him that, although his hourly rate will not increase in the near future, he can expect an increase in his hours after his training period is finished in 2 weeks. However, the increase in hours is dependent upon how much work is available and the increased number of hours is unpredictable. The Worker requests all income which the client has received from the new job prior to the date of application. This actual amount of income from the new source is counted for July, the month of application. Since the number of increased hours cannot be anticipated, the minimum number of hours, i.e., the amount he has worked each week for the first 2 weeks, is used to anticipate income for the next 2 months of the 3-month certification period. The Worker records how the income was verified and determined for the month of application, how the income was calculated for the months following the month of application.

EXAMPLE: An application is made June 26th and the client indicates that he began a new job the week prior to application. He is going to be paid biweekly and has not received a pay yet. He states that he will work 15 hours per week and receive $5.75 per hour. The client does not expect any changes in hours or rate of pay. The Worker requests a statement from the client's employer for the number of hours and hourly rate of pay and anticipates income for the certification period as follows:

$5.75	hourly rate
x30	hours for 2 weeks
$172.50	Anticipated biweekly pay

$172.50	
x 2.15	
$370.88	Anticipated monthly pay

The Worker records the client's statement about no expected changes in income and his lack of pay to date as well as how the income was verified and calculated.

EXAMPLE: An application is made September 13th and the client states that he is self-employed. He grows and sells Christmas trees. Most of his income for the year from the sale of trees is earned during the months of November and December. In addition, he sells the leftover trees to the local city government to use for mulch. He receives some income each month from the leftover trees and the amount fluctuates during the year.

He states that he anticipates that his earnings will be less from Christmas sales this year because many of his trees were damaged in a fire last spring. He estimates he lost at least half of the trees which he planned to sell this year. He is unable to determine at this time if his sale of trees to the city will be affected after Christmas, but currently his income from this source has not changed. The Worker requests that the client provide income received in the previous year from his sales to the city and his Christmas tree sale earnings for the previous season. Anticipated income is based on an average of monthly sales to the city and ½ of the previous year's Christmas tree sales. The Worker records the client's situation in detail, how past income was verified and the method used to anticipate income for the new certification period.

EXAMPLE: A woman applies on March 2nd. She does not work and her only source of income is child support from 3 absent parents. Income from Absent Parent A is regularly received, but the amount varies. Income from Absent Parent B is always the same amount, but she never knows when she will receive it. Absent Parent C pays regularly and the amount is more or less the same. The Worker requests verification as follows: A's payments for the last 6 months; B's payments for the last 6 months; C's payments for the last 3 months. She reports and verifies the following income from the 3 sources:

Parent A:	March 1st	$100.00
	February 1st	$ 75.00
	January 1st	$123.00
	December 1st	$100.00
	November 1st	$100.00
	October 1st	$100.00
Parent B:	February 14th	$ 45.00
	January 10th	$ 35.00
	November 20th	$ 50.00
Parent C:	February 20th	$ 75.00
	January 20th	$ 75.00
	December 20th	$ 75.00

The Worker finds the average monthly payment made by Parent A and projects the income to continue. The Worker and the client cannot reasonably anticipate that any payments will be received in the new certification period from Parent B, so no income is counted from this source. Parent C pays the same amount at the same time, so $75/mo. is counted from Parent C.

The Worker records details about payments and payment dates from each of the absent parents, how the payments were verified, whether or not any income was counted from each source and, if so, how the amount was determined.

EXAMPLE: A waitress, Mrs. Doubtfire, applies on December 7th. She is paid twice a month and provides pay stubs with the following information:

September 15th	20 hrs.	$103.00 wages	$40.00 tips
September 30th	25 hrs.	$128.75 wages	$52.00 tips
October 15th	17 hrs.	$87.55 wages	$35.00 tips
October 30th	20 hrs.	$103.00 wages	$42.00 tips
November 15th	7 hrs.	$36.05 wages	$7.00 tips
November 30th	25 hrs.	$128.75 wages	$60.00 tips

Ms. Doubtfire provides the following additional information: She earns $5.15/hr. She does get some tips, but rarely the amount shown on her pay stubs. She says that the employer determines the amount shown as tips by some formula that she does not understand because he is required by IRS to report them. She does not have to share her tips with any other employee and they do not share tips with her. She says that during a "good" week she makes about $20 in tips. The employer never sees her tips, she does not report the amount to him and is not required to do so. The Worker pends the case for verification of the way the employer determines the amount of tips shown on her pay stubs and reported to the IRS. The client provides the following note from the employer:

To Whom It May Concern:

Ms. Doubtfire works for me at the Dew Drop Inn as a waitress. I pay her $5.15 for every hour she works. She does make some in tips, but I don't know how much. The IRS makes me figure her tips so I do it according to how much food she sells. I don't think she really gets that much. None of my waitresses do, but the IRS makes me do it.

Very truly yours,
Big Pat Holcomb

There is no 3rd-party, independent verification available for the amount of Ms. Doubtfire's tips. However, she does state that she receives tips, so income from the tips cannot be disregarded. The only way to verify the amount of tips is to accept her statement as to the amount. There is no other source of verification available, so the Worker must accept her statement. The Worker must record that the employer confirmed that the tips shown on the pay stubs do not necessarily reflect the amount she actually receives, that this is the best information that can be provided to verify the situation and that the client's statement is accepted as verification.

B. INCOME DISREGARDS AND DEDUCTIONS

The following disregards and deductions are applied to income.

1. Earned Income

NOTE: When new employment is not reported, without good cause, within 10 days of the date an AG member or sanctioned person, who would otherwise be required to be included, begins the employment, the earned income disregards and deductions are not applied to any month's income for which earnings were not reported. These same disregards and deductions are not applied to any earnings received during the time the employment is unreported. Each month of no disregards and deductions counts as one of the four consecutive months of the $30 + 1/3 Earned Income Disregard.

The following disregards and deductions are applied to earned income.

a. Standard Work Deduction

A standard deduction of $90 for work expenses is deducted from the gross earned income of each employed individual.

b. $30 + 1/3 Earned Income Disregard

The remaining amount of income for each individual, after the deduction outlined above, may be subject to the $30 + 1/3 Disregard of the remainder.

Some AG's must meet an income test to be eligible for this disregard. See item C,2.

(1) General Requirements for All Cases

When more than one individual has earnings, the Disregard is applied separately to each individual.

Use of the $30 + 1/3 Disregard is limited to 4 consecutive months. The individual may not receive it again until the AG has been a non-recipient of AFDC Medicaid for 12 consecutive months.

An individual receiving Extended Medicaid or Transitional Medicaid coverage is considered a non-recipient of AFDC Medicaid when determining 12 consecutive months.

NOTE: If a sanctioned individual has received 4 consecutive months of the $30 + 1/3 Disregard, he may not receive it again until he has not received AFDC Medicaid for 12 consecutive months.

(2) Interruption of the $30 + 1/3 Disregard

When an individual requests AG closure, solely to avoid the expiration of the 4-month limit, he is not eligible for the Disregard again, after the original expiration date, until he does not receive AFDC Medicaid for 12 consecutive months.

When the AG is closed for any other reason prior to the fourth month, the individual is eligible for another 4 consecutive months of this Disregard.

EXAMPLE: An individual received the $30 + 1/3 Disregard for income he received in May and June. He received no income in July due to a layoff. He returns to work in December and the $30 + 1/3 Disregard is again applied to his income for 4 consecutive months.

c. $30 Disregard

After the $30 + 1/3 Disregard has been applied 4 consecutive months, the $30 disregard continues for 8 consecutive months. At the end of 8 consecutive months, an individual is not eligible to receive the $30 Disregard again until he has been a non-recipient of AFDC Medicaid for 12 consecutive months.

This 8-month period continues whether the $30 Disregard is actually applied or not.

EXAMPLE: A recipient goes to work in January. He receives the $30 + 1/3 Disregard for income received in January, February, March and April. The $30 Disregard begins in May. In July, the client loses his job. The 8-month period continues through December. The client returns to work in September, and the $30 Disregard is applied to the income earned in September through December.

When the client becomes ineligible for AFDC Medicaid after receiving the $30 + 1/3 Disregard for 4 consecutive months, but before 8 additional months of the $30 Disregard have been available, the client is eligible for the remaining months of the $30 Disregard, if he returns to AFDC Medicaid during that time. The $30 Disregard is available to the client who lost eligibility due to the end of the $30 + 1/3 Disregard and becomes an applicant during the 8-month period of the $30 Disregard, even if the client was not a recipient during one of the 4 prior months.

EXAMPLE: A client begins working in January. He receives the $30 + 1/3 Disregard for the earnings he received in January, February, March and April. The case is closed effective June because the client is no longer eligible without the application of the $30 + 1/3 Disregard. His hours are reduced in November and he reapplies for AFDC Medicaid. He is eligible for the $30 Disregard for the earnings received in November and December.

When a client does not receive AFDC Medicaid during the 8-month period of the $30 Disregard, it is not intended that he must be a non-recipient for 20 months (8 months of $30 Disregard, plus 12 months of non-receipt of AFDC Medicaid) in order to qualify again for the $30 + 1/3 Disregard.

EXAMPLE: A client's case is closed effective May, because his earned income is excessive after discontinuance of the $30 + 1/3 Disregard. He does not receive AFDC Medicaid for 12 consecutive months. In June of the following year, he reapplies for AFDC Medicaid. He is eligible again for the $30 + 1/3 Disregard, if he meets the 185% and the 100% of Need tests.

EXAMPLE: Same situation as above except that the client retains eligibility through application of the $30 Disregard through July. In July, his earnings increase and his case is closed effective July. In August of the following year, he reapplies for AFDC Medicaid and is eligible again for the $30 + 1/3 Disregard, if he meets the 185% and the 100% of Need tests.

d. Dependent Care Deduction

When the employed AG member or sanctioned parent must pay for dependent child or incapacitated adult care to accept or continue employment or training, a deduction is allowed. The amount is allowed as paid, up to the maximum amounts shown below for each dependent. The maximum amounts are based on the age of the dependent. The dependent is not required to be in the AFDC Medicaid AG, Income Group, or Needs Group to allow the deduction.

AGE OF DEPENDENT	MAXIMUM MONTHLY DEDUCTION
Under Age 2	$200
Age 2 or Over	$175

Only payments made from the client's own funds are deductible. Clients with these expenses must be offered a referral to the Office of Social Services for help in meeting these expenses. However, there is no penalty for failure to accept these services.

2. Unearned Income

The only unearned income disregard or deduction is the first $50 of child support received.

The remainder, after the $50 disregard, is counted when determining eligibility, even when redirected for WV WORKS.

C. DETERMINING ELIGIBILITY

NOTE: The income of a sanctioned person, who would otherwise be required to be included in the AG, is counted in determining the amount of income available to the AG. However, the needs of the sanctioned person are not considered in any step of the eligibility determination process.

1. Determining Eligibility - 185% Of Need Test

The AG is ineligible in any month that its non-excluded gross monthly income exceeds 185% of the Standard of Need. The test is applied as follows:

Step 1: Add together the total non-excluded gross earned income, the gross profit from self-employment and the non-excluded gross unearned income of the AG and any sanctioned person(s).

Step 2: Determine the 185% of Need amount in Appendix A of this Chapter, for the appropriate AG size.

Step 3: If the amount in Step 1 is greater than the amount in Step 2, the AG is ineligible.

Step 4: If the amount in Step 1 is equal to or less than the amount in Step 2, the AG is eligible for further determinations.

2. Determining Eligibility - 100% Of Need Test

After the 185% of Need test (item 1 above) is met, it is necessary to determine if the 100% of Need test is applicable. The following situations require that the 100% of Need test be met:

- The applicant AG has never received AFDC/U, TANF or AFDC Medicaid.

- When the AG has been inactive for at least 4 consecutive months preceding the month of reapplication.

- An individual who has never received AFDC/U, TANF AFDC Medicaid is added to an existing AG. The test is made for the entire AG, without application of the $30 + 1/3 Disregard to the earnings of the new member.

- An individual, who has not received AFDC Medicaid for the 4 consecutive months preceding the month he is added to the AG, is added to an existing AG. The test is made for the entire AG, without application of the $30 + 1/3 Disregard or the $30 Disregard to the earnings of the new member.

When the 100% of Need test is applicable, the determination is made as follows:

Step 1: Add together total non-excluded gross income of the AG and any sanctioned person(s).

Step 2: The Standard Work Deduction and Dependent Care Deduction are applied to the earned income of each AG member and each sanctioned person, if applicable.

Step 3: Determine the 100% of Need amount in Appendix A for the appropriate AG size.

Step 4: If the amount resulting from Step 2 is greater than Step 3, the AG is ineligible.

Step 5: If the amount resulting from Step 2 is equal to or less than Step 3, the AG is eligible for further determinations.

3. Determining Countable Income

Once the 100% of Need test is met, if applicable, the following steps are taken. For cases which do not require the 100% of Need test, the following steps are taken after the 185% of Need test.

Step 1: Add together the non-excluded gross earned income of the AG and any sanctioned persons.

Step 2: Subtract the Standard Work Deduction for each person who works.

Step 3: Subtract the $30 + 1/3 or $30 Disregard for each person who is eligible for it.

Step 4: Subtract the Dependent Care Deduction for each person who pays dependent care.

Step 5: Add the non-excluded unearned income of the AG and any sanctioned person. The resulting amount is the countable income.

Step 6: Determine the AFDC Medicaid limit amount for the AG size, using Appendix A.

Step 7: If the amount arrived at in Step 5 equals or exceeds the amount in Step 6, the case is ineligible. If the amount arrived at in Step 5 is less than the amount in Step 6 the AG is eligible for AFDC Medicaid.

D. SPECIAL SITUATIONS

1. Categorical Eligibility

SNAP Categorical Eligibility has no bearing on AFDC Medicaid.

2. Expedited Service

The SNAP requirement of Expedited Service has no bearing on AFDC Medicaid.

3. Destitute AG's

The SNAP requirement of Destitute AG's has no bearing on AFDC Medicaid.

4. Self-Employment Income

When the AG member or sanctioned individual(s) receives self-employment income, the instructions below must be used to arrive at the gross profit which is used to calculate countable income. This is determined by subtracting allowable business expenses from the gross income.

a. Determining Gross Income

The method used to determine monthly gross income from self-employment varies with the nature of the enterprise. It is necessary to determine which of the following types of self-employment applies to the client's situation. Once the pattern of self-employment is determined, this is used to determine how the income is counted.

(1) Persons Receiving Regular Income

These persons receive income on a more or less regular schedule (weekly, monthly, etc.), or receive a specific amount from the business each week or month and/or receive the balance of profit from the enterprise at the end of the business year.

The income of people in this situation is converted to a monthly amount according to item A above.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(2) Persons Receiving Irregular Income

Many persons derive income from short-term seasonal self-employment. This seasonal enterprise may be the major source of income for the year, or the income may be only for the period of time the person is actually engaged in this enterprise, with other sources of income being available during the remainder of the year. Persons who are seasonally self-employed include vendors of seasonal commodities (produce, Christmas trees, etc.), or other seasonal farmers.

Cash-crop farmers and other persons similarly self-employed receive their annual income from self-employment in a short period of time and budget their money to meet their living expenses for the next 12 months. Included in this category are some seasonal farmers, when the seasonal income is the primary support for the year.

Since the income is seasonal, it must be averaged over the period of time it is intended to cover, even if it is the major source of income for the year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(3) New Business

AG's with a new business that has been in existence less than a year have their income averaged over the amount of time the business has been in operation. From this, the monthly amount is projected for the coming year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Incurred business expenses are also averaged over the amount of time the business has been in operation. However, if the averaged amount of past expenses does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the expenses are calculated based on anticipated costs.

b. Determining Gross Profit

Gross Profit from self-employment is the income remaining after deducting any identifiable costs of doing business from the gross income.

(1) Deductions

Examples of allowable deductions are:

- Employee labor costs
- Stock and supplies
- Raw material
- Seed
- Fertilizers
- Repair and maintenance of machinery and/or property
- Cost of rental space used for conducting the business
- Insurance premiums and taxes paid on the business and business property
- Interest and taxes, but not the principal, paid on installment payments to purchase capitol assets such as real estate, machinery, equipment, etc.
- Interest and taxes on the client's residence which is used in part to produce income. This is applicable only if the costs on the portion of the home used in the self-employment enterprise can be identified separately.
- Advertising costs
- Utilities
- Office expenses (stamps, stationery, etc.)
- Legal costs

Do not deduct the following:

- Money paid to purchase capital assets, such as real estate, machinery, equipment, etc. Interest is deducted, if paid in installments.

EXAMPLE: The cost of purchasing a new furnace is a capital expenditure and only the interest on installment payments is deducted. A repair of a furnace is a routine repair and is deducted in its entirety.

- Federal, State or local income taxes
- Money set aside for retirement
- Travel from home to a fixed place of business and return
- Depreciation
- Principal of real estate mortgages on income-producing property
- Amounts claimed as a net loss

(2) Rental Income Deductions

In addition to the deductions in item (1) above, the following expenses are deducted from rental income:

- Utility bills paid for tenants
- Property tax and insurance on the rental property
- Repair and upkeep of the property
- Interest, but not the principal, on necessary purchases made in installments, such as the purchase of a new furnace

5. Migrant Farm Laborers With Seasonal Employment

Income of migrant farm laborers is treated the same as the income of any other applicant or recipient.

6. Annual Contract Employment

This section applies to any person employed under a yearly contract, such as school employees, including bus drivers, cooks, janitors, aids and professional staff.

These individuals have their annual income prorated over a 12-month period. Additional earnings, such as for summer work, are added to the prorated amount during the time additional earnings are received.

Although a person may not have signed a new annual contract, he is still considered employed under an annual contract when the contract is automatically renewable, or when he has implied renewal rights.

Implied renewal rights are most commonly associated with school contracts.

NOTE: This section does not apply during strike and disaster situations when the other party to the contract cannot fulfill it; or, when labor disputes interrupt the flow of earnings specified in the contract.

7. Educational Income

All student financial assistance, funded in whole or in part under Title IV of the Higher Education Act or the Bureau of Indian Affairs, is excluded in its entirety.

Treatment of educational income and expenses depends upon the source of income and the intended use.

a. Sources Which are Totally Excluded

Funds from the following sources are totally excluded:

- Federal Pell Grants
- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Guaranteed Student Loans, including William D. Ford Federal Direct Loan Program and Federal Direct PLUS loans and Supplemental Loans for Students, Federal Family Education Loan (FFEL) Program
- Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) Programs, formerly known as State Student Incentive Grants
- Federal Perkins Loans
- Federal Stafford Loans

- Federal Work-Study. See item b below.

- Robert C. Byrd Honors Scholarship

- Loans for educational expenses which meet the definition of a bona fide loan, as found in Section 10.1, Definitions.

b. College Work Study (CWS) Program

Income received from CWS Programs, funded in whole or in part under Title IV of the Higher Education Act, is excluded.

Income received from CWS Programs not funded under Title IV that is needed for the educational program or course of study is excluded. Any portion specifically earmarked for shelter, utilities, clothing or incidentals not needed for the educational program or the course of study is income.

Because income is usually paid to the student on the basis of work performed, not in one lump sum, its treatment is different than that of other educational benefits. Treatment of this income depends upon whether or not the amount to be earned in one semester is known at the beginning of the semester.

(1) Earnings Known At Beginning of Semester

When the amount of the earnings, or maximum amount which can be earned, is known at the beginning of the semester, the Worker prorates any portion, specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, over the period of time it is intended to cover.

(2) Earnings Unknown At Beginning of Semester

When the amount of the earnings is not known at the beginning of the semester, any portion of the CWS income specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, is treated as earned income and converted to a monthly amount according to item A. All earned income disregards and deductions apply.

c. Other Sources

Educational funds from any source, other than those listed in items a and b above, are totally excluded as being earmarked for educational purposes, unless any portion of the funds is specifically

earmarked for shelter, utilities, food, clothing or incidentals not needed for the program or course of study.

Any of the funds specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, are counted as unearned income and prorated over the period of time they are intended to cover.

8. Deeming

a. General Rules For Deeming of Income

The following general rules for deeming are applicable:

- Income is deemed from a major parent(s) to minor parents.

- For income to be deemed from one person to another, the individuals must be living together.

- Income of the SSI recipient is never deemed to any other individual. This applies to all income of the SSI recipient, not just the SSI amount.

  NOTE: In some cases, payments made to former SSI recipients are deemed. See item b. below.

- Income of a grandparent is never deemed to a grandchild.

- When determining eligibility, income of a stepparent is deemed to the spouse and/or to the dependent step-children. This includes situations when the parent is not in the home and the stepparent chooses not to be included in the check.

- A parent's income is deemed by counting it in its entirety, whether they are in the AG or not.

- AFDC Medicaid income exclusions apply to deemed income.

- The only earned income deduction that applies to deemed income, from someone other than a parent, is the Standard Work Deduction.

b. Deeming from Stepparent

To deem income from a stepparent, he must not be included in the AG. When included, all of his income is counted. Any lump sum payment received by the stepparent is counted as income in the month received and is not prorated. This includes a retroactive SSI lump sum payment made to a stepparent whose SSI eligibility no longer continues. When deeming to the spouse or step-children, the 100% of Need Standard is used for the expenses of the ineligibles.

See item d below for deeming from a stepparent to a minor parent.

Instructions to determine the deemed amount are as follows:

Step 1: Apply the Standard Work Deduction to the gross non-excluded earned income or gross profit from self-employment.

Step 2: Add any non-excluded unearned income of the stepparent.

Step 3: From the amount arrived at in Step 2, subtract an amount equal to the appropriate Standard of Need from Appendix A for the number of ineligible individuals living in the home, including the stepparent, who are, or could be, claimed by him as dependents for federal income tax purposes. Do not include a parent of the AFDC Medicaid children who is not included in the AG.

Step 4: Subtract any amounts he actually pays to persons not living in the home, but who are, or could be, claimed by him as dependents for federal income tax purposes.

Step 5: Subtract any child support or alimony actually paid to individuals not living in the home.

The remaining amount is deemed as unearned income to the AG.

c. Deeming from the Spouse of a Caretaker Relative Who is Not the Parent

When the child is in the home of a specified relative other than the natural or adoptive parents, only one relative is included in the AG. If the specified relative, who is included in the AG, has income, all of this income is counted. When the spouse of an included non-parent caretaker relative has income, it is deemed according to instructions in item b. above. When the non-parent caretaker relative is not included in the AG, neither the non-parent caretaker relative's income nor his spouse's income is deemed to the AFDC Medicaid children.

d. Deeming from Major Parent(s)

A Major Parent (MP) is defined as a parent(s) of a minor parent (under 18 years of age).

NOTE: See Chapter 9 to determine the AG composition.

This provision requires the deeming of income when a minor parent (mp) and the mp's dependent child live with the MP(s). The income of the MP(s) is deemed as if he were a member of the AG, when the mp is included as a dependent child, i.e., it is counted in its entirety. However, when the mp is included as the caretaker relative of her child or as the non-caretaker parent, the income of the MP(s) is deemed as found below in Steps 1 through 5.

School attendance by the minor has no effect on this provision. If the mp, is included as the caretaker relative, the income of the MP(s) is deemed as follows:

Step 1: Apply the Standard Work Deduction to the gross non-excluded earned income of each MP.

Step 2: Add the non-excluded unearned income of the MP(s).

Step 3: From the amount arrived at in Step 2, subtract an amount equal to the appropriate Standard of Need (100% SON) in Appendix A for the number of ineligible individuals, living in the home, including the MP(s), but not including the mp, who are claimed as dependents for federal income tax purposes.

Step 4: Subtract any additional amounts he actually pays to persons not living in the home, but who are, or could be, claimed as dependents for federal income tax purposes.

Step 5: Subtract any child support or alimony actually paid by the MP(s) to individuals not living in the home.

The remaining amount, if any, is deemed as unearned income to the AG.

When the MP(s) is included in the AG with the mp, all of the income of the MP(s) is counted. When the MP's spouse is a stepparent, and the mp is in the MP's AG as a dependent child, the stepparent's income is deemed. See item b above. When the MP's spouse is a stepparent, and the mp is the caretaker relative in her own case or is the non-caretaker parent, no income is deemed from the stepparent to the mp.

Regardless of who is included in the same AG, the MP is always financially responsible for the mp and the mp is always financially responsible for the child.

e. Deeming from Sanctioned/Ineligible Parent(s)

The parent is normally required to be in the AG. However, he may be ineligible due to a sanction or ineligible / illegal alien status. If so, his income is treated as found below.

(1) Ongoing Income

The ongoing income of a sanctioned parent is treated as if the parent were included in the AG, and the same exclusions, disregards and deductions he would normally receive are applied. However, the sanctioned parent is not included in the AG or Needs Group. He is subject to the same income reporting requirements applicable to the AG.

(2) Lump Sum Payment

When a sanctioned parent receives a lump sum payment, it is counted as if he were in the AG. However, he is not included in the Needs Group when determining the appropriate Standard of Need to use for prorating the lump sum payment.

9. Strikers

When a natural or adoptive parent, who must be included in the AG, is a striker, the entire AG is ineligible for AFDC Medicaid. See Section 10.4,D,9,a for the definition of a striker.

10. Irregular Income

Regardless of the source, irregular income is excluded because it cannot be anticipated.

11. Lump Sum Payments

The lump sum payment policy applies to applicants, when the lump sum is received in the month of application, and to all recipients. Because the client is expected to use the lump sum for general living expenses, a period of ineligibility must be calculated.

The DFA-RR-1 notifies all applicants and recipients of the lump sum payment policy. However, the Worker must also advise the client of the lump sum payment policy when the client notifies the Worker of receipt, or the possibility of receipt, of a lump sum payment.

NOTE: Assets converted from one form to another are not counted as lump sum payments. See Chapter 11.

The number of months in the period of ineligibility is determined by dividing the lump sum amount by the Standard of Need for the AG size. See item 8,e,(2) for deeming a lump sum payment from a sanctioned person.

For any partial month remaining after the division, the amount of the lump sum payment which remains is counted as income. The number of months the case is ineligible, because of the receipt of the lump sum payment, and the amount of income counted for any remaining partial month, is determined as follows.

a. Determining Countable Amount

The total amount of the lump sum payment is counted, except for the amount used as described below. The following portions of a lump sum payment are not counted.

- Lump sum payments that are earmarked and used for the purpose for which they are intended (e.g., monies for back medical bills resulting from injury, or funeral and burial costs) are deducted. In addition, lump sum payments that are intended and used for replacement or repair of an asset (e.g., monies to replace a defective automobile) are deducted.

- Any of the lump sum funds, obligated and used for legal fees as a result of the efforts of the attorney to obtain the lump sum payment, are deducted.

EXAMPLE: A client's home is destroyed by fire. He receives an insurance settlement of $16,500. With $10,000 of this settlement, he purchases a mobile home. Only $6,500 is counted as a lump sum payment.

b. Computing the Period of Ineligibility

After applying appropriate exclusions, disregards and deductions to other income received for the month, add the lump sum payment to all other monthly income. When the total amount is less than the AFDC Medicaid limit for the number in the Needs Group, the lump sum payment is counted as income in its entirety for one month.

When the total amount is less than the Standard of Need for the number in the Needs Group, but more than the AFDC Medicaid limit for the Needs Group found in Appendix A, the AG is ineligible for one month. The amount in excess of the AFDC Medicaid limit is not counted as income for the following month.

When the total amount is greater than the appropriate Standard of Need, divide the lump sum payment by the appropriate Standard of Need.

The case is ineligible for the full number of months equal to the result of the division. Ineligibility begins the month of receipt, although the AG cannot be closed until properly notified of ineligibility.

When a fractional amount remains, there is an amount that must be counted as income in the month following the month the period of ineligibility ends. The procedure to determine this amount is as follows:

- Multiply the Standard of Need by the number of full months the case has been determined ineligible.

- Subtract this figure from the total lump sum.

- The remaining amount is counted as income in the month after the last month of ineligibility.

The persons in the AG when the lump sum payment is received, remain ineligible for the period determined by the above procedures, regardless of any changes which may occur during that period, unless the period of ineligibility is shortened as found

below in item c. When an individual is born or returns to a family whose members are ineligible due to receipt of a lump sum payment, the individual is treated as a separate AG. If all other eligibility factors are met, the individual is eligible. None of the lump sum amount is deemed to the new family member. All other policy and procedures for counting income apply.

Only the new family member(s) is included in the AG and is used when determining the appropriate eligibility limits.

EXAMPLE: A child is born to a family whose members are ineligible due to the prior receipt of a lump sum payment. A separate AG is established for the child. The parent's income is $130 unearned income per month, not counting the lump sum payment. The child is eligible for AFDC Medicaid.

The lump sum payment is treated as described above, even if it is spent in a shorter time period, unless the period of ineligibility can be shortened as found below.

c. Shortening the Period of Ineligibility

The period of ineligibility may be shortened only for the following reasons and by the following procedures:

(1) Reasons

When all or part of the lump sum payment becomes unavailable to the AG, due to circumstances beyond its control, as specified below, the period of ineligibility is shortened. This may be done at any point between the time the lump sum payment is received and the period of ineligibility expires. Once the period of ineligibility expires, no consideration is given to shortening the time period retroactively. The lump sum amount is considered unavailable only in the following situations:

- The lump sum payment was, totally or in part, destroyed by fire, flood or other natural disaster. This refers to destruction of the money itself, not the goods purchased with it or destruction of replaceable checks or bonds.

- The lump sum payment was, totally or in part, stolen from the AG. This refers to the money itself, not the theft of goods purchased with it or the theft of replaceable checks or bonds.

- A member of the AG gained access to all or part of the lump sum payment, abandoned the remaining AG members and left them without access to it. The loss of all or part of the lump sum in this way refers to the loss of the money itself or checks, bonds, etc., when payment cannot be stopped, not the taking of goods purchased with it. Moving to another place of residence, with the family relationship still intact, is not sufficient to justify shortening the period of ineligibility. There must be abandonment of the other AG members. If one or both of the parents left with the lump sum, the definition of absence must be met.

  When the AG member who left with all or part of the lump sum returns to the home, the period of ineligibility resumes the month he returns and continues until the month the original period of ineligibility was due to expire.

- The lump sum payment has been or will be expended, totally or in part, to meet a life-threatening situation. To meet this criteria for shortening the period of ineligibility, it must be shown that the funds in question were used or will be used to avert a life-and-death situation for a AG member or a situation which is seriously detrimental to the health of a AG member.

  NOTE: For cases involving life-threatening situations, the DFA Policy Unit must be contacted in writing. The memorandum must fully explain the situation and include: how the money was or will be spent, the date spent or to be spent and the nature of the life-threatening situation. The final decision is made by the Director of the Policy Unit. Examples of situations which have been approved are: purchase of a refrigerator to store a baby's milk, medical needs, purchase of vehicles for regular ongoing visits to medical facilities. If the Worker has any doubt about referring a case to the Policy Unit, he must make the referral.

(2) Procedures

The period of ineligibility is shortened as follows:

Step 1: Determine the original amount of the lump sum payment.

Step 2: Subtract the amount unavailable due to circumstances beyond the control of the AG.

Step 3: Prorate the remainder, using the original first month of the ineligibility period as the new first month of ineligibility, using the same monthly income, if any, and the same Standard of Need used in the original proration.

If the client becomes eligible as a result of the recomputations, he is treated like any other applicant. The date of application is the date contact is made about the recomputation. Medicaid eligibility can begin no earlier than the first day of the month in which eligibility is reestablished.

It is the unavailability of the lump sum payment amount itself that is explored, not the loss of goods purchased with the lump sum.

EXAMPLE: A family of 5 receives a lump sum payment of $3,000 in August. The lump sum payment was retroactive RSDI benefits received due to the father's disability. The family was found ineligible for two months, with $198 counted as income in the third month. Late in August, the father abandons the family, taking all of the lump sum payment with him. The current AG, therefore, has none of the lump sum available to them and the circumstances are beyond the family's control. There is, therefore, no period of ineligibility.

EXAMPLE: Same as above except that the father returns to the home on September 20th. The family becomes ineligible for September and $198 is counted as income in October.

EXAMPLE: A family of 4 receives a lump sum payment in April. It is determined that they are ineligible for six (6) months. In June, they report to the local office that they used most of the lump sum amount to pay back money owed

to the wife's parents who made trailer payments for them for several months so they would not lose the trailer. Since the use of the money was under the control of the AG, the period of ineligibility is not shortened.

EXAMPLE: Same situation as above except that the family used most of the lump sum to pay for the birth of a new baby. The use of the money was under the control of the AG, so the period of ineligibility cannot be shortened for this reason. However, the case must be submitted to the Policy Unit for consideration as a life-threatening situation.

EXAMPLE: A family receives a lump sum payment of $12,000. The recipient sets up a trust fund for each of his children in the amount of $4,000 each. The trust funds stipulate that the children may not receive any of the money until they turn 21 years of age. Use and control of the lump sum amount belonged to the AG when the trust funds were set up, so the period of ineligibility is not shortened.

EXAMPLE: A family of 3 received a lump sum payment of $2,591 in July. They were determined ineligible for two (2) months, with $151 counted as income in the third month. In July, they purchased a new television set and a new refrigerator. The remainder of the money, $150, was kept in the house. In August, the client reports that the house and all the contents were destroyed by fire. The period of ineligibility is redetermined as follows:

$2,591	Original lump sum amount
- 150	Amount destroyed
$2,441	New amount which is prorated

The family remains ineligible for July and August with $1.00 counted as income in September.

EXAMPLE: A family of 4 receives a lump sum payment of $4,450 in December. They are determined ineligible for 3 months. In February, the client reports that $2,500 was stolen early in February. He reapplies on February 10th and is found eligible on that date. The recomputation is as follows:

$4,450	Original lump sum amount
-2,500	Amount stolen
$2,050	New amount which is prorated

The $2,050 ÷ $1,471 (100% Standard of Need for 4 persons) = 1 month of ineligibility with $513 counted as income in January. The client, therefore, is eligible for AFDC Medicaid beginning February 1.

EXAMPLE: Same situation as above except that the money was stolen on January 10th. The result is the same as above since the client did not reapply and establish eligibility until February 10th.

12. Withheld Income

a. From Earned Income

Earnings withheld to repay an advance payment are disregarded, if they were counted in the month received. If not counted in the month received, the withheld earnings are considered income. No other earned income is excluded from consideration just because it is withheld by the employer.

b. From Unearned Income

All withheld unearned income is counted, unless an amount is being withheld to repay income that was previously used to determine eligibility for AFDC Medicaid.

13. Funds Diverted To A Pass

Funds diverted to a PASS account are counted as earned or unearned income, depending on the source.

14. Unstated Income

There is no provision for counting unstated income.

15. Spenddown

The Medicaid spenddown provision does not apply.

16. Unavailable Income

    Income intended for the client, but received by another person with whom he does not live, when the individual receiving this income refuses to make it available, is excluded.

17. Income Received For A Non-Income Group Member

    Income received by a member of the Income Group, which is intended and used for the care and maintenance of an individual whose income is not used in determining eligibility of the payee's AG, is excluded.

18. Income Received From Military Personnel Deployed to a Designated Combat Zone

    There is no provision for excluding income received as a result of service in a designated combat zone.

19. Income Belonging To or For the Benefit of a Child

    The source of the income must be known and Section 10.3 consulted for how the income is treated.

10.10 MEDICAID FOR QUALIFIED CHILDREN, REGARDLESS OF BIRTHDATE (Categorically Needy, Mandatory - Born On or After 10/1/83; Categorically Needy, Optional - Born Prior to 10/1/83)

NOTE: The spenddown provision does not apply.

The Qualified Child (QC) coverage group provides Medicaid to Qualified Children only. However, the income of all members of the QC's Income Group, except that of siblings, is used to determine eligibility. In addition, members of the Needs Group, including siblings, are included in determining the correct 100% FPL to use as the maximum income level. See Appendix A.

NOTE: Technically, income is compared to the former AFDC/U payment level. However, the Department obtained a waiver from federal regulations to exclude all income, plus $1.00, between the former AFDC/U payment level and 100% FPL for the appropriate family size. This was done to comply with the State Legislature's H.B. 5008, which mandates medical coverage for all children whose family income is below 100% FPL. While H.B. 5008 (Angel Bill; Medicaid Expansion) was written specifically for children born prior to 10/1/83, because others were already covered, the waivers must be applied to all QC's. The effect is that the income test becomes 100% FPL.

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A. INCOME DISREGARDS AND DEDUCTIONS

The following disregards and deductions are applied to the income of members of the QC's Income Group and are applied in the order listed.

1. Earned Income

- AFDC Medicaid Standard Work Deduction: The deduction is applied to the earned income or gross profit from self-employment of each working person. The amount of the deduction must not exceed the amount of earned income or gross profit of each person.

- AFDC Medicaid Dependent Care Deduction: When the employed member(s) of the Income Group must pay for dependent care to accept or continue employment or training, the deduction is applied. The amount is applied as paid, up to the maximum amounts allowable for AFDC Medicaid. See Section 10.7,B,1. The dependent is not required to be in the AG for the deduction to be applied.

2. Unearned Income

The first $50 of child support is disregarded. This is the only disregard of unearned income.

When more than one child in the Needs Group receives child support, the disregard amount is divided by the number of children in the Needs Group who receive support. The resulting amount is deducted from each child's support amount to determine each child's countable child support.

EXAMPLE: Four blood-related siblings live in the same home and receive the following amounts of child support: Child A receives $150 per month; Child B receives $200; Child C receives $50; Child D receives $100. The $50 disregard is divided by 4 and each child receives a disregard of $12.50.

Child A

$200.00	Child Support
- 12.50	Disregard
$187.50	Countable Child Support

Child B

$150.00	Child Support
- 12.50	Disregard
$137.50	Countable Child Support

Child C

$50.00	Child Support
-12.50	Disregard
$37.50	Countable Child Support

Child D

$100.00	Child Support
- 12.50	Disregard
$87.50	Countable Child Support

EXAMPLE: Mrs. E applies for Medicaid for her four grandchildren who live with her. Jane and John are blood-related siblings and are the children of Mrs. E's daughter, Samantha. They receive $200 child support. Joan and Jim are blood-related siblings and are the children of Mrs. E's other daughter, Virginia. Joan receives $150 child support and Jim receives none. Because all of Mrs. E's grandchildren are not blood-related siblings, 2 Needs Groups are established; one for Jane and John; one for Joan and Jim. Each Needs Group then receives the $50 disregard.

The countable child support for each child is as follows:

Jane and John

The child support amount of $200 is divided between the children and each child's amount is $100. The $50 disregard is divided between the two children as they are both in the Needs Group and each receives a $25 disregard.

$100	Child Support per Child
- 25	Disregard
$ 75	Countable Child Support

Joan

Because Jim receives no child support and Joan is the only child in the Needs Group who receives child support, she receives the entire $50 disregard.

$150	Child Support
- 50	Disregard
$100	Countable Child Support

3. From Remaining Income

Waiver Deduction: The difference between the former maximum AFDC/U payment for the appropriate Needs Group and 100% FPL for the same number of persons, plus $1, is deducted from the income remaining after all other disregards and deductions have been applied.

NOTE: The former AFDC/U payments are now the AFDC Medicaid Limits found in Appendix A of this Chapter.

B. DETERMINING ELIGIBILITY

The 185% and 100% of SON tests are not applied.

Countable income is determined by subtracting allowable deductions and disregards from the total gross non-excluded income. The net monthly countable income must be less than the AFDC Medicaid Limit for the appropriate Needs Group size.

1. General Rules

The following general rules apply, assuming that the gross non-excluded earned income is $90 or more:

- If the Income Group has only unearned income, and the amount is at or below 100% FPL for the appropriate Needs Group size, the child is eligible as a QC.

- If the Income Group has only earned income, and the gross amount is at or below 100% FPL plus $90, for the appropriate Needs Group size, the child is eligible as a QC.

- If the combination of the gross earned income plus unearned income is at or below 100% FPL plus $90, for the appropriate Needs Group size, the child is eligible as a QC.

2. Specific Steps

Under any circumstances other than those in item 1 above, the following steps must be completed:

Step 1: Determine the amount of monthly gross non-excluded earned income of the Income Group. Do not include the income of any sibling of the QC.

Step 2: Subtract the AFDC Medicaid Standard Work Deduction for each working individual.

Step 3: Subtract the AFDC Medicaid Dependent Care Deduction up to the maximum allowable amounts. The maximum amounts of the Deduction are determined as for AFDC Medicaid. See Section 10.7,B,1.

Step 4: Add the gross non-excluded unearned income of the Income Group. This includes the child's countable child support. Do not include the income of any sibling of the QC.

Step 5: Determine 100% FPL for the appropriate Needs Group size.

Step 6: Subtract the maximum AFDC Medicaid Limit for the appropriate Needs Group size from the amount arrived at in Step 5, and add $1.00.

Step 7: Subtract the amount arrived at in Step 6 from the amount arrived at in Step 4.

The remainder is the countable income which is compared to the AFDC Medicaid Limit for the appropriate Needs Group size to determine the QC's eligibility. If the countable income is below the AFDC Medicaid Limit for the appropriate Needs Group size, the child is eligible. If the countable income is equal to or greater than the AFDC Medicaid Limit, the child is not eligible.

There is no spenddown provision for QC's, but, if ineligible as a QC, the child may be eligible under another Medicaid coverage group, including a group with a spenddown provision.

EXAMPLE: Mrs. A applies for Medicaid for her two children, Luke, age 13, and John, age 18. Each child receives $50 in RSDI benefits. Mrs. A works. Her gross monthly income is $1,000.

Step 1:	$1,000	Gross Earned Income
Step 2:	- 90	AFDC Medicaid Standard Work Deduction
	$ 910	
Step 3:	- 50	Day Care for Luke
	$ 860	
Step 4:	+ 50	Luke's Unearned Income
	$ 910	
Step 5:	$1,027	FPL for 3
Step 6:	- 253	AFDC Medicaid Limit for 3
	$ 773	
	+ 1	
	$ 774	Waiver Deduction
Step 7:	$ 910	Amount from Step 4
	- 774	Amount from Step 6
	$ 136	Amount compared to AFDC Medicaid Limit for 3

Because $136 is less than $253, Luke is eligible as a QC. Because John's income is the same as Luke's, he is also eligible as a QC.

C. SPECIAL SITUATIONS

1. Self-Employment

The AFDC Medicaid policy regarding self-employment income, found in Section 10.7,D, applies to the Income Group of the QC.

2 Annual Contract Employment

Annual contract employment is treated the same for QC as it is for AFDC Medicaid. See Section 10.7,D.

3. Educational Income

The AFDC Medicaid policy regarding educational income, found in Section 10.7,D, applies to the Income Group of the QC.

4. Deeming

Deeming is accomplished by including the financially responsible person in the Income Group of the QC.

Income of a stepparent is not deemed by including him in the Income Group, or by any other method.

5. Strikers

The presence of a striker in the Needs Group or Income Group of the QC has no bearing on the QC's eligibility.

6. Irregular Income

Regardless of the source, irregular income is not counted because it cannot be anticipated.

7. Lump Sum Payments

Lump sum payments are counted as income in the same way they are for AFDC Medicaid. See Section 10.7,D. The only difference is that 100% FPL is used to determine the amount counted as income each month, instead of the 100% Standard of Need. All other AFDC Medicaid provisions related to lump sum payments apply to the Income Group of the QC.

8. Withheld Income

Withheld income is counted as earned or unearned income, depending on the source.

9. Funds Diverted To A PASS

Funds diverted to a PASS account are treated as earned or unearned income, depending on the source

10. Unstated Income

There is no provision that allows for counting unstated income.

11. Spenddown

There is no spenddown provision.

12. Unavailable Income

Income intended for the client, but received by another person with whom he does not live, when the individual receiving this income refuses to make it available, is excluded.

13. Income Received For A Non-Income Group Member

Income received by a member of the Income Group, which is intended and used for the care and maintenance of an individual whose income is not used in determining the eligibility of the payee's AG, is excluded as income.

14. Income Received From Military Personnel Deployed to a Designated Combat Zone

There is no provision for excluding income received as a result of service in a designated combat zone.

15. Income Belonging To or For the Benefit of a Child

The source of the income must be known and Section 10.3 consulted for how the income is treated.

10.11 MEDICAID FOR POVERTY-LEVEL PREGNANT WOMEN (Categorically Needy, Mandatory)

NOTE: The spenddown provision does not apply.

NOTE: Deemed Poverty-Level Pregnant Women have no income test. See Chapter 16.

A. INCOME DISREGARDS AND DEDUCTIONS

The following disregards and deductions are applied to the income of members of the pregnant woman's Income Group and are applied in the order listed.

1. Earned Income

- AFDC Medicaid Standard Work Deduction: The deduction is applied to the earned income or gross profit from self-employment of each working person. The amount of the deduction must not exceed the amount of earned income or gross profit of each person.

- AFDC Medicaid Dependent Care Deduction: When the employed member(s) of the Income Group must pay for dependent care to accept or continue employment, the Deduction is applied. The amount is applied as paid, up to the maximum amounts allowable for AFDC Medicaid. See Section 10.7,B,1. The dependent is not required to be in the AG for the deduction to be applied.

2. Unearned Income

The only unearned income disregard or deduction is the first $50 of child support received when the child support is received by a minor pregnant woman.

B. DETERMINING ELIGIBILITY

NOTE: The 185% and 100% of standard Need tests are not applied.

Countable income is determined by subtracting allowable deductions and disregards from the total gross non-excluded income. The net monthly countable income of the Income Group must not exceed 150% FPL for the Needs Group. See Appendix A.

Step 1: Determine the amount of monthly gross non-excluded earned income of the Income Group. Do not include the income of any of the pregnant woman's children who live with her.

Step 2: Subtract the AFDC Medicaid Standard Work Deduction for each employed person.

Step 3: Subtract the AFDC Medicaid Dependent Care Deduction up to the maximum allowable amounts. The maximum amounts of the deduction are determined as for AFDC Medicaid. See Section 10.7,B,1.

Step 4: Add the gross non-excluded unearned income of the Income Group, including the amount deemed to a minor pregnant woman from her parents. See item C,4 below for determining the amount to be deemed.

Step 5: The resulting figure is the countable income against which eligibility is tested. Compare the countable income to 150% FPL for the number of people in the Needs Group. See Appendix A.

If countable income is equal to or less than 150% FPL, the pregnant woman is income eligible. Once determined eligible, the pregnant woman's eligibility is unaffected by changes in income throughout her pregnancy and postpartum period.

See Chapter 16 for retroactive eligibility of pregnant women and eligibility for postpartum coverage.

C. SPECIAL SITUATIONS

1. Self-Employment

Self-employment income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

2. Annual Contract Employment

Annual contract employment is treated the same for Poverty-Level Pregnant Women as it is for AFDC Medicaid. See Section 10.7,D.

3. Educational Income

Educational income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

4. Deeming

Deeming usually occurs when the financially responsible person is included in the pregnant woman's Income Group. However, when she is a minor and lives with her parent(s), different procedures are followed as found below.

School attendance by the minor has no effect on this deeming provision. There may be two parents of the minor pregnant woman. Each parent has the appropriate earned income deductions applied and each is counted as an ineligible individual in determining the needs of the ineligibles.

Determine the amount of income to be deemed as follows:

Step 1: Determine the non-excluded gross earned income of the Major Parent(s) (MP).

Step 2: Deduct the AFDC Medicaid Standard Work Deduction for each employed person. The amount of the deduction must not exceed each person's earned income.

Step 3: Add the non-excluded gross unearned income of the MP(s).

Step 4: Subtract 100% FPL in Appendix A for the number of ineligibles living in the home, who are, or could be, claimed as dependents by the MP(s) for federal income tax purposes.

Step 5: Subtract any additional amounts the MP(s) actually pays to persons not living in the home, but who are, or could be, claimed as dependents for federal income tax purposes.

Step 6: Subtract any child support or alimony actually paid by the MP(s) to individuals not living in the home.

The remaining amount, if any, is deemed as unearned income to the minor pregnant woman.

NOTE: This only applies to income of the MP(s), not the stepparent. The income of the stepparent is not deemed.

5. Strikers

The presence of a striker in the AG, Income or Needs Group of the Poverty-Level pregnant woman has no bearing on the pregnant woman's eligibility.

6. Irregular Income

Regardless of the source, irregular income is excluded because it cannot be anticipated.

7. Lump Sum Payments

Lump sum payments are counted as income only when they are received in the month of application. They are treated the same way they are for AFDC Medicaid. See Section 10.7,D. The only difference is that 150% FPL is used to determine the amount counted as income each month, instead of the 100% Standard of Need. Lump sum payments received in any other eligible month are excluded.

This income is counted continuously for the number of months determined, even if the case is not continuously active.

EXAMPLE: A parent receives a lump sum payment in January. It is determined that $786 is counted as income for 8 months. This amount, along with other income, makes the pregnant woman ineligible, and the application is denied. In April, the family reapplies; the $786 continues to be counted as income through August.

8. Withheld Income

Withheld income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

9. Funds Diverted To A PASS

Funds diverted to a PASS account are treated as earned or unearned income, depending on the source.

10. Unstated Income

There is no provision that allows for counting unstated income.

11. Spenddown

This is no spenddown provision.

12. Unavailable Income

Income intended for the client, but received by another person with whom he does not live, when the individual receiving this income refuses to make it available, is excluded.

13. Income Received For A Non-Income Group Member

Income received by a member of the Income Group, which is intended and used for the care and maintenance of an individual whose income is not used in determining the eligibility of the payee's AG, is excluded as income.

14. Income Received From Military Personnel Deployed to a Designated Combat Zone

There is no provision for excluding income received as a result of service in a designated combat zone.

15. Income Belonging To or For the Benefit of a Child

The source of the income must be known and Section 10.3 consulted for how the income is treated.

10.12 MEDICAID FOR POVERTY-LEVEL CHILDREN UNDER AGE 1, AGES 1-5 AND AGES 6-18 IF BORN ON OR AFTER 10/1/83 (Categorically Needy, Mandatory)

NOTE: The spenddown provision does not apply.

The process for determining eligibility is the same for Poverty-Level Children Under Age 1, Ages 1-5 and Ages 6-18 (born on or after 10/1/83). However, once the countable income is determined, it is compared to different percentages of the current FPL, based on the age of the child.

A. INCOME DISREGARDS AND DEDUCTIONS

The following disregards and deductions are applied to the income of the Poverty-Level child's Income Group and are used in the order listed.

1. Earned Income

- AFDC Medicaid Standard Work Deduction: The deduction is applied to the earned income or gross profit from self-employment of each working person. The amount of the deduction must not exceed the amount of earned income or gross profit of each person.

- AFDC Medicaid Dependent Care Deduction: When the employed member(s) of the Income Group must pay for dependent care to accept or continue employment or training, the Deduction is applied. The amount is applied as paid, up to the maximum amounts allowable for AFDC Medicaid. See Section 10.7,B,1. The dependent is not required to be in the AG for the deduction to be applied.

2. Unearned Income

The first $50 of child support is disregarded. This is the only disregard of unearned income.

When more than one child in the Needs Group receives child support, the disregard amount is divided by the number of children in the Needs Group who receive support. The resulting amount is deducted from each child's support amount to determine each child's countable child support.

EXAMPLE: Four blood-related siblings live in the same home and receive the following amounts of child support: Child A receives $150 per month; Child B receives $200; Child C receives $50; Child D receives $100. The $50 disregard is divided by 4 and each child receives a disregard of $12.50.

Child A

$200.00	Child Support
- 12.50	Disregard
$187.50	Countable Child Support

Child B

$150.00	Child Support
- 12.50	Disregard
$137.50	Countable Child Support

Child C

$50.00	Child Support
- 12.50	Disregard
$37.50	Countable Child Support

Child D

$100.00	Child Support
- 12.50	Disregard
$ 87.50	Countable Child Support

EXAMPLE: Mrs. E applies for Medicaid for her four grandchildren who live with her. Jane and John are blood-related siblings and are the children of Mrs. E's daughter, Samantha. They receive $200 child support. Joan and Jim are blood-related siblings and are the children of Mrs. E's other daughter, Virginia. Joan receives $150 child support and Jim receives none. Because all of Mrs. E's grandchildren are not blood-related siblings, 2 Needs Groups are established; one for Jane and John; one for Joan and Jim. Each Needs Group then receives the $50 disregard.

The countable child support for each child is as follows:

Jane and John

The child support amount of $200 is divided between the children and each child's amount is $100. The $50 disregard is divided between the two children as they are both in the Needs Group and each receives a $25 disregard.

$100	Child Support per Child
- 25	Disregard
$ 75	Countable Child Support

Joan

Because Jim receives no child support and Joan is the only child in the Needs Group who receives child support, she receives the entire $50 disregard.

$150	Child Support
- 50	Disregard
$100	Countable Child Support

B. DETERMINING ELIGIBILITY

NOTE: The 185% and 100% Standard of Need tests are not applied.

Countable income is determined by subtracting allowable disregards and deductions from the total gross non-excluded income. The net monthly countable income of the Income Group must not exceed the amounts specified in Step 5 below and in Appendix A.

Step 1: Determine the amount of monthly gross non-excluded earned income of the Income Group. Do not include the income of any sibling of the Poverty-Level child.

Step 2: Subtract the AFDC Medicaid Standard Work Deduction for each employed person.

Step 3: Subtract the AFDC Medicaid Dependent Care Deduction up to the maximum allowable amounts. Eligibility for and the maximum amounts of the deduction are determined as for AFDC Medicaid. See Section 10.7,B,1.

Step 4: Add the non-excluded gross unearned income of the Income Group. This includes the child's countable child support. Do not include the income of any sibling of the Poverty-Level child.

Step 5: The resulting figure is the countable income against which eligibility is tested. Compare the countable income to the appropriate percentage of the current FPL as follows:

Child Under Age 1:	150% FPL
Child Ages 1-5:	133% FPL
Child Ages 6-18, Born On or After 10/1/83:	100% FPL

The FPL for the number of people in the Needs Group is used. See Appendix A. If countable income is equal to or less than the levels shown above, the child is eligible as a Poverty-Level child.

C. SPECIAL SITUATIONS

1. Self-Employment

Self-employment income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

2. Annual Contract Employment

Annual contract employment is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

3. Educational Income

Educational income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

4. Deeming

Income is deemed by including financially responsible persons in the Income Group of the child. See the definition of financially responsible in Section 10.21,D,3,a.

5. Strikers

The presence of a striker in the AG, Needs Group or Income Group of a Poverty-Level child has no bearing on the child's eligibility.

6. Irregular Income

Regardless of the source, irregular income is not counted because it cannot be anticipated.

7. Lump Sum Payments

Lump sum payments are counted as income in the same way they are for AFDC Medicaid. See Section 10.7,D. The only difference is that 150%, 133% or 100% of the current FPL, depending upon the age of the child, is used to determine the amount counted as income each month, instead of the AFDC Medicaid Standard of Need. All other AFDC Medicaid provisions related to lump sum payments apply to the Income Group of the Poverty-Level child.

8. Withheld Income

Withheld income is treated the same way it is for AFDC Medicaid. See Section 10.7,D.

9. Funds Diverted To A PASS

Funds diverted to a PASS account are counted as earned or unearned income, depending on the source.

10. Unstated Income

There is no provision that allows for counting unstated income.

11. Spenddown

This is no spenddown provision.

12. Unavailable Income

Income intended for the client, but received by another person with whom he does not live when the individual receiving this income refuses to make it available, is excluded.

13. Income Received For A Non-Income Group Member

Income received by a member of the Income Group, which is intended and used for the care and maintenance of an individual whose income is not used in determining the eligibility or of the payee's AG, is excluded as income.

14. Income Received From Military Personnel Deployed to a Designated Combat Zone

There is no provision for excluding income received as a result of service in a designated combat zone.

15. Income Belonging To or For the Benefit of a Child

The source of the income must be known and Section 10.3 consulted for how the income is treated.