

2655- FAMILY MEDICAID DEDUCTIONS

POLICY STATEMENT	Deductions are applied to the AU's income to determine financial eligibility for Family Medicaid Classes of Assistance (COA). Deductions are applied to the AU's Modified Adjusted Gross Income (MAGI) for MAGI COAs, and to the total household income for Non-MAGI COAs.
BASIC CONSIDERATIONS	All Family Medicaid deductions are applied whether income is reported timely or untimely. There is no penalty or loss of deductions for untimely reporting.
Pre-Tax Deductions MAGI Medicaid COAs only	<p>For each wage earner, there are certain deductions that are taken out of the taxable gross pay and considered pre-tax. These include:</p> <ul style="list-style-type: none"> • Health Insurance • Dental Insurance • Vision Insurance • Legal Insurance • Life Insurance Premiums • Flexible Spending Accounts • Deferred Compensation <p>These deductions can usually be found on an A/R's check stub in the before-tax deduction section. These amounts are deducted prior to calculating the MAGI income amount. Not all deductions on taxable income is considered a before-tax deduction.</p>
1040 Deductions MAGI Medicaid COAs only	<p>For MAGI COAs, deductions that are allowed on the IRS Form 1040 are allowable deductions. These include the following:</p> <ul style="list-style-type: none"> • Alimony Paid Out • Self-Employed Health Insurance, • Health Savings Account Contributions • Student Loan Interest • Tuition and Fees
MAGI Income Deductions	For MAGI income, a deduction of 5% of the 100% FPLS for the budget group is allowed. This amount is taken off the total Modified Adjusted Gross Income (MAGI limit) for the total budget group. Please refer to <u>Appendix A-2</u> for the deduction amounts for the budget group size.
Self-Employment	MAGI income deductions are applicable to the earnings of self-employed individuals. Once the countable gross income is determined by deducting the cost of doing business from gross receipts, the MAGI income deductions can be allowed. <u>All IRS allowable deductions should be subtracted from the gross income to calculate the MAGI income.</u> Refer to <u>Section 2415, Self-Employment.</u>

BASIC

CONSIDERATIONS

(cont'd)

Non-MAGI COAs

**\$50 Child
Support
Deduction**

A \$50 deduction is applied to any child support income received by the Assistance Unit (AU), whether received through the Division of Child Support Services (DCSS) or directly from the non- custodial parent.

The deduction is applied to the AU's total child support income in all Non-MAGI Family Medicaid COAs.

NOTE: Child support and alimony payments made by a BG member cannot be deducted in determining the net countable income of the BG.

**Earned Income
Deductions**

Earned income deductions are applied to the earned income of each employed BG member who is eligible for the deductions.

Potential earned income deductions include the following and are deducted from the gross countable income in the order listed:

- \$90 standard work expense for each employed individual
- \$30 deduction for each employed individual **(obsolete after 1/1/14)**
- 1/3 of the remaining earned income for each employed individual **(obsolete after 1/1/14)**
- dependent care expenses for each child or incapacitated individual

Earned income deductions are applied to the earned income of the following individuals:

- BG members
- penalized individuals

Earned income deductions are applicable to the earnings of self-employed individuals. Once the countable gross income is determined by deducting the cost of doing business from gross receipts, the earned income deductions can be allowed. Refer to [Section 2415](#), Self-Employment.

PROCEDURES \$50 Child Support Deduction	<p>Use the following procedures to apply the \$50 child support deduction.</p> <ul style="list-style-type: none"> Establish the paternity of the child before allowing the deduction. Refer to Section 2640, Paternity. <p>NOTE: If paternity cannot be established, budget the money paid as a contribution. The \$50 CS deduction does not apply.</p> <ul style="list-style-type: none"> Apply the \$50 CS deductions prior to the GIC test for LIM and COAs based on LIM. Apply only one \$50 CS deduction to the total monthly amount of CS received by the BG, regardless of the number of non-custodial parents paying CS. Apply the \$50 CS deduction to a lump sum CS arrearage payment only in the month the arrearage is received.
\$90 Standard Work Expense	<p>Deduct the first \$90 of the earnings of each employed individual in the BG, whether employed full or part time.</p>
\$30 + 1/3 Deduction - LIM	<p>A \$30 + 1/3 deduction is allowed for each employed BG member as follows:</p> <ul style="list-style-type: none"> If the BG's net countable income is less than the appropriate SON, the AU is eligible for LIM. The \$30 + 1/3 deduction is not needed, therefore not allowed. If the BG's net countable income is equal to or greater than the appropriate SON limit and the \$30 + 1/3 deduction has not been previously exhausted, allow the \$30 + 1/3 deduction. If the BG's net countable income is equal to or greater than the appropriate SON limit and the \$30 + 1/3 deduction has been exhausted, allow the \$30 + 1/3 deduction if the individual has not received Medicaid under any Family Medicaid COA for 12 consecutive months since the deduction was exhausted. If the BG's net countable income is equal to or greater than the appropriate SON limit, the \$30 + 1/3 deduction has been exhausted, and the individual has received Medicaid under Family Medicaid COA during any of the past 12 months, do not allow the \$30 + 1/3 deduction.

PROCEDURES

**\$30 + 1/3
Deduction - LIM
(cont.)**

If, after applying the \$30 + 1/3 deduction the BG's net countable income is less than the appropriate SON, the AU is eligible for LIM.

If, after applying the \$30 + 1/3 deduction the BG's net countable income is equal to or greater than the SON, deny LIM and complete a CMD.

If an individual is determined eligible for the \$30 + 1/3 deduction, first deduct \$30 from the individual's earnings and then deduct 1/3 of the remaining earnings.

Determine eligibility for \$30 + 1/3 deduction for any employed individual added to the BG.

The \$30 + 1/3 deduction is allowed for four consecutive months for each employed individual.

Each employed individual can receive the \$30 + 1/3 deduction therefore individuals can be in different stages of the 4 months of \$30 + 1/3.

For all Family Medicaid COAs, the first month the \$30 + 1/3 deduction is used, whether a retroactive, current or ongoing month, is the first month in the count of the four consecutive months.

Once the \$30 + 1/3 count begins, the four-month count continues unless the individual's earned income is equal to or less than the \$90 standard work deduction or there is a break in eligibility under any Family Medicaid COA. Once it begins, the four-month count continues even if there is a change in COA or the AU no longer needs the deduction to meet the appropriate SON limit.

A month of suspension does not count as a month of \$30 + 1/3. Do not count the suspension month and continue the \$30 + 1/3 count with the month following the month of suspension.

At the end of four consecutive months of receipt of the \$30 + 1/3 deduction, the \$30 only deduction is allowed for an additional 8 consecutive months. The eight month count continues regardless of the eligibility or employment status of the individual.

If an AU becomes ineligible for LIM because of the expiration of the \$30 + 1/3 deduction, a CMD must be completed prior to termination of LIM. Refer to [Section 2166](#), Transitional Medical Assistance.

PROCEDURES

**\$30 + 1/3
Deduction - LIM
(cont.)**

Once the four consecutive months of \$30 + 1/3 have been applied, a LIM AU member cannot receive the deduction again until s/he has not received Medicaid for a period of 12 consecutive months.

Document all months to which the \$30 + 1/3 deduction is applied.

**\$30 + 1/3
Deduction-RSM
and FM-MN**

A \$30 + 1/3 deduction is available to **each** employed BG member **only** if the individual was included in a LIM AU in which LIM was correctly received in any of the previous four months. If this requirement is met, allow the \$30 + 1/3 deduction as follows:

For RSM:

- If the RSM BG's net countable income is **less than or equal to** the appropriate FPL limit, the AU is eligible for RSM. The \$30 + 1/3 deduction is not needed, therefore not allowed.
- If the BG's net countable income is **greater than** the appropriate FPL limit and the \$30 + 1/3 deduction has not been previously exhausted, allow the \$30 + 1/3 deduction for four (4) consecutive months.
- If the BG's net countable income is **greater than** the appropriate FPL limit and the \$30 + 1/3 deduction **has** been exhausted, do **not** allow the \$30 + 1/3 deduction.
- If, after applying the \$30 + 1/3 deduction the BG's net countable income is **equal to or less than** the appropriate FPL, the AU is eligible for RSM.
- If, after applying the \$30 + 1/3 deduction the BG's net countable income is greater than the appropriate FPL, deny RSM and complete a CMD.

FOR FM-MN:

- If the \$30 + 1/3 deduction has **not** been previously exhausted, allow the deduction.
- If the \$30 + 1/3 deduction **has** been exhausted, do **not** allow the deduction.

If an individual is determined eligible for the \$30 + 1/3 deduction, first deduct \$30 from the individual's earnings and then deduct 1/3 of the remaining earnings.

PROCEDURES

**\$30 + 1/3
Deduction - RSM
and FM-MN
(cont.)**

Determine eligibility for \$30 + 1/3 deduction for any employed individual added to the BG.

For each employed individual who is eligible for the \$30 + 1/3 deduction, the deduction is allowed for four consecutive months.

Each employed individual can receive the \$30 + 1/3 deduction therefore individuals in the same AU can be in different stages of the 4 months of \$30 + 1/3.

**\$30 + 1/3 count –
all Family
Medicaid COAs**

For all Family Medicaid COAs, the first month the \$30 + 1/3 deduction is used, whether retroactive, current or ongoing, is the first month in the count of the four consecutive months.

Once the \$30 + 1/3 count begins, the four-month count continues unless the individual's earned income is equal to or less than the \$90 standard work deduction or there is a break in eligibility. Once it begins, the four-month count continues even if there is a change in COA or the AU no longer needs the deduction to meet the appropriate FPL limit.

A month of suspension does not count as a month of \$30 + 1/3. Do not count the suspended month and continue the \$30 + 1/3 count with the month following the month of suspension.

At the end of four consecutive months of receipt of the \$30 + 1/3 deduction, the \$30 only deduction is allowed for an additional 8 consecutive months. The eight-month count continues regardless of the eligibility or employment status of the individual.

If an AU becomes ineligible for RSM because of the expiration of the \$30 + 1/3 deduction, a CMD must be completed prior to the termination of RSM.

Once the four consecutive months of \$30 + 1/3 have been applied, an individual cannot receive the deduction again until s/he has not received Medicaid for a period of 12 consecutive months.

NOTE: Months in which an individual is a member of the BG only and is not a member of the AU are months in which the individual did not receive Medicaid, and, therefore count toward the 12 consecutive months of non-receipt.

Document all months to which the \$30 + 1/3 deduction is applied.

PROCEDURES

(cont.)

**\$30 Deduction for
Eight Additional
Months**

At the end of four consecutive months of receipt of the \$30 + 1/3 deduction, allow the individual who received the \$30 + 1/3 deduction a continuation of the \$30 deduction for an additional eight months. Allow the \$30 deduction as follows:

- determine and document the eight consecutive months of the \$30 deduction. Once determined, these months are not subject to change
- begin the eight months of the \$30 deduction the month following the fourth month of the \$30 + 1/3 deduction.
- continue the eight consecutive months of the \$30 deduction regardless of change in COA, the eligibility status or the employment status of the individual
- a month of suspension counts as a month of the \$30 deduction
- discontinue the \$30 deduction after the eighth month if loss of the deduction results in ineligibility.

**Dependent Care
Deductions**

Allowable dependent care deductions include the expenses incurred and paid by an AU or BG member for child care or for care of an incapacitated individual in the home when the care is necessary because of the employment of an AU or BG member. If there is more than one adult in the AU/BG and only one adult is employed, the A/R must provide verification of why the unemployed adult is unable to care for the child/ren in order to be eligible for the deduction. Acceptable verification includes a medical statement, proof that adult is attending school, etc. Failure to provide verification will result in the A/R not receiving the deduction. Any portion of dependent care expenses that is paid for or subsidized by another agency or individual is not considered an allowable deduction.

Dependent care deductions are allowed as follows:

- for an individual under two years of age, the lesser of the actual cost or \$200 monthly
- for an individual age two or older, the lesser of the actual cost or \$175 monthly

NOTE: A child is considered to be age two the month following the month of the second birthday.

Verification of dependent care expenses is required only if the information provided by the A/R conflicts with information known to the agency or is otherwise questionable.

PROCEDURES

(cont.)

**Dependent Care
Deductions (cont'd)**

Document dependent care expenses as follows:

- the employment status which entitles the BG to a dependent care deduction
 - the name of the individual(s) for whom dependent care is paid
 - the frequency and date/day of week paid
- the name of the person to whom the expense is paid