

**2405 – TREATMENT OF INCOME**

<b>POLICY STATEMENT</b>	Money received is considered to be either earned or unearned. Different rules apply to each type. Either type may be cash or in-kind.
<b>BASIC CONSIDERATIONS</b>	<p>Earned income consists of, but is not limited to the following types of payments:</p> <ul style="list-style-type: none"><li>• wages</li><li>• net earnings from self-employment (NESE)</li><li>• payments for services performed in a sheltered workshop or work activities center</li><li>• royalties and honoraria</li><li>• sick pay received within six months after work stopped.</li></ul> <p>Wages include but are not limited to the following:</p> <ul style="list-style-type: none"><li>• salaries</li><li>• bonuses</li><li>• severance pay</li><li>• other special payments received because of employment</li><li>• the value of food or shelter in lieu of wages (in-kind earned income). In-kind earned income is counted in ABD Medicaid COAs only.)</li></ul> <p>Unearned income is all income that is not earned. The following are types of unearned income:</p> <ul style="list-style-type: none"><li>• alimony</li><li>• annuities, pensions, and other periodic payments</li><li>• benefits received as the result of another's death to the extent that the total amount exceeds the expenses of the deceased person's last illness and burial paid by the recipient</li><li>• dividends, interest and royalties</li><li>• in-kind support and maintenance (ISM)</li><li>• prizes and awards</li><li>• rent.</li></ul>

**BASIC  
CONSIDERATIONS  
(cont.)****Income Not Included  
in Determining  
Financial Eligibility**

The following are not considered income, and are disregarded when determining Medicaid eligibility:

- bills paid by a third party (vendor payment) for an item other than food, shelter or clothing
- conversion of a resource, such as selling a car to get cash.

**NOTE:** The cash received from conversion of a resource is not counted as income in the month of conversion. Any cash remaining on the first day of the month following the month of the conversion is a resource.

- credit life or credit disability insurance payments
- earned income tax credits (EITC)
- income tax refunds
- non-cash items which will be excluded or partially excluded as a resource after the month of receipt, such as a vehicle excluded because it is used for medical treatment.

**EXCEPTION:** Food and shelter are always assigned a value as ISM and included in the eligibility budget as unearned income for ABD Medicaid A/Rs in LA-A, B or C.

- medical or social services provided as cash or in-kind
- proceeds of a loan
- rebates and refunds
- replacement of income which is lost, stolen or destroyed after receipt (e.g., replacement government checks)
- return of erroneous payments
- value of personal services (e.g., mowing the lawn)
- Veteran's Aid and Attendance
- Veteran's Household Allowance
- Veteran's Unusual Medical Expense (UME) reimbursement
- weatherization assistance (storm doors, windows, insulation, etc.)

**BASIC  
CONSIDERATIONS  
(cont.)**

**Sick Pay**

Consider a payment made to or on behalf of an employee by an employer or a private third party because of sickness or accident disability to be Sick Pay.

Consider any Sick Pay received through the six full months after the month work stopped because of sickness or accident to be earned income. Thereafter, consider as unearned income.

**In-Kind Items**

For ABD Medicaid, develop the value of food and shelter or other items provided in lieu of wages for the possibility of earned income.

Include the value of the food and/or shelter as ISM (unearned income) using the presumed maximum value (PMV) rule if both the following conditions are met:

- the food and/or shelter is furnished for the employer's convenience and on his/her premises
- the shelter is provided as a condition of employment

If either of the above conditions is not met, include the current market value (CMV) of the food and/or shelter as wages.

Consider as earned income payments that an individual receives for services performed in a sheltered workshop or work activities center while participating in a program designed to help him/her become self-supporting.

**Payments for Services  
Performed in a  
Sheltered Workshop or  
Work Activities Center**

Consider a work environment to be a sheltered workshop if it is a nonprofit organization or institution whose purpose is the following:

- to carry out a recognized program of rehabilitation for handicapped workers
- to provide such individuals with remunerative employment or other occupational activity of an educational or therapeutic nature.

Consider a work environment to be a work activity center if it is planned and designed exclusively to provide therapeutic activities for handicapped workers whose physical or mental impairment is severe as to make their productive capacity inconsequential.

**Income from a  
Terminated Source**

If an A/R reports a terminated source of income, the facts regarding the termination, the date on which the final payment of income was received must be verified **only** if questionable. (ABD only) For Family Medicaid, the termination of an income source within 30 days of the application must be verified. This includes the last day employed and date last pay was received.

**Income from a  
Terminated Source  
(cont.)**

For reviews, any terminated income that has not been reported since the last application or review should be verified. This includes the last day employed and date last pay was received.

**NOTE:** The Work Number can be used to verify terminated income from a specific employer. Clearinghouse must still be checked for other employment and for any other discrepancies.

**PROCEDURES**

Determine whether the specific type(s) of income received by the A/R is included or excluded in the eligibility and patient liability/cost share budgets by referring to Chart 2499.1 - Treatment of Income in Medicaid.

Include income in the budget at the earliest of the following points:

- when it is received
- when it is credited to the individual's account
- when it is set aside for the individual's use.

If the income is to be included in the budget, determine how much of the income is included. Refer to [Section 2504](#), Determining Countable Income.

Apply the appropriate income deductions, based on whether the income is earned or unearned, when the income is included in the eligibility and patient liability/cost share budgets. For ABD Medicaid, refer to [Section 2505](#), Income Deductions, and [Section 2552](#), Patient Liability Deductions. For Family Medicaid refer to [Section 2655](#), Family Medicaid Deductions.

**Income  
Considerations**

Eligibility based on income is determined by resolving the following series of questions:

- What is the income limit for type of assistance requested?
- Whose income is considered?
- What is the source of the income?
- Is the income available to the AU to meet its needs?
- Is the income included or excluded?
- How often is the income received?

Income of the following individuals may be considered when determining eligibility:

- AU or BG members
- Persons whose income must be deemed to the AU
- Deemed income of sponsors of aliens
- Ineligible aliens
- Ineligible parents
- Penalized individuals

**PROCEDURES**  
(cont.)

**Documentation**

Refer to Chapter 2500, ABD Financial Responsibility and Budgeting, and Chapter 2650, Family Medicaid Budgeting.

For each type of income received, the following must be documented:

- Source of income
- Individual(s) receiving income
- Frequency (monthly, weekly, bi-weekly, etc.) of payment
- Day of week income is received
- Gross amount
- Source of verification.

**NOTE:** If the date of receipt of income or the amount of income cannot be reasonably anticipated, the income is not counted. The decision must be documented.

In addition, the following information must be documented if the income is earned:

- Beginning/ending date of employment (if applicable)
- Employer's name, address and telephone number
- Date on which new or increased earnings are received.

**Verification**

For RSM PgW and Newborn COAs, the A/R's statement of the source and amount of income, earned or unearned may be accepted unless questionable. For all other Family Medicaid COAs, all income must be verified.

**NOTE:** For Family Medicaid, client statement is acceptable verification for excluded income.

For ABD Medicaid, the A/R's statement is only acceptable for Q Track COAs. Verification is required when information available to the agency contradicts the A/R's statement or the statement is otherwise questionable.

Verification of income, if required by policy, is obtained in the following order:

- The A/R should provide verification from the payment source.
- If the A/R cannot obtain the verification, the agency must request it directly from the payment source.

**PROCEDURES**  
(cont.)

**Verification (cont.)**

- Verification can be obtained from a collateral source, a person who has knowledge of the income, if verification cannot be provided by the payment source.
- The statement of the A/R may be accepted if all other attempts to verify income are unsuccessful and the A/R has cooperated with previous attempts to obtain verification.

**Means of Verification -  
all Medicaid COAs**

Verification of income can be provided in a variety of ways, including:

- Work Number
- Pay stubs
- Award letter
- Written statement from source
- Computer match
- Copy of check reflecting gross income
- [Form 809- Wage Verification Form](#)

**Note:** Whenever a job is reported, the Work Number should **always** be the **first** source of verification checked. When requesting other forms of verification, the case should be documented that the information was not found in the Work Number.