



State of Florida
Department of Children and Families

Rick Scott
Governor

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Secretary

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TO: Economic Self-Sufficiency Operations Managers
Economic Self-Sufficiency Program Offices

FROM: Susan Thomas, Interim Chief, Program Policy
Suzanne Poirier, Chief, Technology & Project Management
(Signatures on File)

SUBJECT: When to Include an Individual's Countable Income for Family-Related Medicaid

EFFECTIVE: Upon Receipt

This memorandum provides staff with policy clarification and procedures about when and how to include an individual's countable income in the Family-Related Medicaid budget. This policy is being clarified based on recent guidance provided by the Centers for Medicare and Medicaid Services (CMS).

Background

During the recent Payment Error Rate Measure (PERM) Round 2 Test Case Reviews, two errors were cited for incorrectly budgeting the income of a tax dependent. The Department reviewed current policy about the inclusion or exclusion of a child's or tax dependent's countable income in the Modified Adjusted Gross Income (MAGI) budget, and determined a need for a policy clarification based on CMS guidance.

Revised Policy

All **countable** income of every individual included in the Assistance Group (AG) is included in the budget for Family-Related Medicaid for all AG members except:

- When an individual lives with their parent, and the individual is not expected to be required to file a tax return (income below the threshold), do not budget any of the individual's countable income for any AGs in which the individual is either counted (CA, CC) or eligible (EA, EC).
- When determining the eligibility of a tax filer that does not have a parent to child relationship with the tax dependent, exclude all countable income of the tax dependent who is not expected to be required to file a tax return (income below the threshold). (This includes all AGs in which the tax dependent is a counted member, except in their own AG).

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Include all countable income:

- When an individual lives with their parent, and the individual is expected to be required to file a tax return (income above the threshold), include all countable income of the individual in all AGs in which the individual is either counted (CA, CC) or eligible (EA, EC).
- If the tax dependent for whom eligibility is being determined does not have a parent to child relationship with the tax filer, include all countable income of the tax dependent, without regard to an income threshold (requirement to file a tax return).
- When determining the eligibility of the tax filer that does not have a parent to child relationship to the tax dependent, include all countable income of the tax dependent expected to be required to file a tax return (income above the threshold). (This includes all AGs in which the tax dependent is a counted member.)

The federal tax filing threshold for 2016 is \$6,300 per year for earned income and \$1,050 per year for unearned income. NOTE: This figure changes annually.

For the purpose of determining whose income is included in the budget, CMS defines a child as “a natural or biological, adopted or step child.” There is no age criteria used.

Include all countable income of individuals not considered to be children living with their parent or not tax dependents, such as parents, caretaker relatives and their spouses, in the Family-Related Medicaid budget.

Note: Social Security and Railroad Retirement income is not considered when determining if a child or tax dependent's income meets the threshold to be required to file a tax return. When a child or tax dependent's only income is Social Security or Railroad Retirement income, it is excluded from the Medicaid budget. See transmittal P-15-07-0006 for more information

Additional Information

Medically Needy Program

- When determining eligibility for the Medically Needy Program, exclude a child with countable income from the Medically Needy budget if it is beneficial to the individual whose eligibility is being determined (i.e. a lower share of cost). See transmittal P-15-09-0009 for more information.

Spouses

- A spouse cannot be a tax dependent of the other spouse. Include all countable income of a spouse in the Family-Related Medicaid budget when the individual is a counted or eligible member. When reviewing the Household Relationships (AIHH) screen, ensure that the “Tax Dep” field for a spouse to spouse relationship

displays "N". This will ensure that a spouse's countable income is included in the Family-Related Medicaid budget.

Staff must ensure that the correct income is budgeted in each filing unit. The Modified Adjusted Gross Income (MAGI)-based Medicaid Eligibility Manual Budget Sheet, CF-ES 2619, copy attached, is posted on the DCF Forms website and should be used to make this calculation when dealing with the scenario in Issue 2. If used, a copy of the form must be filed in Document Imaging, and notated in CLRC.

Note: it has been determined that very few households will be affected by this change, so there should be no major impact on workload.

System Instructions/Workarounds

Issue 1. When determining the eligibility of the tax filer that does not have a parent to child relationship with the tax dependent, exclude all countable income of the tax dependent not expected to be required to file a tax return (income below the threshold).

FLORIDA will correctly exclude the income of the tax dependent (if below the income threshold) when determining the eligibility for the tax filer (who does not have a parent to child relationship to the tax dependent) when the tax dependent is either an eligible child ("EC") or counted child ("CC") in any AG in the case.

If the tax dependent is a "CA", FLORIDA does not complete the threshold test and all income of that tax dependent is being included in the AG's they are a "CA" in. In situations where the tax filer (who does not have a parent to child relationship to the tax dependent) has a tax dependent with income below the threshold, a workaround may be needed.

- If the tax filer is eligible for full Medicaid coverage, even with inclusion of income of the tax dependent (who is a "CA") it is not necessary to do a workaround.
- If the tax filer is not eligible for full Medicaid coverage, and the income of the tax dependent, who is a "CA", is below the threshold, staff will need to update the AFEI, AFMI or AFSE screen with \$00.00 in the Family-Related income field for the tax dependent's income and explain in CLRC that income is shown as \$00.00 to exclude it from the tax filer's Medicaid budget. By excluding this income, the tax filer will either have a reduced share of cost, or be eligible for full Medicaid coverage, depending on what other income is in the AG.

Issue 2. If the tax dependent for whom eligibility is being determined does not have a parent to child relationship with the tax filer, include all countable income of the tax dependent, without regard to an income threshold.

A workaround may be necessary for tax dependents claimed by someone other than their parent.

The income of the tax dependent must always be included in the tax dependent's budget, but may be excluded in the tax filer's budget. Staff must complete a manual budget even when the tax dependent's income is below the threshold.

- If the tax dependent is eligible for full Medicaid coverage, even with inclusion of income of the tax dependent, it is not necessary to do a workaround.
- If including the income makes the individual ineligible for full Medicaid coverage, Medically Needy should be enrolled. Staff must change the category from full Medicaid to the correct Medically Needy category on the SFU Composition Change (AGCC) screen and complete a FIAT to correct the share of cost.

Attachment

If there are Medicaid policy questions, region offices may contact Dianna Laffey at Dianna.Laffey@myflfamilies.com. If there are system questions, region offices may contact Eileen Schilling at Eileen.Schilling@myflfamilies.com.

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Modified Adjusted Gross Income (MAGI)-based Medicaid Eligibility Manual Budget Sheet

Case Name: _____ Case Number: _____ Date: _____

Family-Related Medicaid Income Limits Chart: http://eww.dcf.state.fl.us/ess/policy/manual/a_07.pdf

**Prior to completing the budget for each individual, determine the individual's
monthly countable gross income.**

Taxable Year's Income Threshold for Children and Tax Dependents:

Earned Income: _____

Unearned Income: _____

Step 1: Determine the tax filing unit for each individual in a separate column.				
Tax Filing Unit for:				
Tax Filer / Dep / Non-Filer Rule:				
SFU Size:				
Step 2: Calculate the Modified Adjusted Gross Income (MAGI) for the tax filing unit. If the MAGI is equal to or less than the Income Standard, the AG is eligible.				
Earned Income: +				
Unearned income: +				
Income from Deemed Sponsor: +				
Total Reported Income: =				
Allowed Tax Deductions: -				
MAGI: =				
Income Standard:				
Result: PASS/FAIL				
PASS (equal to or less than Income Standard) Eligible STOP! FAIL. Go to Step 3.				
Step 3: Deduct the Standard Disregard for the applicable coverage group. NOTE: children 6-18 DO NOT receive this disregard. If the MAGI minus the Standard Disregard is equal to or less than the Income Standard, the AG is eligible.				
Standard Disregard: -				
Amount: =				
Result: PASS/FAIL				
PASS (equal to or less than Income Standard) STOP! FAIL. Go to Step 4.				

Step 4: Deduct the MAGI (5%) Disregard. If the amount minus the MAGI (5%) disregard is equal to or less than the Income Standard, the AG is eligible.				
MAGI Disregard (5% of FPL): -				
Amount: =				
Result: PASS/FAIL				
PASS (equal to or less than Income Standard) STOP! FAIL. Go to Step 5.				
Step 5: To calculate the SOC amount, start using the Modified Adjusted Gross Income (MAGI) amount. Subtract the Medically Needy Income Limit (MNIL) which includes the appropriate standard disregard. Do not apply any additional disregards. Subtract medical insurance premiums or recurring medical expenses (if any) to determine the SOC amount. NOTE: A child with countable income must be excluded from the Medically Needy budget if inclusion is not beneficial to the individual whose eligibility is being determined (P-15-09-0009).				
MAGI: =				
MNIL: -				
SOC: =				
Medical Ins. Premium: -				
Recurring Med. Expenses: -				
Remaining SOC Amount: =				

Notes/Comments: _____

ESS Signature/Worker ID

Date Signed

Reviewer's Initials (Optional)

INSTRUCTIONS:

Prior to completing the budget for each individual, determine the individual's monthly countable gross income and enter the taxable year's income threshold for children and tax dependents. The current taxable year's income threshold can be found at: <https://www.irs.gov/publications/p554/ch01.html>

Note: Each step must be completed for each individual in a separate column based on their AG size and coverage group.

Step 1: Determine the tax filing unit for each individual in a separate column.

- A. Determine the Targeted Individual
- B. Determine Tax Filing Status (Tax filer/ Dep/ Non-Filer)
- C. Determine SFU Size

Step 2: Calculate the Modified Adjusted Gross Income (MAGI) for the tax filing unit.

- A. Enter Total Gross Countable Earned Income for **all Counted/Eligible AG Members**
- B. Enter Total Gross Countable Unearned Income for **all Counted/Eligible AG Members**
- C. Enter Total Gross Countable Income from Deemed Sponsor
- D. Enter Total of All Countable Income
- E. Enter Total of All Allowable Tax Deductions
- F. Enter the Modified Adjusted Gross Income (MAGI)

If the MAGI is equal to or less than the Income Standard, the AG is eligible. **STOP!** If not, continue to STEP 3.

Step 3: Deduct the Standard Disregard for the applicable coverage group. **Children age 6-18 DO NOT receive this disregard.** If the MAGI minus the Standard Disregard is equal to or less than the Income Standard, the AG is eligible. **STOP!** If not, continue to STEP 4. Note: This step must be completed for each individual in a separate column based on their AG size and coverage group.

Step 4: Deduct the MAGI (5%) Disregard. If the amount minus the MAGI (5%) disregard is equal to or less than the Income Standard, the AG is eligible. If not, continue to STEP 5 to determine the share of cost (SOC) for the Medically Needy Program. Note: This step must be completed for each individual in a separate column based on their AG size and coverage group.

Step 5: To calculate the SOC amount, start over using the Modified Adjusted Gross Income (MAGI) amount. Subtract the Medically Needy Income Limit (MNIL) which includes the appropriate standard disregard. Do not apply any additional disregards. Subtract medical insurance premiums or recurring medical expenses (if any) to determine the SOC amount. **NOTE: A child with countable income must have their income excluded from the Medically Needy budget if inclusion is not beneficial to the individual whose eligibility is being determined (P-15-09-0009).**