

CHANGE NOTICE FOR MANUAL NO. 22-07, INCOME

DATE: NOVEMBER 01, 2007

Manual: Aged, Blind, and Disabled Medicaid

Change No: 22- 07

To: County Directors of Social Services

Effective: November 1, 2007

I. BACKGROUND

MA-2250, Income, is being reissued to provide additional information for income sources, provide clarification and examples to existing policy, and to include policy from DMA Administrative Letters 08-05, 10-05 and 05-06.

II. CONTENT OF CHANGE

A. A/R's Responsibilities

1. Veterans Assistance benefits has been added to the list of benefits for which the a/r is required to make an application in order to access any unearned income to which he may be entitled.
2. Information from DMA Administrative Letter 10-05 concerning the delay in the application process for benefits at the Social Security Administration has been included in policy. The requirement to apply for SSA benefits is considered met when the a/r has requested to apply and an appointment has been made by the SSA. Instructions for follow up are included.

B. Base Period

1. The Child Care Wages Project payments have been added to Base Period for Certain Incomes. North Carolina Child Care Services Association makes supplemental payments to certain low paid teachers, directors and family child care providers through the Child Care Wages Project. These payments cannot be budgeted until the recipient receives the first supplemental check. Currently 63 counties are participating.

2. Since this income is received after the time period it supplements, it can only be budgeted prospectively based on the amount of the first supplemental payment received. The six month supplemental payment is divided by six to determine the countable monthly income to budget. MA-2250, VII, provides more information on the Child Care Wages Project.

C. Non-Countable Earned Income

Additional information includes:

1. Cafeteria plan contributions made by an employer and Salary Reduction Agreements made between an employer and an employee as part of a cafeteria plan are non-countable earned income. A reimbursement received by a participant for a qualified benefit is also non-countable earned income.
2. Plan to Achieve Self-Support (PASS) is an exclusion to earned and unearned income. These must be approved by the Social Security administration, and can usually be identified on the online SDX screen.
3. Clarification of programs under the National and Community Services Trust Act (NCSTA).
4. Information regarding income from a National Emergency Grant.

D. Non-Countable Unearned Income

1. Exclude Vocational Rehabilitation cash received for payment of personal care assistance services.
2. Exclude all student financial assistance received under the Higher Education Act of 1965 (HEA) or Bureau of Indian Affairs (BIA). For all other loans, grants, and scholarships, exclude in the month of receipt the portion used for tuition, fees, and other necessary educational expenses and any amounts that will be used for future educational expenses.
3. Do not count supportive services such as meals, medical care, stipends to defray expenses, etc. paid or re-imbursed to individuals who are participating in a program authorized by the Workforce Investment Act of 1998, such as the Job Training Partnership Act, including Job Corps.
4. Exclude unearned income used to complete a Plan to achieve Self-Support (PASS) that has been approved by the Social Security Administration.

III. COUNTABLE EARNED INCOME

A. Wages

1. Count as earned income salaries, bonuses, student pay, living allowances, incentive payments, and stipends for service received by an a/r participating in JTPA, including Job Corps.
2. Count as earned income voluntary payroll deductions used to purchase cafeteria plan benefits, and cash received under a cafeteria plan from an employer in lieu of benefits.
3. Count as earned income in-kind compensation provided to owners of small incorporated businesses.

B. Self Employment and Farm Income

1. Examples are included to clarify how to tell if an individual is self employed, and how to identify whether a trade or business exists.
2. Overview given for different types of business arrangements for individuals who have income other than regular wages.
3. Verification requirements and base periods given for self employment income/operational expenses.
4. Clarification that a Net Loss from Self Employment may be used to offset other earned income included in the budget.
5. Compute Self-Employment income using the prior year's federal tax return if a/r states there have been no changes in the business earnings in the past year.

C. Tobacco Transition Payment Program (Tobacco Buyout)

1. Determine if the tobacco allotment contract can be sold to an approved financial institution for a lump sum cash benefit. The list of approved financial institutions can be found at www.fsa.usda.gov.
 - a. Once the allotment contract is verified as salable to an approved financial institution, the total allotment contract amount is counted as a resource. Refer to MA-2230, Financial Resources.

- b. If the balance of the allotment contract has been verified as non-salable to an approved financial institution for a lump sum cash benefit, the annual payments received are counted as annual self-employment income to tobacco quota grower and annual unearned income to the tobacco quota owner in each year of receipt.
2. When an allotment contract has been sold to an approved financial institution by a tobacco quota grower (those who rent the land) for a lump sum cash benefit, the cash benefit is counted as self-employment income in the transaction year.
3. Evaluate all assignment contracts made with other third parties for a potential transfer of asset.

D. Child Care Wages Project

North Carolina Child Care Services Association makes supplemental payments to certain low paid teachers, directors and family child care providers who work with children between the ages of 0-5 years old. This is countable earned income.

IV. COUNTABLE UNEARNED INCOME

A. Veteran's Benefits

1. Deleted the reference to the VA Appendix.
2. Clarified that payments made by VA for Aid and Attendance and/or Unreimbursed Medical Expenses are not countable income.
3. Clarified that the VA Adult Helpless Child allowance is not the same as Aid and Attendance and is countable unearned income.
4. Deleted Fayetteville when referencing State Veterans Nursing Homes since there is now more than one State Veterans Nursing Home in North Carolina.

B. Dividends, Interest, or Distribution of Profits from Stocks, Bonds, and Other Investments.

Dividends and interest earned on a resource is no longer countable income. This section has been deleted.

C. Prouty

Reference to Prouty is deleted as these individuals would have to be 108 years old.

D. Contributions

Deleted clothing from items to be counted as in-kind contributions.

E. In-kind Income

Deleted clothing from items to be counted as in-kind income.

F. Indemnity Insurance Policy Payments

Indemnity insurance policies pay a flat rate benefit compensation without regard to the actual charges or expenses incurred. These payments are countable income to the applicant/recipient, including payments made directly to a nursing facility.

G. Long Term Care Insurance

Added policy to state that payments from a long term care insurance policy made directly to the applicant/recipient is countable income. If payments are made to a nursing facility, they are considered a third party payment.

V. COMPUTATION

A. Earned Income

1. Added for the worker to apply any net loss from self employment to other earned income in the budget.
2. DMA Administrative Letter No. 05-06 issued on May 9, 2006, contained policy on infrequent/ irregular income exclusions. This policy has been added to manual material and provides instructions on how to identify income that meets the definition of infrequent/irregular and how to apply the exclusions.

B. Student Earned Income Exclusion

1. Section 432 of the Social Security Protection Act changes requirements for the student earned income exclusion under Title XVI of the Act. The requirement that the student must meet the definition of a child to be eligible for this exclusion has been eliminated.
2. The restriction that the student must be unmarried and not the head of his own household has been deleted.
3. Home schooling has been approved as a form of regular school attendance.

4. Student earned income exclusion may be applied when deeming income of an ineligible spouse or ineligible parent who is under age 22 and who regularly attends school or college or training designed to prepare them for a paying job.

VI. EFFECTIVE DATE AND IMPLEMENTATION

This policy is effective November 1, 2007. Please apply this policy to applications taken and redeterminations started on or after November 1, 2007. This policy obsoletes Administrative Letter No. 08-05, dated March 18, 2005, Administrative Letter No.10-05, dated July 18, 2005 and Administrative Letter No. 05-06, dated May 9, 2006.

VII. MAINTENANCE OF MANUAL

A. Remove: MA-2250, Income, Table of Contents and pages 1 through 63.

B. Insert: [MA-2250](#), Income, [Table of Contents](#) and pages 1 through 101.

If you have any questions, please contact your Medicaid Program Representative.

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Acting Director
Division of Medical Assistance

(This material was researched and written by Linda Faulkner, Policy Consultant, Medicaid Eligibility Unit.)