

DHB ADMINISTRATIVE LETTER NO: 01-23, CHANGES IN INCOME DURING BASE PERIOD FOR MODIFIED ADJUSTED GROSS INCOME (MAGI) APPLICATIONS AND RECERTIFICATIONS

DATE: January 18, 2023

SUBJECT: Changes in Income During Base Period for Modified Adjusted Gross Income (MAGI) Applications and Recertifications

DISTRIBUTION: County Departments of Social Services
Medicaid Supervisors
Medicaid Eligibility Staff

I. BACKGROUND

This Administrative Letter provides updated policy guidance for all Medicaid applications and recertifications where eligibility is determined using Modified Adjusted Gross Income (MAGI) budgeting. Guidance in this Administrative Letter provides policy regarding changed income during the Medicaid base period for applications and recertifications. NC FAST functionality has been updated to correctly apply the policy found in this Administrative Letter.

II. CONTENT OF CHANGE

Changes included in this Administrative Letter apply to all MAGI programs, including Medicaid for Pregnant Women (MPW).

As a reminder, **all income changes must be verified**. Refer to [MA-3300, Income \(section III.C.\)](#) and [MA-3306, Modified Adjusted Gross Income](#) for verification policy. As a reminder, when verification is required, the caseworker must utilize the DHB-5097, Request for Information, and/or the NCF-20020.

Please note that [MA-3306](#) has been updated in conjunction with this Administrative Letter. MA-3306 section VIII.C. is obsolete and has been removed.

A. Definitions

1. **Changed Income:** New, different, or additional source of income/employer, an increase or decrease in the rate of pay, an increase or decrease in the required number of hours worked, or termination of income.

2. **New Income:** Income that was not previously available to the household but is now or will be available to the household during the certification period. Refer to II.B.-D., below for guidance regarding the start date for new income.
3. **Terminated Income:** Income from a source that has already ended or ends during the application processing period or recertification process, even if the individual has not yet received the last pay.

Example: The applicant's last day of work was 11/16. The application date is 11/20. The applicant will receive their last pay on 12/7. This is terminated income and is not countable for the ongoing certification period.

4. **Income Deductions:** An amount that reduces the gross income, e.g., allowable federal self-employment deductions and operational expenses and/or pretax deductions. When the income associated with the deduction is changed, the deductions will also change in the same manner and at the same time as the income change.
5. **Effective Date of Changes in Income:** The caseworker must determine what type of change is or has occurred (new, changed, or terminated), and what type of income (earned or unearned) is being changed. The date the change in income is effective will be determined by these factors. Specific guidance is provided in the following sections of this letter for applications and recertifications.

- Application: II.B. and II.C.
- Recertification: II.D.

B. Income Changes Prior to the Date of Application

1. When earned or unearned income is terminated during the base period or any time prior to the date of application:
 - a. For all individuals on the ongoing Medicaid application, the terminated income is not countable.
 - b. Count actual income for all individuals applying for retroactive Medicaid.
2. New income that begins in the month of application, but on or before the application date is countable for all individuals on the application regardless of age.
 - a. If the changed or new income is **earned** income, the date of change for the earned income **is the beginning date** for the applicable change listed below:
 - (1) Employer (new employment or additional employment)
 - (2) Rate of pay (increase or decrease)
 - (3) Required number of hours (increase or decrease)
 - b. The date of change for terminated earned income is the last day of work.

- c. If the changed or new income is **unearned** income, the date of change for the unearned income is the **date of receipt** of the new or changed income/benefit.

3. **Examples:**

- a. **Terminated employment:** Medicaid application for one adult and two children dated January 3, 2023 is received by the local agency. The application for the three applicants is for both retroactive and ongoing Medicaid. The adult on the application reports income from employment that terminated in November 2022.

The caseworker must enter evidence for actual income received for each retroactive month. No income evidence should be entered for the terminated income on the ongoing application. The caseworker must document the terminated income in the case record.

- b. **New employment:** Application date is September 15. The a/b begins a new job on September 10. The a/b's first paycheck is received on September 21. The date of change is September 10. This income is countable for all members of the MAGI household for the ongoing certification period.

C. Income Changes After the Date of Application

- 1. For income that terminates after the date of application but prior to the date of disposition, do not include the income in the ongoing certification period. Use actual income for the MAGI household members applying for Medicaid in the retroactive months.
- 2. For new or additional income changes **after the date of application:**
 - a. Use the income from the application base period to determine eligibility.
 - (1) If the MAGI household is categorically eligible for a full Medicaid program based on income in the base period, the household is eligible.
 - (2) Authorize everyone in the MAGI Household.
 - b. The caseworker should react to the new or changed income that begins after the date of application as a change of circumstance for all members of the MAGI household who are aged 19 or older.
 - c. Continuous eligibility for children applies when they are eligible based on income in the base period. Do not react to changes in income after the date of application for individuals under age 19.
- 3. Follow up to verify changed income if there are members of the MAGI household who are aged 19 or older.
 - a. Use the base period income to determine eligibility for months up to the month of change.

- b. Use the changed income to determine eligibility for the remaining months in the certification period.
- c. Send the applicant/beneficiary (a/b) a [DHB-5097/DHB-5097sp](#), Request for Information when sending the approval notice. Request verification of the changed income if it has not been provided. Allow 12 calendar days for the a/b to provide the information.
- d. If the a/b will not receive the first changed income within the 12 calendar days after the application disposition, create a task in NC FAST to mail a [DHB-5097/DHB-5097sp](#), Request for Information on the date the a/b is anticipated to receive the first changed income. Allow the a/b 12 calendar days to provide the information.
- e. Re-evaluate eligibility based on the new or changed income for all members of the MAGI household who are aged 19 or older.
- f. Evaluate the beneficiaries aged 19 or older for all Medicaid programs, including Transitional Medicaid. Refer to [MA-3400, Four Month Transitional Medicaid](#) and [MA-3405, Twelve Months Transitional Medicaid](#) and follow appropriate notice requirements.
- g. If the new or changed income results in ineligibility or eligibility for a lessor Medicaid program, send a timely [DHB 8110 Notice of Modification, Termination, or Continuation of Public Assistance](#) to terminate or reduce Medicaid benefits for the members of the MAGI household who are aged 19 or older.
- h. If the a/b does not provide the requested information, send a timely [DHB 8110 Notice of Modification, Termination, or Continuation of Public Assistance](#) to terminate Medicaid for the members of the MAGI household who are aged 19 or older.

4. **Examples:**

- a. **Terminated Income:** Application date is January 4. The applicant reports income from employment. On January 17, the applicant contacts the caseworker to report that they were terminated from their employment on January 12. The applicant will receive their last paycheck on January 27. The application is still in pending status on January 17, when the applicant reports the change.

Income from this employment will **not** be counted for any member of the MAGI household for the ongoing certification period (caseworker must verify terminated income).

Actual income should be counted for members of the MAGI household who applied for Medicaid for the retroactive months. The caseworker must document the income and termination in the case record. Do not enter income evidence in NC FAST for the terminated income for the ongoing certification period.

- b. **New or Increased Income:** Application date is January 4. The applicant reports no income at application, and none is found for the base period or retroactive period. The caseworker requested verification of residency at application and must wait for the verification to be returned prior to dispositioning the application. On January 17, the applicant contacts the caseworker to report that they will begin employment on January 20 and expect their first paycheck on January 30.

After receiving the required verification for residency, the caseworker dispositions the application using base period income of \$0.

All members of the MAGI household are eligible for the ongoing certification period. After disposition, the caseworker mails the applicant a DHB-5097, Request for Information to verify new income. After evaluating for all other Medicaid programs, including medically needy, the verified income will result in the adult members of the MAGI household over the age of 19 being ineligible. The caseworker will terminate the case for the adult members of the MAGI household only after timely notification. The children in the MAGI household under the age of 19 will continue to receive Medicaid until the end of the certification period.

D. Income Changes at Recertification

When a change in income is reported or discovered during the recertification process, the caseworker should take the steps below based on the age of the beneficiary.

As a reminder, when completing a recertification for Medicaid that is determined using MAGI budgeting, the caseworker must follow policy found in [MA-3421, MAGI Recertification](#), including the use of NCF-20020 and [DHB-5097/DHB-5097sp](#), Request for Information. Additional guidance is found in [DHB Administrative Letter 09-22, MAGI Recertification Procedures and Voice Signature](#).

1. Adult beneficiaries aged 19 or over:
 - a. If the changed or new income is **earned** income, the date of change for the earned income is the beginning date for the applicable change listed below:
 - (1) Employer (new employment or additional employment)
 - (2) Rate of pay (increase or decrease)
 - (3) Required number of hours (increase or decrease)

Example: a/b begins a new job on September 10. The a/b's first paycheck is received on September 21. The date of change is September 10.

- b. The date of change for terminated earned income is the last day of work.
- c. If the changed or new income is **unearned** income, the date of change for the unearned income is the date of receipt of the new or changed income/benefit.

- d. Evaluate the beneficiaries aged 19 or older for all Medicaid programs, including Transitional Medicaid. Refer to [MA-3400, Four Month Transitional Medicaid](#) and [MA-3405, Twelve Months Transitional Medicaid](#) and follow appropriate notice requirements.
 - e. If the changed income results in ineligibility or decreased benefits, react to the change for the current certification period after following timely notification policy. Refer to [MA-3430, Notice and Hearings](#).
2. Beneficiaries under age 19:
- a. When the change would result in termination or decreased benefits, react to the change for the **new** certification period. Follow timely notification procedures found in [MA-3430, Notice and Hearings](#).
 - b. If the change would result in a better benefit, react to the change for the **current** certification period. Follow adequate notification policy found in [MA-3430, Notice and Hearings](#).

As a reminder, continuous eligibility applies to beneficiaries under the age of 19.

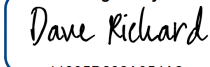
III. IMPLEMENTATION

This letter is effective for all applications and recertifications in progress or started on or after the date this Administrative Letter is received.

As a reminder, caseworkers must continue to follow guidance in [COVID-19 Administrative Letters](#) until the Federal Public Health Emergency ends.

If you have any questions regarding this information, please contact your [Medicaid Operational Support Team representative](#).

DocuSigned by:



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Dave Richard

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