10.21 AFDC-RELATED MEDICAID (Medically Needy, Mandatory For Children and Optional for Parents)

NOTE: Spenddown provisions apply.

A. BUDGETING METHOD

In addition to the information in Section 10.6, some Medically Needy cases may have other considerations, because Medically Needy cases have a fixed Period of Consideration (POC), and the total income for the 6-month POC is used to determine the spenddown amount. Therefore, the Worker must take the following steps when the income is expected to change during the POC.

Step 1: Determine the specific months which will constitute the POC.

Step 2: Determine the anticipated earned income for each of the 6 months, according to Section 10.6.

Step 3: Determine the anticipated unearned income for each of the 6 months, according to Section 10.6.

Step 4: Add all of the earned income from Step 2 and divide by 6 to determine the average anticipated earned income for the POC.

NOTE: When there is no earned income in a month, use $0 as income for that month, but always divide by 6.

Step 5: Add all of the unearned income from Step 3 and divide by 6 to determine the average anticipated unearned income for the POC.

NOTE: When there is no unearned income in a month, use $0 as income for that month, but always divide by 6.

B. INCOME DISREGARDS AND DEDUCTIONS

The following disregards and deductions are applied, if applicable.

1. Earned Income

- AFDC Medicaid Standard Work Deduction: A standard deduction of $90 is applied to the earnings of each working person. The amount deducted must not exceed the amount of each person's earned income.

- AFDC Medicaid Dependent Care Deduction: When the employed member(s) of the Income Group must pay for a dependent child or incapacitated adult care to accept or continue employment or training, a deduction is allowed. The amount is allowed as paid, up to the maximum amounts shown below for each dependent. The dependent is not required to be in the AG, Income Group or Needs Group to allow the deduction.
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AGE OF DEPENDENT	MAXIMUM MONTHLY DEDUCTION
Under Age 2	$200
Age 2 or Over	$175

Only payments made from the client's own funds are deductible. Clients with these expenses must be offered a referral to the Child Care Services for help in meeting these expenses. However, there is no penalty for failure to accept these services.

2. Unearned Income

Child Support Disregard: The first $50 of child support is disregarded. This is the only disregard of unearned income.

When more than one child in the Needs Group receives child support, the disregard amount is divided by the number of children in the Needs Group who receive support. The resulting amount is deducted from each child's support amount to determine each child's countable child support.

EXAMPLE: Four blood-related siblings live in the same home and receive the following amounts of child support: Child A receives $150 per month; Child B receives $200; Child C receives $50; Child D receives $100. The $50 disregard is divided by 4 and each child receives a disregard of $12.50.

Child A

$200.00	Child Support
- 12.50	Disregard
$187.50	Countable Child Support

Child B

$150.00	Child Support
- 12.50	Disregard
$137.50	Countable Child Support

Child C

$50.00	Child Support
- 12.50	Disregard
$37.50	Countable Child Support

Child D

$100.00	Child Support
- 12.50	Disregard
$ 87.50	Countable Child Support

Step 1: Determine the Income Group's non-excluded gross earned income. Do not count the income of a child's sibling or count any child's income for his parent(s).

Step 2: Subtract the AFDC Medicaid Standard Work Deduction for each working person.

Step 3: Subtract the AFDC Medicaid Dependent Care Deduction up to the maximum allowable amounts. The maximum amounts of the deduction are determined as for AFDC Medicaid. See Section 10.6.

Step 4: Add the non-excluded gross unearned income of the Income Group to the amount remaining from Step 3. This includes the child's countable child support. Do not count the income of a child's sibling or count any child's income for his parent(s).

Step 5: Determine the appropriate MNIL for the Needs Group.

Step 6: Compare the result of Step 4 to the amount in Step 5.

If the net countable monthly income is equal to or less than the appropriate MNIL, the AG is eligible without a spenddown. If it is in excess of the appropriate MNIL, the AG must meet a spenddown. See Spenddown in Special Situations Section below.

D. SPECIAL SITUATIONS

1. Self-Employment

When the AG member or sanctioned individual(s) receives self-employment income, the instructions below must be used to arrive at the gross profit which is used to calculate countable income. This is determined by subtracting allowable business expenses from the gross income.

a. Determining Gross Income

The method used to determine monthly gross income from self-employment varies with the nature of the enterprise. It is necessary to determine which of the following types of self-employment applies to the client's situation. Once the pattern of self-employment is determined, this is used to determine how the income is counted.

(1) Persons Receiving Regular Income

These persons receive income on a more or less regular schedule (weekly, monthly, etc.), or receive a specific amount from the business each week or month and/or receive the balance of profit from the enterprise at the end of the business year.

The income of people in this situation is converted to a monthly amount according to item A above.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(2) Persons Receiving Irregular Income

Many persons receive income from short-term seasonal self-employment. This seasonal enterprise may be the major source of income for the year, or the income may be only for the period of time the person is actually engaged in this enterprise, with other sources of income being available during the remainder of the year. Persons who are seasonally self-employed include vendors of seasonal commodities (produce, Christmas trees, etc.), or other seasonal farmers.

Cash-crop farmers and other persons similarly self-employed receive their annual income from from self-employment in a short period of time and budget their money to meet their living expenses for the next 12 months. Included in this category are some seasonal farmers, when the seasonal income is the primary support for the year.

Since the income is seasonal, it must be averaged over the period of time it is intended to cover, even if it is the major source of income for the year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Business expenses may be computed on a monthly basis or prorated over a 12-month period, at the client's option.

(3) New Business

AG's with a new business that has been in existence less than a year will have their income averaged over the amount of time the business has been in operation. From this, the monthly amount is projected for the coming year. However, if the averaged amount of past income does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the income is calculated based on anticipated earnings.

Incurred business expenses are also averaged over the amount of time the business has been in operation. However, if the averaged amount of past expenses does not accurately reflect the anticipated monthly circumstances because of a substantial increase or decrease in business, the expenses are calculated based on anticipated costs.

b. Determining Gross Profit

Gross Profit from self-employment is the income remaining after deducting any identifiable costs of doing business from the gross income.

(1) Deductions

Examples of allowable deductions are:

- Employee labor costs
- Stock and supplies
- Raw material
- Seed
- Fertilizers
- Repair and maintenance of machinery and/or property
- Cost of rental space used for conducting the business
- Insurance premiums and taxes paid on the business and business property
- Interest and taxes, but not the principal, paid on installment payments to purchase capitol assets such as real estate, machinery, equipment, etc.

- Interest and taxes on the client's residence which is used in part to produce income. This is applicable only if the costs on the portion of the home used in the self-employment enterprise can be identified separately.

- Advertising costs

- Utilities

- Office expenses (stamps, stationery, etc.)

- Legal costs

Do not deduct the following:

- Money paid to purchase capital assets, such as real estate, machinery, equipment, etc. Interest is deducted, if paid in installments.

  EXAMPLE: The cost of purchasing a new furnace is a capital expenditure and only the interest on installment payments is deducted. A repair of a furnace is a routine repair and is deducted in its entirety.

- Federal, State or local income taxes

- Money set aside for retirement

- Travel from home to a fixed place of business and return

- Depreciation

- Principal of real estate mortgages on income-producing property

- Amounts claimed as a net loss

(2) Rental Income Deductions

In addition to the deductions in item (1) above, the following expenses are deducted from rental income:

- Utility bills paid for tenants

- Property tax and insurance on the rental property

- Repair and upkeep of the property
- Interest, but not the principal, on necessary purchases made in installments, such as the purchase of a new furnace

2. Annual Contract Employment

This section applies to any person employed under a yearly contract, such as school employees, including bus drivers, cooks, janitors, aids and professional staff.

These individuals have their annual income prorated over a 12-month period. Additional earnings, such as for summer work, are added to the prorated amount during the time additional earnings are received.

Although a person may not have signed a new annual contract, he is still considered employed under an annual contract when the contract is automatically renewable, or when he has implied renewal rights.

Implied renewal rights are most commonly associated with school contracts.

NOTE: This section does not apply during strike and disaster situations when the other party to the contract cannot fulfill it; or, when labor disputes interrupt the flow of earnings specified in the contract.

3. Educational Income

All student financial assistance, funded in whole or in part under Title IV of the Higher Education Act or the Bureau of Indian Affairs, is excluded in its entirety.

Treatment of educational income and expenses depends upon the source of income and the intended use.

a. Sources Which are Totally Excluded

Funds from the following sources are totally excluded:

- Federal Pell Grants
- Federal Supplemental Educational Opportunity Grants (FSEOG)

- Guaranteed Student Loans, including William D. Ford Federal Direct Loan Program and Federal Direct PLUS loans and Supplemental Loans for Students, Federal Family Education Loan (FFEL) Program

- Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) Programs, formerly known as State Student Incentive Grants

- Federal Perkins Loans

- Federal Stafford Loans

- Federal Work-Study. See item b below.

- Robert C. Byrd Honors Scholarship

- Loans for educational expenses which meet the definition of a bona fide loan, as found in Section 10.1, Definitions.

b. College Work Study (CWS) Program

Income received from CWS Programs, funded in whole or in part under Title IV of the Higher Education Act, is excluded.

Income received from CWS Programs not funded under Title IV that is needed for the educational program or course of study is excluded. Any portion specifically earmarked for shelter, utilities, clothing or incidentals not needed for the educational program or the course of study is income.

Because income is usually paid to the student on the basis of work performed, not in one lump sum, its treatment is different than that of other educational benefits. Treatment of this income depends upon whether or not the amount to be earned in one semester is known at the beginning of the semester.

(1) Earnings Known At Beginning of Semester

When the amount of the earnings, or maximum amount which can be earned, is known at the beginning of the semester, the Worker prorates any portion, specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, over the period of time it is intended to cover.

(2) Earnings Unknown At Beginning of Semester

When the amount of the earnings is not known at the beginning of the semester, any portion of the CWS income specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, is treated as earned income and converted to a monthly amount according to item A. All earned income disregards and deductions apply.

c. Other Sources

Educational funds from any source, other than those listed in items a and b above, are totally excluded as being earmarked for educational purposes, unless any portion of the funds is specifically earmarked for shelter, utilities, food, clothing or incidentals not needed for the program or course of study.

Any of the funds specifically earmarked for shelter, utilities, food, clothing or incidentals, not needed for the program or course of study, are counted as unearned income and prorated over the period of time they are intended to cover.

Legal spouses are defined **in Section 11.1**. Legal parents are natural or adoptive parents.

b. General Deeming Instructions

Deeming is most often accomplished by including the income of financially responsible persons in the total income of the Income Group and applying the AFDC Medicaid disregards and deductions to that income. However, some case situations require a different method of deeming, as described in Deeming When There Is A Stepparent, Caretaker, Relative Other Than A Parent Or A Major Parent below.

c. Deeming When There Is No Stepparent, Caretaker Relative Other Than a Parent or Major Parent

(1) When No Dependent Child Has Income

The non-excluded income of the parent(s) is the only income counted. This income is then subject to the AFDC Medicaid disregards and deductions, unless the parent, or one of the parents, is an SSI-Related Medicaid recipient. In this case, the SSI-Related Medicaid disregards and deductions are applied to his income and the remainder is added to the income of the other parent, after the AFDC Medicaid disregards and deductions have been applied to the other parent's income.

(2) When At Least One Dependent Child Has Income

For those children in the home with no income, the procedure in item (1) above is followed.

For children in the home with income, add together the non-excluded income of the child and the parent(s), unless one of the parents is an SSI-Related Medicaid recipient. In this case, the SSI-Related Medicaid disregards and deductions are applied to his income and the remainder is added to the income of the other parent and the child, after the AFDC Medicaid disregards and deductions have been applied to the income of the other parent and child.

d. Deeming When There Is A Stepparent, Caretaker Relative Other Than A Parent Or A Major Parent

8. Withheld Income

   a. From Earned Income

      Earnings withheld to repay an advance payment are disregarded, if they were counted in the month received. If not counted in the month received, the withheld earnings are considered income. No other earned income is excluded from consideration just because it is withheld by the employer.

   b. From Unearned Income

      All withheld unearned income is counted, unless an amount is being withheld to repay income that was previously used to determine eligibility for AFDC-Related Medicaid.

9. Funds Diverted To A PASS

   Funds diverted to a PASS account are treated as earned or unearned income, depending on the source.

10. Unstated Income

    There is no provision for counting unstated income.

11. Spenddown

    To receive a Medicaid card, the Income Group's monthly countable income must not exceed the amount of the MNIL. If the income exceeds the MNIL, the AG has an opportunity to spend the income down to the MNIL by incurring medical expenses. These expenses are subtracted from the income for the 6-month POC, until the income is at or below the MNIL for the Needs Group size. The spenddown process applies only to AFDC-Related and SSI-Related Medicaid.