Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

July 17, 2015

GENERAL LETTER NO. 8-E-97

ISSUED BY: Bureau of Financial, Health and Work Supports
Division of Adult, Children and Family Services

SUBJECT: Employees' Manual, Title 8, Chapter E, ***INCOME***, pages 3, 8, 10, 11, 12, 14, 16a, 45, 46, 47, 172, and 173, revised.

Summary

Chapter 8-E is revised to:

- Add the 2015 Social Security cost-of-living adjustment (COLA) increase of 1.7% and update figures affected by the cost-of-living changes.
- Change the amount to exclude from a child student's earnings from $1,750 to $1,780 per month, not to exceed $7,180 per calendar year.
- Change the poverty levels used for SSI-related Medicaid coverage groups.
- Update a reference to a form.
- Remove references to the IowaCare program.
- Update links due to the Department's new website.

Effective Date

COLA increases are effective January 1, 2015.

Poverty level increases are effective April 1, 2015.

All other changes are effective upon receipt.

Material Superseded

This material replaces the following pages from Employees' Manual, Title 8, Chapter E:

Page	Date
3, 8, 10-12, 14	January 17, 2014
16a	July 29, 2005
45-47	January 17, 2014
172	September 14, 2012
173	August 3, 2007

Additional Information

Refer questions about this general letter to your area income maintenance administrator.

SSI-Related Income Limits

Legal reference: 20 CFR 435; 20 CFR 416 Subpart D; 441 IAC 75.1(3), 75.1(6), 75.1(12), 75.1(13), 75.1(17), 75.1(23), 75.1(25), 75.1(27), 75.1(29)"a," 75.1(33), 75.1(34), 75.1(36), 75.1(37), and 75.1(39)

The monthly countable income limits based on SSI are:

Single Person	Couple	300% of SSI Maximum Benefit
$733	$1,100	$2,199

Current poverty levels used for Medicaid coverage groups are:

Family Size	100%	120%	135%	200%
Individual	$ 981	$1,177	$1,325	$1,962
Couple	$1,328	$1,593	$1,793	$2,655

These amounts apply to coverage groups as follows:

- For qualified Medicare beneficiaries (QMB), the income limit is 100% of the poverty level.
- For specified low-income Medicare beneficiaries (SLMB), the income range is over 100% of the poverty level but less than 120% of the poverty level.
- For expanded specified low-income Medicare beneficiaries (E-SLMB), the income range is 120% of the poverty level but less than 135% of the poverty level.
- For qualified disabled and working people (QDWP), the income limit is 200% of the poverty level.

For Medicaid for employed people with disabilities (MEPD), net income for the family size is compared to 250% of poverty. (See 8-F, Medicaid for Employed People With Disabilities: Family Income Less Than 250% of Federal Poverty Level, for extended listing of 250% levels and family size. See 8-C, Household Size, for additional information about family size under MEPD.)

The Medically Needy coverage group does not have an income limit, although the applicant may have to meet a spenddown before eligibility exists. See 8-J.

For income not based on need, allow the $20 general income deduction and the $65 plus one-half deduction per household. For example, apply the $20 general income deduction to veteran's compensation income, but not to a veteran's pension that is based on need.

The following sections explain:

- Deeming from an ineligible spouse.
- Deeming from an ineligible parent to an eligible child.

Deeming from an Ineligible Spouse

Legal reference: 20 CFR 416.1160

If the applicant's income is within program guidelines and an ineligible spouse lives in the same household, also consider the ineligible spouse's income to determine eligibility through the deeming process. An ineligible spouse is a spouse who is not eligible for SSI or SSI-related Medicaid, or State Supplementary Assistance.

When deeming income from an ineligible spouse:

1. Verify the ineligible spouse's unearned income. Subtract from the ineligible spouse's unearned income an allocation for each ineligible child. The allocation is $367 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.

2. Verify the ineligible spouse's earned income. Subtract from the ineligible spouse's earned income any remaining balance of the ineligible child's allocation not subtracted from the ineligible spouse's unearned income.

3. Add the remaining unearned income and the remaining earned income of the ineligible spouse.

   If the total of the ineligible spouse's income is equal to or less than $367, there is no income available to be deemed to the applicant. Process as a one-person household.

   If the ineligible spouse's total remaining income is over $367, continue as follows.

$	600.00	Unearned income of Mrs. L
-	20.00	General income deduction
$	580.00	Countable unearned income

$	733.00	SSI benefit for one person
-	580.00	Mrs. L's countable income
$	153.00	Deficit

Mrs. L's income alone does not create ineligibility. The worker moves to the deeming process:

$	900.00	Earned income from Mr. L
-	217.00	Allocation for ineligible child ($367 - $150 = $217)
$	683.00	($683 exceeds $367)
-	65.00	Work exclusion
$	618.00	
-	309.00	1/2 remainder
$	309.00	Countable earned income from Mr. L

$	580.00	Countable unearned income of Mrs. L
+	309.00	Countable earned income of Mr. L
$	889.00	Countable income for the couple
$	1,100.00	SSI benefit for a couple if both were eligible for SSI

Result: The Ls' countable income is less than the SSI payment standard for a couple. Income eligibility exists for the retroactive period for Mrs. L.

2. Mr. M has applied for Medicaid. He receives $800 in Social Security disability benefits and Medicare. Mrs. M receives a Social Security benefit of $400. They have two children, Y and Z. Each child receives $150 Social Security benefits.

   If Mr. M's own income makes him ineligible for SSI, it's not necessary to consider Mrs. M's income, except for Medically Needy, QMB, SLMB, E-SLMB, or QDWP.

$	800.00	Mr. M's unearned income
-	20.00	General income deduction
$	780.00	

$	733.00	SSI benefit for one person
-	780.00	Mr. M's countable income
$	.00	

   Mr. M's income creates ineligibility for SSI. The worker moves to the deeming process for SSI-related Medically Needy:

$	400.00	Mrs. M's unearned income
-	217.00	Allocation for ineligible child X ($367 - $150 = $217)
-	217.00	Allocation for ineligible child Y ($367 - $150 = $217)
$	.00	Mrs. M's countable unearned income

$0 does not exceed $367. There is no income available to deem to Mr. M.

Mr. M's countable income of $780 ($800 - 20) is compared to the Medically Needy income level (MNIL) for a household size of one to determine the spenddown amount, and to 100% of the federal poverty level for a household size of one to determine QMB eligibility.

Deeming from an Ineligible Parent to an Eligible Child

Legal reference: 20 CFR 416.1160

When a child applicant is living in the same household with an ineligible parent, deem the ineligible parent's income when determining eligibility. Deem a stepparent's income to the child if the natural parent lives in the house with the stepparent and child.

If the child lives with a stepparent only, do not deem the stepparent's income to the child, but consider any food and shelter the stepparent provides to the child as in-kind support and maintenance. See In-Kind Support and Maintenance (ISM).

When deeming income from an ineligible parent or the spouse of an ineligible parent to a child:

1. Verify the ineligible person's unearned income. Subtract from the ineligible person's unearned income an allocation for each ineligible child. The allocation is $367 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.

2. Subtract the $20 general income deduction from the unearned income.

3. Verify the ineligible person's earned income. Subtract from the ineligible person's earned income any remaining portion of the ineligible child's allocation that was not used to offset the ineligible person's unearned income.

4. Subtract from the earned income any balance of the $20 general income deduction that was not used to offset the unearned income.

5. Subtract the $65 standard work expense deduction and one-half of the remainder from the balance.

6. Combine the remaining earned income with the remaining unearned income.

7. Subtract an allocation for the ineligible parents or stepparent in the household. The remaining amount is the income available for deeming to the child.

   ♦ For one ineligible parent, the allocation is equal to the SSI payment standard for one person.

   ♦ For two ineligible parents or an ineligible parent with a spouse, the allocation is equal to the SSI payment standard for a couple.

8. Treat the income as unearned income for the child and, if applicable to the coverage group being examined, apply the $20 general income deduction.

9. Add any remaining countable earned income of the child.

10. Compare this amount with the payment standard for an individual to determine eligibility for the child.

Note: If there is more than one applicant child in the household, divide the parental income to be deemed equally among the children.

Client S, age 17, was living with his parents and two brothers before entering an RCF. He has no income of his own. His father has earnings of $1,270 per month. His brothers and mother have no income. The computation is as follows:

$ 1,270.00	Father's earned income
- 734.00	Allocation for ineligible children (2 x 367)
$ 536.00	
- 20.00	General income deduction
$ 516.00	
- 65.00	Work expense deduction
$ 451.00	
- 225.50	1/2 remainder
$ 225.50	
- 1,100.00	Parental exclusion
$ .00	Deemed income to Client S

Countable income of zero is less than the SSI payment standard for one person. As Client S has no income of his own, income eligibility exists for the retroactive period.

Assistance Payments
20 CFR 416.1124(c)(2)

Exclude state or local general assistance cash payments to the recipient that are based on the need of the recipient (e.g., State Supplementary Assistance, General Relief, Rent Reimbursement, Energy Assistance).

Unless specifically excluded, count assistance payments that are funded in whole or in part from federal monies. For exceptions to this policy, see Indian Assistance and Third-Party Payments. Verify the amount and source of the payment either with evidence provided by the client or by contacting the paying agency.

Benefit and Other Payments Made in Error
20 CFR 416.1102, 416.1103, 416.1123; P. L. 103-60

If the person receives a benefit or other payment in error and returns it by the end of the following month, the payment is **not considered income**.

If the person has a valid reason for not returning the payment by the end of the following month (such as a lengthy hospital stay), the payment is still not considered income. However, if the payment is not returned and the client has no good reason for not returning it, count the payment as income in the month of receipt.

> An SSI-eligible person enters a nursing home and informs the Social Security Administration. Social Security continues to make SSI payments, even though the person should not be eligible for SSI after entry to the nursing home. The client returns the checks when they are received. The erroneous SSI payments are not considered income.

Blood Plasma
20 CFR 416.1102

Count income from selling blood plasma as unearned income.

Census Income
20 CFR 416.1110

Count as earned income any wages from either temporary or permanent census employment, including wages received while in training. See Wages for more information.

Child Student's Earnings
20 CFR 416.1112(c)(3)

Exclude up to $1,780 per month of a student child's earnings, but not more than $7,180 per calendar year. When the income exceeds $1,780 per month or $7,180 per calendar year, count the excess, subject to the work expense deduction of $65 + 1/2.

Dedicated Accounts
20 CFR 416.1247

Exclude the interest and other income earned on funds in a dedicated account as countable income for SSI participants. When past-due benefits are paid for eligible people under age 18, the representative payee is required to establish a dedicated account. The dedicated account may be used only for:

- Medical treatment, education, and job skills training.
- Personal needs assistance, special equipment, housing modification and therapy or rehabilitation that is related to the child's impairment.
- Other items and services related to the child's impairment approved by the Social Security Administration.

Do not exclude the funds in a dedicated account when the person is terminated from the SSI program or is terminated and later reapplies and is approved.

Make a referral using form 470-2826, *Insurance Questionnaire*, and send through the local mail to the Bureau of Long Term Care, Attention: IME Revenue Collection Unit.

Disaster Assistance
20 CFR 416.1124(c)(5), 416.1150

Exclude:

- Assistance provided under any federal statute when the United States President declares a catastrophe to be a major disaster.
- Interest earned on the assistance.
- Unemployment benefits from FEMA that Iowa Workforce Development has identified as paid because of the disaster.

The household operating expenses are the total monthly expenditures for food, rent, mortgage, property taxes, heating fuel, gas, electricity, water, sewage, and garbage collection service.

If the client receives ISM only in the form of food, use only the household's food expenses in calculating the client's pro rata share of household expenses. If the client eats meals separately from the household, use only the household's shelter expenses in calculating the client's pro rata share of household expenses.

When to Apply the Value of One-Third Reduction (VTR) Rule

Legal reference: 20 CFR 416.1131

Apply the "value of one-third reduction" (VTR) rule to in-kind support and maintenance received when a client lives the whole month in another person's household and receives **both** food and shelter from that person. If the client is living in the client's own household, use the "presumed maximum value rule."

Under the VTR rule, the value of in-kind support and maintenance is one-third of the SSI benefit rate (currently $244.33). If a married couple lives in another person's household, use one-third of the SSI benefit rate for a couple ($366.66).

The VTR amount always applies in full. Count this amount in the same way as if it were unearned income received in cash. Do not apply the $20 general income exclusion to in-kind support and maintenance valued according to the VTR rule.

An SSI recipient who receives in-kind support and maintenance valued according to the VTR method will have that income reflected on the SDX as income type "J."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F, in a home owned by Mr. F. Mr. G has Social Security income of $500 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with both food and shelter.

   Because Mr. G is living in the home of another (Mr. F) and receives both food and shelter from Mr. F, he is receiving ISM income that should be valued according to the VTR method. The IM worker determines that Mr. G has countable in-kind support and maintenance income of $244.33 (one-third of the SSI benefit rate).

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. His son also provides Mr. S's meals. Mr. S's pro rata share of the household's operating expenses is $200. However, Mr. S contributes only $100 per month towards the household's operating expenses.

   Although Mr. S is contributing towards the household expenses, he is not paying a pro rata share. Therefore, he is considered to be living in another person's household. His son provides him both food and shelter.

   Mr. S is receiving the in-kind support and maintenance that is valued according to the VTR method. This means that he has countable in-kind support and maintenance income of $244.33.

3. Same as Example 2, except that Mr. S receives food assistance. Because his son is not providing both shelter and food, the VTR method does not apply. Mr. S's in-kind support and maintenance is valued according to the PMV method.

When to Apply the Presumed Maximum Value Rule (PMV)

Legal reference: 20 CFR 416.1140

Whenever a person receives in-kind support and maintenance that must be counted, but the one-third-reduction rule does not apply, use the presumed maximum value (PMV) rule. Under the PMV method, the maximum in-kind support and maintenance amount is presumed to be $264.33 (one-third of the SSI benefit rate plus $20).

Situations in which the PMV method is used include:

- ♦ A client living in another person's household, but not receiving both food and shelter.
- ♦ A client living in the client's own household and receiving in-kind support and maintenance.

Give clients an opportunity to show that the actual market value of their support and maintenance is less than the presumed maximum value. The actual market value is the client's pro rata share of household expenses minus the client's actual contribution. If the client verifies that the actual market value is less than $264.33, use the actual market value as the monthly income.

In-kind support and maintenance received by an SSI recipient that is valued according to the PMV rule is reflected on the SDX as income type "H."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F. Mr. G has Social Security income of $700 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with shelter, but Mr. G provides his own food. The household's expenses, other than food, total $600.

   Because Mr. G does not receive both food and shelter from Mr. F, the in-kind support and maintenance income received is valued according to the PMV method and not the VTR method. (Mr. G's pro rata share of the household's operating expenses (not including food) is $300.)

   The difference between Mr. G's pro rata share ($300) and his contribution ($0) is greater than the presumed maximum value amount of $264.33. The IM worker uses countable in-kind support and maintenance income of $264.33 (one-third of the SSI benefit rate + $20) to determine Mr. G's Medicaid eligibility.

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. Mr. S purchases and eats his meals separately from his son. Mr. S's pro rata share of the household's $400 operating expenses (not including food) is $200. Mr. S's actual contribution towards the household's operating expenses is $75 per month.

   Although Mr. S is not paying a pro rata share of the household expenses, he is not receiving both food and shelter from his son. Therefore, Mr. S's ISM is valued according to the PMV method. The actual value of Mr. S's ISM is $125 ($200 minus $75). Because this is less than the presumed maximum value, the countable ISM income is $125.

3. Ms. L, a Medicaid member, lives alone in her own home. Her father helps her by paying her gas and electric bill of $80 per month. (Payments are made directly to the utility company.)

   Because Ms. L lives in her own home, the PMV method of determining in-kind income (for the payment of utilities) is used. Because the actual value of the in-kind support and maintenance received is less than the presumed maximum value, the countable in-kind support and maintenance income is $80.

Do not deduct any part of the expense that is paid by a third party, such as the Child Care Assistance Program. Deduct only the part of the expense that was not paid by a third party, up to the allowable maximum amount.

1. Ms. A and her two children apply for FIP and Medicaid. Ms. A has $1,200 projected gross monthly earnings and pays $300 per month for child care. Ms. A has applied for Child Care Assistance (CCA) and wants to know how that will affect her eligibility. The worker uses the following calculations to help Ms. A decide whether to participate in the CCA program.

   Medicaid eligibility with a child care deduction:

$1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
- 300.00	Projected child care paid by Ms. A
$ 660.00	
- 382.80	58% deduction
$ 277.20	Projected net income (less than limit for three people)

   Ms. A and her two children would be eligible for Medicaid under FMAP.

   Medicaid eligibility without a child care deduction:

$1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
$ 960.00	(Compared to Test 2; exceeds limit for three people)

   Ms. A and her two children would not be eligible for Medicaid under FMAP without a child care deduction. The two children could be eligible under MAC and Ms. A would be conditionally eligible under Medically Needy.

   Medically Needy spenddown calculation for Ms. A:

$1,200.00	Projected gross earnings
- 240.00	20% earned income deduction
$ 960.00	
- 566.00	MNIL for three people
$ 394.00	x 2 months = $788 spenddown for Ms. A

   Ms. A states she has no other health insurance and needs her medical card. She chooses to continue to pay her own child-care expenses and not participate in the CCA program. Ms. A and her two children are eligible for Medicaid under FMAP.

2. Ms. B and her two children (over the age of two) receive FIP and FMAP. Her projected gross income is $1,400 per month and her projected monthly child care is $440. The worker uses the following calculations to help Ms. B decide whether or not to participate in the CCA program.

Medicaid eligibility with a child care deduction:

$1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
- 350.00	Projected child care ($175 max per child)
$ 770.00	
- 446.60	58% deduction
$ 323.40	Projected net income (less than limit for three people)

Ms. B and her children would continue to be eligible under FMAP.

Medicaid eligibility without a child care deduction:

$1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
$1,120.00	(Compared to 133% of poverty for a MAC determination)
- 649.60	58% deduction
$ 470.40	Projected net income (exceeds limit for three people)

Ms. B and her children would not continue to be eligible for Medicaid under FMAP without a child-care deduction. The children could be eligible under MAC and Ms. B would be conditionally eligible under Medically Needy.

Medically Needy spenddown calculation for Ms. B:

$1,400.00	Projected gross earnings
- 280.00	20% earned income deduction
$1,120.00	
- 566.00	MNIL for three people
$ 554.00	x 2 months = $1,108 spenddown for Ms. B

If Ms. B chooses to participate in the CCA program, it will pay the entire $440 monthly child care costs, but she will only be conditionally eligible for Medically Needy with a spenddown. The children would be redetermined to the MAC coverage group.

If Ms. B chooses not to participate in CCA, they all remain eligible under FMAP, but she will be allowed only the maximum child care deduction of $350 when she actually projects paying $440 per month.