

ARKANSAS REGISTER

Transmittal Sheet

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For Office

Use Only:

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Name of Agency Department of Human Services

Department Division of County Operations

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Electronic Copy of Rule e-mailed from: (Required under ACA 25-15-218)

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7/24/2020

Contact Person

E-mail Address

Date

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with the Arkansas Administrative Act. (ACA 25-15-201 et. seq.)



Signature

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7/24/2020

Date

E-200 Determining Financial Eligibility Under the MAGI Methodology

E-210 What is MAGI?

MS Manual 08/03/2020

MAGI is a federal income tax term meaning **M**odified **A**ddjusted **G**ross **I**ncome. For purposes of determining Medicaid eligibility, MAGI is a methodology for determining how income is counted and how household composition and family size are determined. It is based on federal tax rules, but it is not an amount on a specific line on an individual federal tax return. In addition to being used to determine Medicaid eligibility for certain eligibility groups, the MAGI methodology is also used to determine eligibility for and the amount of Advance Premium Tax Credits (APTC) and cost-sharing reductions available to individuals and families who are eligible to purchase health insurance through the Federally Facilitated Health Insurance Marketplace (FFM).

For tax purposes, the modified adjusted gross income reflects annual income for a specific tax year. For Medicaid purposes, however, current monthly income is used to determine eligibility. This is true even when using MAGI methodologies. Detailed information on determining whether income is “current” and converting income amounts to monthly amounts can be found in [MS E-265](#).

E-220 Families and Individuals (MAGI) Groups

MS Manual 08/03/2020

MAGI methodologies are used to determine financial eligibility for the following groups:

1. Infants and children under age 19 (ARKids A & B);
2. Pregnant women;
3. Parents and caretaker relatives;
4. Adults age 19 through 64 who do not fall into another adult group, such as the Adult Expansion Group; or
5. Transitional Medicaid.

E-230 Steps in Determining MAGI Income Eligibility

MS Manual 08/03/2020

Below are the steps for determining income eligibility:

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1. Determine the Medicaid household composition and size for each individual applying for assistance. See [MS E-240-E-251](#).
 - “Medicaid household” means the household members whose income will be considered when determining eligibility and who will be included in the household size. For MAGI determinations, the Medicaid household is determined based on the individual’s tax filing status. See [MSE-250](#).
 - The “Medicaid household size” is the number of people who will be counted to determine the appropriate Federal Poverty Level (or other income standard) for the household.
2. Determine countable household income. See [MS E-260-E-264](#).
 - Countable household income refers to the income of the Medicaid household members that will be counted in determining eligibility.
3. Determine current household income. See [MS E-265-E-266](#).
 - The income used to determine Medicaid eligibility must reflect the income that a Medicaid household member is currently receiving.
4. Compare countable current household income to the appropriate Federal Poverty Level for the household size. See [MS E-267](#).
 - This step will determine each individual’s Medicaid eligibility.

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E-240 Determining the Medicaid Household for Families and Individual Groups

MS Manual 08/03/2020

Under the Modified Adjusted Gross Income (MAGI) methodology, the Medicaid household composition is based on federal income tax filing status. Household size is the number of individuals counted in the family size for the income standard. When determining the household size, individual Supplemental Security Income (SSI) recipients are counted. A pregnant woman is counted as one (1) person plus the number of children she is expecting. In most situations, the Medicaid household is the same as the tax filing unit of which the individual is a member. The Medicaid household composition determines whose income will be considered in determining eligibility. If the family or individual has not filed a federal tax return for the most recent tax year and does not expect to file one, then the Medicaid household is determined as described in [MS E-251](#).

E-250 Tax Filing Status

MS Manual 08/03/2020

To determine an individual's tax filing status or unit, two basic questions must be asked.



NOTE: Each person's eligibility for Medicaid is determined individually, even if two or more individuals are living in the same household.

1. Does the individual expect to file taxes?
2. Does the individual expect to be claimed as a tax dependent?

If the answer to both questions is "No," then the individual's Medicaid household is determined according to [MS E-251](#) (Non-Tax Filing Households).

If the answer to either of the above questions is "Yes," then additional questions must be asked to determine the individual's Medicaid household as described in the table below.

Question 1. Does the individual expect to file taxes?	
Yes	Continue to Question 1a.
No	Continue to Question 2.
Q. 1a. Does the individual expect to be claimed as a tax dependent by anyone else?	
Yes	Continue to Question 2.
No	Household is: <ul style="list-style-type: none">▪ The taxpayer;

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	<ul style="list-style-type: none">▪ A spouse living with the taxpayer; and▪ All persons the taxpayer expects to claim as a tax dependent.
Question 2. Does the individual expect to be claimed as a tax dependent?	
Yes	Continue to Question 2a.
No	Household composition is determined according to MS E-251 .
Question 2a. Does the individual meet any of the following exceptions?	
<ul style="list-style-type: none">• Expects to be claimed as a tax dependent of someone other than a spouse or parent (biological, adoptive, or step-parent).• Is a child under age 19 living with both parents, but the parents do not expect to file a joint tax return.• Is a child under age 19 who expects to be claimed by a non-custodial parent.	
Yes	Household composition is determined according to MS E-251 .
No	Household is: <ul style="list-style-type: none">▪ The household of the taxpayer claiming the individual as a tax dependent; and▪ The individual's spouse, if married.

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E-251 Non-Tax Filing Households

MS Manual 08/03/2020

Medicaid household composition will be determined in accordance with this section in the following situations:

1. The individual has not filed or does not expect to file a federal income tax return for the current year AND does not expect to be claimed as a tax dependent for the current year; or
2. The individual meets one of the following tax dependent exceptions:
 - a. Expects to be claimed as a tax dependent of someone other than a spouse or parent (biological, adoptive, or step-parent);

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- b. The individual is a child under age 19 living with both parents, but the parents do not expect to file a joint tax return;
- c. The individual is a child under age 19 who expects to be claimed by a non-custodial parent.

When an individual is in one of the situations above:	<p>The Medicaid household includes the following persons who live in the home with the individual:</p> <ul style="list-style-type: none">• Spouse• Children (biological, adopted and step children) under age 19• Siblings (biological, adopted, and step siblings) under age 19.• If the individual is under age 19, his or her parent(s) (biological, adopted, and step parents).
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E-260 Determining Countable Income for Families and Individuals Groups

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Once the Medicaid household composition has been established for the individual, each household member's countable income must be determined. Only the income of persons in an individual's Medicaid household is considered when determining financial eligibility.

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Countable income sources using the MAGI methodology are the same as a tax filing unit's taxable income sources with a few exceptions. The exceptions are:

- Social Security benefits are counted in full.
- Income received as a lump sum is counted as income only in the month received; ~~and~~
- Any portion of an educational scholarship, award or fellowship grant used for living expenses is countable income.

E-261 Income Included for Families and Individual Groups

MS Manual 08/03/2020

Although not an exhaustive list, the following are examples of taxable income included in MAGI calculations to determine Medicaid eligibility:

1. Earned Income: If the pay stub lists "Federal Taxable Wages" use that amount; if not, use "Gross Income" instead;
2. Self-employment income or "Net Self-Employment income": The amount after allowable income-producing costs are deducted. [See MS E-266;](#)
3. Social Security Income (Title II) – counted in full for Medicaid even though only a portion (or none) may be taxable;
4. Lump sum payments in month of receipt only;
5. Dividends and interest income;
6. Unemployment compensation;
7. Alimony, divorces, and separations finalized before January 1, 2019;
8. Pensions and annuities payments;
9. Rental income;
10. Lottery and gambling winnings (Income less than \$80,000 is countable income in month received. Income greater than or equal to \$80,000 to \$89,999 is countable income for two months, divided equally. For every additional \$10,000, add a month and divide equally. The maximum penalty cannot exceed 120 months or 10 years. Pro-rated winnings only count for the individual receiving income;

NOTE: Individuals who receive lottery and gambling winnings may request an undue hardship exception to avoid a penalty. Please see [E-269](#);

11. Any portion of educational scholarships, awards, or fellowship grants used for living expenses; or
12. Student Loan Debt that has been "forgiven" unless it was due to death or permanent disability).

If an individual received income from a source not listed above and did file a tax return for the tax year in which the income was received, the income will be considered for Medicaid purposes if it was reported as taxable income for that tax year. If the income was excluded from taxes, it will be excluded for Medicaid purposes. If the individual did not file a tax return for the applicable tax year, then a determination must be made as to whether the income will be taxable or not.

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E-262 Income Excluded for the Families and Individual Groups

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Although not an exhaustive list, the following examples of income that are excluded as taxable income for federal income tax purposes, and therefore are excluded as countable income for Medicaid purposes:

1. Child Support
2. Contributions
3. Worker's Compensation
4. Veteran's Benefits
5. Educational grants: Pell Grant, the Federal Supplemental Educational Opportunity Grant (FSEOG), the State Student Income Grant (SSIG) and college work study.
6. American Indian/Alaska Native
7. Public Assistance Benefits, such as Transitional Employment Assistance (TEA) or Supplemental Security Income (SSI)
8. Disaster Relief Payments
9. Gifts
10. Federal Tax Refunds
11. Alimony: divorces and separations finalized on or after January 1, 2019.
12. Moving Expenses (Active Military Duty only)
13. Outreach and Enrollment Grants
14. Combat pay for military personnel

Refer to [MS E-261](#) to determine if a source of income not listed above can be excluded for Medicaid purposes or whether it must be counted.

E-263 Household Members Whose Income Will Not be Counted for Families and Individual (MAGI) Groups

MS Manual 08/03/2020

The income of the following household members is not considered when determining Medicaid eligibility:

1. Income of a child who is included in the parent's Medicaid household and is not expected to be required to file a tax return.
2. Income of a tax dependent who is not expected to be required to file a tax return and is in the Medicaid household of the person who is claiming him or her as a tax dependent.
3. Income of a Supplemental Security Income (SSI) recipient who is included in the Medicaid household size.

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When determining MAGI eligibility, the income of a child must be counted and verified if the child must file a tax return because his or her income exceeds the IRS filing threshold. Once a household has been established, the MAGI-based income of every household member will be counted with one exception: the income for children and tax dependents whose income is below the filing threshold will be disregarded. This exception only applies to a child who is in the household with a parent or for a tax dependent who is in the household with the tax filer who claims him or her as a tax dependent.

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E-264 Determining Current Gross Monthly Income For The Families and Individuals Groups

MS Manual 08/03/2020

Current gross monthly income minus allowable deductions will be used in determining financial eligibility for Medicaid. Current monthly income is the income the individual is expected to have in the month(s) for which eligibility is being determined.

Income that may have been received in the prior tax year or even the prior month, but that is not currently being received or expected to be received in the current or future months will not be counted. If a continuing source of income has increased or decreased since the last tax return or from other information available to the agency, the current income will be determined and used for eligibility purposes.



NOTE: Income received in a month for which retroactive eligibility is being determined will be considered for the retroactive month even if it is not considered for current or future months.

Once the household members' current income has been established and verified using the ten percent (10%) reasonable compatibility standard as appropriate (See [MS G-151-152](#)), the monthly amount used to determine eligibility will be calculated. Depending on how the current income was established (e.g., tax return income via the Federal Data Services Hub, State Quarterly Wage Data, check stubs, SOLQ, etc.), the "verified" income amount may have to be reduced or increased to reflect a monthly amount. For example, if the most recent tax return reflects the income still currently available to the individual, the annual income from the tax return will be divided by 12 to arrive at a monthly amount. If the current income was established through the most recent weekly check stubs, the average weekly amount will be multiplied by 4.334 to arrive at a monthly amount. Unless the verified amount is already a monthly amount, for example Social Security benefits, then some conversion to a monthly amount is required. The calculation will be documented in the individual's case file.

The chart below shows how income amounts larger or smaller than monthly amounts can be converted to a monthly amount.

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Income Amount is	Convert to Monthly
Annual	Divide by 12
Quarterly	Divide by 3
Weekly	Multiply by 4.334
Bi-weekly	Multiply by 2.167
Semi-Monthly	Multiply by 2
Monthly	No conversion needed
More Often than Weekly	Total all Income Paid/Received in the Month

Some situations require alternative methods to arrive at a current monthly income. For example, if annual income included a lump sum payment that will not be paid again, then the lump sum payment will be excluded from the rest of the annual income before the conversion to monthly income. Self-employment income may also require an alternative method. [MS E-266](#) contains a more detailed discussion on self-employment income.

E-265 Self-Employment Income

MS Manual 08/03/2020

The current monthly amount of self-employment earnings is the best estimate of earned income for future months.

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The individual's recent tax data can be used to determine monthly income. If the most recent tax data is not available or does not reflect current income, the individual's income will be determined by other means as determined appropriate by the eligibility worker, such as sales receipts, business records, etc.

Costs directly related to producing self-employment income are subtracted from the annual gross income before the monthly earnings are included in the budget. See Schedule C in [Appendix Q](#) for all allowable costs associated with self-employment income. After allowable deductions from annual income, the remainder is then divided by 12 to determine the monthly income.

E-266 Comparing Income to Income Standard for Appropriate Household Size

MS Manual 08/01/14

After the Medicaid household composition, size and countable current income have been established, the Medicaid household's countable income will be compared to the household size income standard for the appropriate eligibility group to determine whether an individual is income eligible. Income eligibility will first be determined according to the eligibility group the individual falls into with the lowest income standard. For example, eligibility for a parent would first be determined in the Parent/Caretaker Relative group before a group with a higher income standard.

E-267 The 5% Gross Income Disregard

MS Manual 08/01/18

Each individual will be allowed a general gross income disregard in the amount of five percent (5%) of the Federal Poverty Level for the household size.

The five percent (5%) disregard will be applied only to the Families and Individuals category with the highest income level in which an individual could be eligible. For example, if an individual is not income eligible in the lowest income level group (e.g., Parents/Caretaker Relatives), the five percent (5%) disregard will be applied to the higher income group (e.g., Adult Expansion Group). However, if the individual is eligible in the higher income group without applying the five percent (5%) disregard, the disregard will not be applied.

When applied, the five percent (5%) disregard effectively raises the income limits for the applicable eligibility group by five percentage points. For example, the income limit for the Adult Expansion Group is one hundred thirty-three (133%) See [MS E-110](#). To apply the five percent (5%) disregard, add five percent (5%) to one hundred thirty-three percent (133%) to raise the income limit to one hundred thirty-eight percent (138%) of the Federal Poverty Level . The Full Pregnant Women and Parent Caretaker Relative categories of assistance are not eligible to receive the five percent (5%) disregard.

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Application of the 5% Disregard in the ARKids First groups

The five percent (5%) disregard is applied to the ARKids A income limit only if the child who would otherwise be ineligible without the disregard is covered by a health insurance plan. Since eligibility in ARKids B is not available to a child with health insurance, ARKids A is the eligibility group with the highest income limit available to an insured child, and therefore, the five percent (5%) disregard can be allowed.

The five percent (5%) disregard is not applied to the ARKids A income limit if the child is uninsured and ineligible for ARKids A without application of the disregard. ARKids B is the eligibility group with the highest income limit for uninsured children, and therefore, the five percent (5%) disregard is applied only if needed to achieve ARKids B eligibility.

Refer to [MS F-180](#) for exceptions to health insurance coverage for ARKids B eligibility.

E-268 Undue Hardship for Lottery/Gambling Winnings

MS Manual 08/01/2020

An individual who is assessed a penalty for lottery/gambling winnings outlined in [MS E-261](#) may request an undue hardship exception. The eligibility worker will consider factors including, but not limited to, the following:

1. The recipient is currently involved in an open or pending bankruptcy case;
2. The recipient or another household member is disabled;
3. The recipient is homeless;
4. The recipient or another household has a serious illness and the penalty could interrupt their health care coverage;
5. The recipient is the sole primary caretaker of minor children in the home;
6. The recipient is experiencing a life-changing event, such as divorce or domestic violence;
and
7. Other compelling circumstances.

If an individual requests an undue hardship exception, the eligibility worker must verify the client's attestation. These cases will be handled on a case-by-case basis. If an undue hardship is granted for the recipient, a penalty will not be assessed.