

# ARKANSAS REGISTER

## Proposed Rule Cover Sheet



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## E-200 Determining Financial Eligibility Under the MAGI Methodology

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### E-210 What is MAGI?

MS Manual [08XX/01XX/202001/01/14](#)

MAGI is a federal income tax term meaning **Modified Adjusted Gross Income**. 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 though~~, current monthly income is used to determine eligibility. This is true even when using MAGI methodologies. ~~See MS E-265 for more d~~Detailed information on determining whether income is “current” and ~~for~~ converting income amounts to monthly amounts [can be found in MS E-265](#).

### E-220 Families and Individuals (MAGI) Groups

MS Manual [01/01/1708/01/2020](#)

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

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

### E-230 Steps in Determining MAGI Income Eligibility

MS Manual [01/01/14??/??/??08/01/2020](#)

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 ~~for~~ 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 ~~is~~ 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 ~~FPL~~ Federal Poverty Level for the household size. See [MS E-267](#).
  - This step will determine each individual’s Medicaid eligibility.

~~The following sections describe each of the steps above in more detail. In addition, the following example scenario is used throughout these sections to illustrate the application of each step to a particular household.~~

**Example Scenario:** ~~Bertha is a working grandmother who claims her daughter Audrey, age 20 and a full-time student, and granddaughter Chloe (Audrey’s daughter), age 2, as tax dependents. Audrey works a few hours each week and Chloe’s father pays child support. The household consists of these three only. All are applying for Medicaid.~~



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### E-240 Determining the Medicaid Household ~~For~~ Families and Individuals Groups

MS Manual ~~XX/XX/2001/01/14~~ 08/01/2020

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) (SSI) recipients are counted, ~~and in addition, 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 ~~01/01/14??/??/??~~ 08/01/2020

To determine an individual's tax filing status or unit, two basic questions must be asked ~~in relation to the individual~~.



**NOTE:** Each person's eligibility for Medicaid is determined individually, even if two or more individuals are living in the same ~~house/home~~ 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 ~~of these~~ 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"><li>▪ The taxpayer;</li></ul>



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

### ~~Example Scenario: Household Composition, i.e., Household Members~~

~~**Example Scenario:** Bertha is a working grandmother who claims her daughter Audrey, age 20 and a full-time student, and granddaughter Chloe (Audrey's daughter), age 2, as tax dependents. Audrey works a few hours each week and Chloe's father pays child support. The household consists of these three only. All are applying for Medicaid.~~

~~The table below shows how each individual's Medicaid household for the Example Scenario described above is determined based on each individual's tax filing status.~~

<b>Bertha</b>			
1.	Does Bertha expect to file a tax return?	Yes	Continue to Question 1a.
1a.	Does Bertha expect to be claimed as a tax dependent by anyone else?	No	
<b>Bertha's Medicaid household is: Bertha (applicant and taxpayer)</b> <b>Audrey (tax dependent)</b> <b>Chloe (tax dependent)</b>			
<b>Audrey</b>			
1.	Does Audrey expect to file a tax return?	No	Continue to Question 2.
2.	Does Audrey expect to be claimed as a tax dependent?	Yes	Continue to Question 2a.



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2a.	Does Audrey expect to be claimed as a tax dependent of someone other than a spouse or parent (biological, adoptive, or stepparent)?	No	Audrey is being claimed by her mother.
	Is Audrey under age 19 living with both parents but the parents do not expect to file a joint tax return?	No	Audrey is 20 years old living with her mother. Her mother has filed a tax return.
	Is Audrey under age 19 and expecting to be claimed by a non-custodial parent?	No	Audrey is 20 years old and being claimed as a tax dependent by her mother with whom she lives.
Audrey's Medicaid household is: Bertha (taxpayer) Audrey (tax dependent) Chloe (tax dependent)		Since Audrey does not meet any of the exceptions in Question 2a., her Medicaid household is the same as the household of the taxpayer claiming her as a dependent (Bertha).	
Chloe			
1.	Does Chloe expect to file a tax return?	No	Continue to Question 2.
2.	Does Chloe expect to be claimed as a tax dependent?	Yes	Continue to Question 2a.
2a.	Does Chloe expect to be claimed as a tax dependent of someone other than a spouse or parent (biological, adoptive, or stepparent)?	Yes	See MS E-251 for how Chloe's household is determined.

Additional Tax Filing Unit Example Scenarios can be found in [Appendix E](#). They include scenarios dealing with single adults, children claimed as a tax dependent by a non-custodial parent, non-filers, etc.

### E-251 Non-Tax Filing Households

MS Manual [01/01/14??/??/??08/01/2020](#)

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

- The individual has not filed ~~and~~/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
- The individual meets one of the following tax dependent exceptions:
  - 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~~ 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~~ 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"> <li>• Spouse</li> <li>• Children (biological, adopted and step children) under <del>the</del> age 19</li> <li>• Siblings (biological, adopted, and step siblings) under age 19.</li> <li>• If the individual is under age 19, his <u>or</u> <del>her</del> parent(s) (biological, adopted, and step parents).</li> </ul>
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### ~~Example Scenario: Household Composition for a Non-Tax Filing Household~~

Since Chloe met one of the exceptions to using tax filing status to determine household composition, her household is determined in accordance with this section (Non-Tax Filing Households) as follows:

Question 2a exception: Chloe is under age 19 and is claimed as a tax dependent by her grandmother, Bertha.	
Chloe's Medicaid household includes the following person or persons who live in the home with her:	
Spouse	None
Children (biological, adopted and step children) under the age 19	None
Parent(s) (biological, adopted and step parents)	Yes (Audrey)
Siblings (biological, adoptive and step siblings) under age 19	None
Chloe's household is: Chloe (applicant) Audrey (Chloe's parent living in the home with her)	

## E-260 Determining Countable Income for Families and Individuals Groups

MS Manual ~~01/01/14??/??/??~~08/01/2020

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



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~~Generally speaking, countable~~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 ~~and~~/or fellowship grant used for living expenses is countable income.

### E-261 Income Included for Families and Individuals ~~s~~ Groups

MS Manual ~~01/01/14??/??/??~~08/01/2020

~~Although not an exhaustive list, The-the~~ following are ~~some sources~~examples of taxable income ~~income that are taxed and~~ included in MAGI calculations to determine Medicaid eligibility: ~~(list not inclusive)~~

1. Earned Income: (i.e. if the pay stub lists "Federal Taxable Wages" use that amount; income, if not, use "Gross Income" instead;
- 1-2. Self-employment income or (i.e. "Net Self-Employment income"); The amount after allowable income-producing costs are deducted. ~~Refer to See MS E-266;~~
- 2-3. Social Security income-Income (Title II) – counted in full for Medicaid even though only a portion (or none) may be taxable;~~;~~
- 3-4. Lump sum payments in month of receipt only;
- 4-5. Dividends and interest income;
- 5-6. Unemployment compensation;
- 6-7. Alimony, ~~(Divorces, and separations finalized before January 1, 2019);~~
- 7-8. Pensions and annuities payments;
- 8-9. Rental income;
10. Lottery and gambling winnings (Income less than \$805,000 is countable income in month received. Income greater than or equal to more than \$805,000 to \$89,999 is countable income for two months, —divided months, divided equally. For Everyevery additional \$10,000, add a month and divide equally. —The maximum penalty cannot exceed 120 months or 10 years.- Maximum of 120 months or 10yr. divisor. Pro-rated winnings only count for the individual receiving income;
9. Example Scenario: Bertha wins \$100,000 at the casino. Bertha's winnings will count as income for the current month for the household. \*tThe income pro-rated over future months would not count for Bertha's children, only Bertha; NOTE: Individuals who receive lottery and gambling winnings may request an undue hardship exception to not be imposedavoid a penalty. Please see E-269;
11. Any portion of educational scholarships, awards, or fellowship grants used for living expenses;or
- 10-12. Student Loan Debt (i.e. 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, ~~then the general rule to follow is the~~ income will be considered for Medicaid purposes if it was reported as taxable income for that tax year. If the income was excluded ~~for from~~ taxes, it will be excluded for Medicaid purposes. If the individual



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did not file a tax return for the applicable tax year, then a determination must be made as to whether the income ~~would~~will be taxable or not.

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### E-262 Income Excluded ~~For~~for the Families and Individuals Groups

MS Manual ~~10/26/15??/??/??~~08/01/2020

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

1. Child Support
2. Contributions
3. Worker's Compensation
4. Veteran's Benefits
5. Educational grants: ~~PELL Pell Grant or the (Basic Education Opportunity Grant (BEOG), the or PELL, the Federal Supplemental Educational Opportunity Grant (FSEOG), College Work Study and the Supplemental 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) (TEA Cash, SSI)
8. Disaster Relief Payments
9. Gifts
10. Federal Tax Refunds
11. Alimony: (Divorces and separations finalized on or before January 1, 2019.)
12. Moving Expenses (Active Military Duty only)
13. Outreach and Enrollment Grants
- 10-14. 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 Individuals (MAGI) Groups

MS Manual ~~10/26/15??/??/??~~08/01/2020

The income of the following household members is not considered when determining Medicaid eligibility ~~for any person in the household~~:

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 an 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/her~~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 ~~for to~~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/her~~him or her as a tax dependent.

**Example:** In a MAGI-based household that includes only a child (perhaps the child lives with a grandparent) that child's income will be counted because the child's parent is not in the household, even if the child's income is below the filing threshold.

**Example:** In a MAGI-based household that includes a child that lives with his or her parent(s) and the child is not required to file a tax return, the child's income is not counted.

Please refer to example at MS E-264 below.

To determine if a child is required to file a tax return, see the chart below.

#### 2014 Filing Requirements for Dependents

If your parent (or someone else) can claim you as a dependent, use this table to see if you must file a return.
<b>Single dependents</b> —Were you <del>either</del> age 65 or older <del>or</del> blind?
<b>No.</b> You must file a return if <b>any</b> of the following apply.
• <del>Your unearned income was over \$1,000.</del>
• <del>Your earned income was over \$6,200.</del>
• <del>Your gross income was more than the larger of—</del>
• <del>\$1,000, or</del>
• <del>Your earned income (up to \$5,850) plus \$350.</del>
<b>Yes.</b> You must file a return if any of the following apply.
• <del>Your unearned income was over \$2,550 (\$4,100 if 65 or older and blind),</del>
• <del>Your earned income was over \$7,750 (\$9,300 if 65 or older and blind),</del>
• <del>Your gross income was more than the larger of—</del>
• <del>\$2,550 (\$4,100 if 65 or older and blind), or</del>
• <del>Your earned income (up to \$5,850) plus \$1,900 (\$3,450 if 65 or older and blind).</del>

**Example:** Joe is 17 years old, single, not blind, and a full-time high school student. He does not provide more than half of his own support, and his parents claim an exemption for him on their income tax return. He received \$200 taxable interest income and earned \$2,750 from a part-



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time newspaper delivery job. He does not have to file a tax return because his unearned income, \$200, is under \$1000 and his earned income, \$2750, is not over \$6200.

**Example:** Carlton is 16 years old, single, not blind, and a full-time high school student. He does not provide more than half of his own support, and his parents claim an exemption for him on their income tax return. He earned \$7,500 from a part-time job doing TV commercials. He does have to file a tax return because his earned income, \$7,500, is over \$6200.

#### E-264 Household Members Whose Income Will Be Counted Forfor The Families and Individuals Groups - Example Scenario

MS Manual 01/01/14??/??/??08/01/2020

Continuing with the Example Scenario of Bertha, Audrey and Chloe, the table below shows how each person's income will be counted for each individual's Medicaid eligibility.

**NOTE:** Bertha's and Audrey's households are the same, so the income of each member will be considered in the same way for each of their households.

Bertha's and Audrey's Medicaid Household Composition (which determines whose income is counted)

Members	Income Type	Counted
Bertha	Full-time Earnings	Yes
Audrey	Part-time Earnings	No — Audrey is not expected to be required to file a tax return and she is in the household of her parent and a tax dependent of her parent. Therefore, her income is not counted in either Bertha's or her own household.
Chloe	Child-Support	No — Chloe is not expected to be required to file a tax return and is Bertha's tax dependent; child support income is not counted.

#### Chloe's Household

Members	Income Type	Counted
Audrey	Part-time Earnings	Yes — Although Audrey is not required to file a tax return and is claimed as a tax dependent, her income <del>does</del> count in this household because she is not the child nor tax dependent of any of the other members of this household, i.e., Chloe.
Chloe	Child-Support	No — Chloe is Audrey's child; child support income is not counted.



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### ~~E-265~~E-264 Determining Current Gross Monthly Income For The Families and Individuals Groups

MS Manual ~~02/01/18??/??/??~~08/01/2020

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.

~~Gross income is the amount paid to the individual before any withholding taxes or other deductions are taken from the income.~~ 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, ~~then then~~ 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, ~~then~~ the annual income from the tax return is 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 is 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

There may be situations in which an alternative method must be used. 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. ~~is made.~~ Self-employment income may also require an alternative method. See [MS E-266](#) ~~contains~~ for a more detailed discussion on self-employment income.

**Example Scenario:** Bertha's and Audrey's current monthly income is determined as follows. Since Chloe's income is not considered in any of the three households, there is no need to determine her current income.

### Bertha

Bertha works full time as the vice president of The High Rise Corporation. She reported that the annual income amount returned from the Federal Data Services Hub (\$96,000) was reflective of her current salary and that she receives the same amount each month. Therefore, the annual income amount can be divided by 12 months to arrive at her current monthly income (\$8000).

### Audrey

Audrey just started working part time (10 hours per week) at the daycare center where Chloe attends. She earns \$7.25 per hour. Her current monthly income is determined as follows:  
 $\$7.25 \times 10 = \$72.50$   
 $\$72.50 \times 4.334 = \$314.22$  ( $\$314.22 \times 12 = \$3,770.64$  annual)

## ~~E-266~~E-265 Self-Employment Income

MS Manual ~~01/01/14??/??/??~~08/01/2020

The current monthly amount of self-employment earnings is the best estimate of earned income which will be available to the individual in a month or months earned income for future months.



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The individual's recent tax data can be used to determine ~~the~~ 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 ~~caseworker~~ **eligibility worker**, such as sales receipts, business records, etc.

Costs directly related to producing ~~the~~ **self-employment** income are subtracted from the ~~self-employment~~ 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-267E-266** **Comparing Income to Income Standard for Appropriate Household Size**

MS Manual [01/01/1408/01/2020](#)

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 ~~in-according to~~ the eligibility group the individual falls into with the lowest income standard. For example, e.g., eligibility for a parent would first be determined in the Parent/Caretaker Relative group before a group with a higher income standard.

#### **E-268E-267** **The 5% Gross Income Disregard**

MS Manual [05/01/1808/01/2020](#)

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 ~~that has 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 ~~(5%) 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 ~~(5)~~ 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%)**5% disregard, add **five percent (5%)**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 FPL**. The Full Pregnant Women and Parent Caretaker Relative categories of assistance are not eligible to receive the five percent (5%) disregard.~~The eligibility groups with dollar amounts for income limits are not the highest~~



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~~income limit groups for the individuals that fall into them. Therefore, the five percent (5%) 5% disregard will never be applied to the dollar amount income limits.~~

#### **Application of the 5% Disregard in the ARKids First groups**

The ~~five percent (5%)~~ 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%)~~ 5% disregard can be allowed.

The ~~five percent (5%)~~ 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%)~~ 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~~eligibles.

#### **E-269E-268 Undue Hardship for Lottery/Gambling WinningsWho Is Eligible- Example Scenario**

MS Manual ~~xx/xx/xx~~05/01/1808/01/2020

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.

~~Continuing the example of Bertha, Audrey and Chloe to show whose income will be counted and who is eligible for Medicaid.~~



## MEDICAL SERVICES POLICY MANUAL, SECTION E

### E-200 Determining Financial Eligibility Under the MAGI Methodology

~~Bertha and Audrey's household are the same which includes Bertha, Audrey & Chloe.~~

- ~~➤—Bertha earns \$8,000.00 per month, which equals \$96,000 annually.~~
- ~~➤—Audrey earns \$314.22 per month, which equals \$3,770.64 annually.~~
- ~~➤—Audrey is the child and tax dependent of Bertha. Audrey is not required to file taxes; therefore, her income does not count. Bertha's income is counted.~~
- ~~➤—Bertha's household size is 3.~~
- ~~➤—Compare the \$8,000.00 monthly income to the  $133\% + 5\% = 138\%$  standard for a household size of 3, \$2,390.16.~~
- ~~➤—Bertha and Audrey are not eligible for Medicaid; therefore, the agency will electronically transfer their account to the FFM for possible eligibility for Advanced Premium Tax Credits and cost sharing reductions.~~



## MEDICAL SERVICES POLICY MANUAL, SECTION E

### E-200 Determining Financial Eligibility Under the MAGI Methodology

~~Chloe's household includes Chloe and her mother, Audrey.~~

~~➤ Audrey earns \$314.22 per month, which equals \$3,770.64 annually. Audrey's income will be counted because neither her mother, nor father is included in this household. Chloe's child support income is disregarded.~~

~~➤ Chloe's household size is 2.~~

~~➤ Compare the \$314.22 monthly income to the ARKids A standard of 142% for 2, \$1,948.24. **Note:** The 5% disregard was not needed for ARKids A eligibility and therefore was not applied.~~

~~➤ Chloe is eligible for ARKids A.~~



## FINANCIAL IMPACT STATEMENT

**PLEASE ANSWER ALL QUESTIONS COMPLETELY**

**DEPARTMENT** Department of Human Services

**DIVISION** Division of County Operations

**PERSON COMPLETING THIS STATEMENT** Brian Jones

**TELEPHONE** 501.537.2064 **FAX** 501.682.8155 **EMAIL:** Brian.Jones@dhs.arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

**SHORT TITLE OF THIS RULE** Medical Services Policy Manual Section E-200

1. Does this proposed, amended, or repealed rule have a financial impact? Yes ☐ No ☒
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule? Yes ☒ No ☐
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☒ No ☐

If an agency is proposing a more costly rule, please state the following:

- (a) How the additional benefits of the more costly rule justify its additional cost;

\_\_\_\_\_

- (b) The reason for adoption of the more costly rule;

\_\_\_\_\_

- (c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and;

\_\_\_\_\_

- (d) Whether the reason is within the scope of the agency's statutory authority; and if so, please explain.

\_\_\_\_\_

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

- (a) What is the cost to implement the federal rule or regulation?

**Current Fiscal Year**

General Revenue	<u>0</u>
Federal Funds	<u>0</u>
Cash Funds	<u></u>
Special Revenue	<u></u>
Other (Identify)	<u></u>
Total	<u>0</u>

**Next Fiscal Year**

General Revenue	<u>0</u>
Federal Funds	<u>0</u>
Cash Funds	<u></u>
Special Revenue	<u></u>
Other (Identify)	<u></u>
Total	<u>0</u>



(b) What is the additional cost of the state rule?

**Current Fiscal Year**

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_  
  
Total \_\_\_\_\_

**Next Fiscal Year**

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_  
  
Total \_\_\_\_\_

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

**Current Fiscal Year**

\$ \_\_\_\_\_

**Next Fiscal Year**

\$ \_\_\_\_\_

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

**Current Fiscal Year**

\$ 0 \_\_\_\_\_

**Next Fiscal Year**

\$ 0 \_\_\_\_\_

This change in policy to determine eligibility should be considered budget neutral.

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes ☐ No ☒

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
  - (a) justifies the agency's need for the proposed rule; and
  - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;



- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
  - (a) the rule is achieving the statutory objectives;
  - (b) the benefits of the rule continue to justify its costs; and
  - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.



## Statement of Necessity and Rule Summary

### Medical Services Policy Section E-200

#### Statement of Necessity:

The change is necessary in order to comply with the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable Act (HEALTHY KIDS Act, P.L. 115-120), and the Bipartisan Budget Act of 2018 (BBA of 2018, P.L. 115-123). Also, the business processes are being removed from the Medical Services Policy Manual and relocated into a business process manual.

**Rule Summary:** Effective August 1, 2020, the Division of County Operations, Medical Services Policy Manual is being revised as follows:

- E-210: Clarified language and fixed grammatical errors
- E-220: Added Transitional Medicaid to the groups for which MAGI methodology is used to determine financial eligibility
- E-230: Removed example scenario
- E-240: Added clarifying language
- E-250: Removed example scenario
- E-251: Removed example scenario
- E-260: Added clarifying language
- E-261: Updated the section to comply with federal regulations
- E-262: Updated the section to comply with federal regulations
- E-263: Removed example scenarios
- E-264: Removed example scenario
- E-265: Added clarifying language and removed example scenario
- E-266: Changed caseworker to eligibility worker
- E-267: Added clarifying language
- E-268: Added clarifying language
- E-269: Changed section name from “Who is Eligible to Undue Hardship for Lottery/Gambling Winnings.” Deleted example scenario and updated the language in this section to cover Undue Hardship for Lottery/Gambling Winnings