



COMBINED MEDICAID 601-1 Prospective Budgeting

Supersedes: MA 601-1 (01/01/09); FMA 601-1 (01/01/09)

Reference: 42 CFR 435.601; ARM 37.82.101, .703, .903; 20 CFR 416 Subpart K

Overview: ACA: Income eligibility for all ACA programs and HMK is determined using MAGI (Modified Adjusted Gross Income). Income eligibility is based on current monthly income and household size.

NOTE: When tax returns are not provided, ACA follows Family Medically Needy prospective budgeting policy.

Financial eligibility will be prospectively budgeted. Best estimates of income, household composition and other circumstances for the benefit month will be used to determine eligibility.

All Medicaid Programs: Financial eligibility is determined prospectively using the best estimates of income, household composition, resources (for programs with a resource limit) and other circumstances.

Prospective budgeting methods can be used on both earned and unearned income. However, there are some income types and situations that require specific methods be used. For example, actual income must be used when determining retro eligibility and self-employment income is always annualized.

MAGI HOUSEHOLD:

Tax filing rules are used to determine countable income. In addition to counting taxable income, MAGI requires that other specific income be included in the countable income determination. These include:

1. All Social Security RSDI (but not SSI).
2. Foreign earned income
3. Tax-exempt interest

GATHERING INFORMATION:

Certain information must be gathered to correctly determine a client's eligibility. Eligibility staff should use information provided verbally by the client, on the application, at renewal, reported changes and/or collateral verification to make a correct eligibility determination.

1. When determining income eligibility, the following information may be needed:
 - a. income source/job type;

- b. nature of job (e.g., seasonal, on-call, etc.);
- c. pay rate;
- d. pay frequency;
- e. number of hours worked per week/pay period, etc. (if income is from employment); and
- f. if work hours fluctuate

NOTE: To ensure eligibility is correct going forward, eligibility staff may need to ask additional questions, such as if a change is expected to continue, if a payment is one-time or ongoing, etc.

2. Eligibility must be reevaluated upon receipt of more complete information or change report up to the point of the final eligibility determination.

Always follow change reporting and notice requirements when redetermining ongoing eligibility. See CMA 1501-1. Information the client provides must be verified as required per policy listed in CMA 103-4.

PROSPECTING INCOME:

Monthly income is prospected using one or more of the following methods. The method used will depend on household circumstances and income source.

1. Actual;
2. Anticipating; and

NOTE: It may be necessary to use a combination of actual and anticipated income, even for the same month. For example, if at application, the client provides one paystub for the application month and expects to receive a second check that month, actual is used for the first pay period and the second is anticipated.

3. Factoring

ACTUAL INCOME:

Actual income can only be used when:

1. Computing an overpayment;
2. Determining past or retroactive Medicaid eligibility; or
3. When some or all pay in the current benefit month has already been received.

ACA: The client's most recent tax return may be used if it reflects current income and household composition.

ANTICIPATING:

Anticipate income when it isn't appropriate to use actual income. Anticipating may be used with the following:

1. **Averaging**-when a reliable income history exists;

2. **Prorating Over Period Intended to Cover**-for contractual, self-employment or other income intended to cover more than a single month;
3. **Rate/Unit/Frequency**-when no other method is allowed or appropriate.

FACTORING INCOME:

ABD: Factoring is never used to determine monthly income and/or expenses. If the client is paid weekly or bi-weekly, the 3rd or 5th check cannot be averaged and must be counted in the month received.

ACA and Family Medically Needy: Income is factored when all weekly/biweekly paystubs are provided for the application month.

All income received weekly or bi-weekly (every two weeks) must be factored. It may be necessary to average and then factor if there is a reliable income history that is expected to continue. **NOTE:** Factor child support income and legally obligated (and paid) child support payments only when they are received/paid weekly or bi-weekly. **NOTE:** Child support income and legally-obligated child support payments, deductions can only be factored if truly received/paid on a weekly or biweekly basis.

Average and factor weekly or bi-weekly checks provided for the application month, even when a 3rd or 5th check is not received that month.

INCOME AVERAGING:

Income is averaged when there is a reliable history but the income fluctuates from month to month or pay period to pay period. This could include wages, tips and irregular payments (child support, pension, etc.). Before averaging income, always ask the client if they expect the income and current fluctuations to continue and be sure to look for patterns, such as overtime. It may be necessary to average wages separately from overtime.

If significant changes are expected in the prospective period, use the rate/unit/frequency option instead of averaging. Exclude payments that are unusually high or low. **NOTE: When requesting pay stubs to average, always request pay stubs from a specific date through "present".**

PRORATING OVER PERIOD INTENDED TO COVER:

Contractual or other income expected to cover more than one month is prorated over the period intended to cover, or contract period. Do not count periodic payment until the first payment is received after Medicaid eligibility is established (CMA 500).

ABD and Family Medically Needy: Self-employment income is always annualized (net annual self-employment is divided by 12) regardless of how many months per year the business is in operation (CMA 503-1). Contractual income is always prorated over the contract period (for example, a 9 month teaching contract is divided by 9).

When significant income changes are expected for any payments included in the prospective period, the payments are still prorated over the period intended to cover, but the amount prorated will change.

RATE/UNIT/FREQUENCY METHOD:

Use rate/unit/frequency to anticipate income when other methods aren't allowed or appropriate, such as:

1. Income for any pay period is not expected to be "normal" because the client will be on extended unpaid sick leave, has new job, is not working their normal hours (covering extra shifts), promotion, job termination/lay-off, etc. is anticipated using rate/unit/frequency.
2. income is from a terminated source (e.g., lay-off or job termination);
3. income history is not reliable;
4. a significant income change is expected in the future (e.g., a promotion, part-time to full-time or vice versa, additional job duties, a raise in pay, a transfer, etc.).

INCOME NOT COUNTED:

In some instances, income is not counted prospectively. For example, a client has been unemployed, and reports on July 2nd that they begin a job on July 6th, and receive their first paycheck on July 21st. July's earned income will not be counted. The client reported timely and the income was not known when July eligibility was determined in June. August eligibility is determined using rate/unit/frequency to prospect earned income.

FLUCTUATION IN PAY SCHEDULE:

Income is treated as if it is received on the regularly scheduled pay date when, for a reason beyond the client's control, the pay date is either moved forward or back.

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