

Income and Deductions

CICP Program 2016

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Department of Health Care
Policy & Financing

Our Mission

Improving health care access and outcomes for the **people** we serve while demonstrating sound stewardship of financial **resources**



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Objectives

- Income Determination
 - What information to use
 - How to count pay check periods
- Deductions
 - What counts as “documented”
 - Paid vs. Pay Plan
- Liquid Asset Spend Down
 - When can it be used
 - How to apply it



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Income Determination

- Providers should be using the Year-To-Date (YTD) method whenever possible.
 - This method is the most accurate in calculating the actual income for the patient for the year.
 - It more accurately takes into account fluctuations that can happen from paycheck to paycheck.



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Income Determination

- The Average Pay Method (APM) should only be used if the applicant has not had a job for the entire year, or if their pay check does not have a year-to-date payment amount.



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Income Determination

- The Monthly Pay Method is only accurate for applicants with fixed salaries. Employees paid monthly on an hourly basis will likely have pay checks that vary in amount month to month.



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Pay Stub Basics

- Counting Pay Periods/Pay Checks
- Gross Pay
- YTD Lines
- Medical/Dental Deductions
- Direct Deposit information



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Counting Pay Periods

- Must know what type of pay period the applicant has to be able to correctly count pay checks
- When determining income, must use total number of pay checks for the year, not pay periods
 - There may be a pay check in this calendar year for hours worked in last calendar year, but it was still paid out in this calendar year so it must be counted
 - This coincides with the total payment amount shown for the year, and the amount reported for taxes



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Gross Pay

- Providers should always be using gross pay when calculating income
- Gross pay should not include bonuses or gifts, but should include tips and commissions
 - Tips and commissions are reported on pay stubs and are usually paid out either every or every other pay check
 - There are exceptions to this, and providers should use their best judgment to analyze their applicants' unique situations



Year to Date Lines

- Pay checks/pay stubs normally have a year to date (YTD) paid amount listed on them
- For almost every pay check with a YTD total, providers should utilize the YTD method for calculating income
 - This does not apply when an applicant has not been at their job since the beginning of the year



Year to Date Lines

- Some pay checks may have multiple YTD lines
 - Sometimes they match and sometimes they don't
- Providers should be very careful about which YTD line they use
 - Notes about which one was used may help avoid an audit finding



Medical/Dental Deductions

- Medical and Dental insurance premiums are allowable deductions
 - Usually reported on pay check detail if through employer
- Insurance premiums can be self-declared
 - Check boxes on both the paper and Excel applications to indicate documented or self-declared



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Direct Deposit Information

- Most pay checks/pay stubs will show if the payment was direct deposited into the applicant's bank account or to a bank/prepaid card
 - This should always be checked, especially if the applicant claims they do not have a bank account
 - If an applicant does not have a bank account but does have a bank/prepaid card, the amount of money on the card should be counted as an asset



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Questions?



Employment Income - YTD Method

Earnings Statement



Period Starting: 04/11/2015
 Period Ending: 04/24/2015
 Pay Date: 04/29/2015

Taxable Marital Status: Single
 Exemptions/Allowances: Tax Override:
 Federal: 1 Federal:
 State: 1 State:
 Local: 0 Local:
 Social Security Number: XXX-XX-XXXX

| Earnings | rate | hours/units | this period | year to date |
|------------------|------|-------------|-------------------|-------------------|
| Bonus | | | 0.00 | 140.82 |
| GRATUI | | 0.00 | 301.00 | 2501.07 |
| Commission | | 0.00 | 821.79 | 5736.06 |
| Gross Pay | | | \$1,122.79 | \$8,377.95 |

| Deposits | transit/ABA | amount |
|----------------|-------------|--------|
| account number | XXXXXXXXXX | 881.57 |

| Statutory Deductions | this period | year to date |
|-----------------------|-----------------|--------------|
| Federal Income | -114.33 | 769.90 |
| Social Security | -69.61 | 519.43 |
| Medicare | -16.28 | 121.48 |
| Colorado State Income | -41.00 | 286.00 |
| Denver Local Income | 0.00 | 23.00 |
| Net Pay | \$881.57 | |



Employment Income - YTD Method

- Pay period covers 4/11 - 4/24
- Pay check date is 4/29
- Pay categories are broken down as shown:

| <u>Earnings</u> | <u>rate</u> | <u>hours/units</u> | <u>this period</u> | <u>year to date</u> |
|-----------------|-------------|--------------------|--------------------|---------------------|
| Bonus | | | 0.00 | 140.82 |
| GRATUI | | 0.00 | 301.00 | 2501.07 |
| Commission | | 0.00 | 821.79 | 5736.06 |
| | | | \$1,122.79 | \$8,377.95 |

- What is the monthly employment income for this individual?

Employment Income - YTD Method

- What is the monthly employment income for this individual?

- A. \$1,983.01
- B. \$2,016.91
- C. \$2,245.58
- D. \$2,432.71

| | |
|-------------------|-------------------|
| Pay check detail: | 4/29 date |
| Bonus | \$140.82 |
| Gratuity | \$2,501.07 |
| Commission | \$5,736.06 |
| TOTAL | \$8,377.95 |

365 January 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|---|-----|-----|-----|-----|-----|-----|-----|
| 1 | | | | | 1 | 2 | 3 |
| 2 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 3 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 4 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 5 | 25 | 26 | 27 | 28 | 29 | 30 | 31 |

365 February 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
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| 6 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 8 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 9 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |

365 March 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
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| 10 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 11 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 12 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 13 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 14 | 29 | 30 | 31 | | | | |

365 April 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
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| 14 | | | | 1 | 2 | 3 | 4 |
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| 16 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 17 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 18 | 26 | 27 | 28 | 29 | 30 | | |



Employment Income - YTD Method

- From the dates on the checks, we can tell that the applicant is paid every two weeks.
- This check is dated 4/29/15, and is the 9th pay check the applicant has received for the year.

365 January 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
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| 1 | | | | | 1 | 2 | 3 |
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| 3 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 4 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 5 | 25 | 26 | 27 | 28 | 29 | 30 | 31 |

365 February 2015

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| 6 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
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365 March 2015

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| 10 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
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| 12 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 13 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 14 | 29 | 30 | 31 | | | | |

365 April 2015

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|----|-----|-----|-----|-----|-----|-----|-----|
| 14 | | | | 1 | 2 | 3 | 4 |
| 15 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 16 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 17 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 18 | 26 | 27 | 28 | 29 | 30 | | |

Employment Income - YTD Method

- We also need to take into account that the YTD total includes \$140.82 in bonuses.
- $\$8,377.95 - \$140.82 = \$8,237.13$
- $\$8,237.13 / 9 \text{ pay checks} = \915.24 (Average pay amount)
- $\$915.24 * 26 \text{ pay periods} = \$23,796.15$ (Annual income)
- $\$23,796.15 / 12 \text{ months} = \$1,983.01$ (Monthly income)



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Employment Income - YTD Method

| Name | Company | Employee ID | Pay Period Begin | Pay Period End | Check Date | Check Number |
|------|---------|-------------|------------------|----------------|------------|--------------|
| | | | 03/01/2016 | 03/31/2016 | 03/18/2016 | |

| | Gross Pay | Pre Tax Deductions | Employee Taxes | Post Tax Deductions | Net Pay |
|---------|-----------|--------------------|----------------|---------------------|----------|
| Current | 1,280.90 | 423.86 | 15.83 | 0.00 | 841.21 |
| YTD | 4,227.46 | 1,340.86 | 99.62 | 0.00 | 2,786.98 |

| Earnings | | | | | | Employee Taxes | | |
|-----------------------|-----------------------|--------|-------|-----------------|-----------------|-----------------------|--------------|--------------|
| Description | Dates | Hours | Rate | Amount | YTD | Description | Amount | YTD |
| Accrual Wages | 03/01/2016-03/31/2016 | 0 | 108 | 1,521.00 | 4,563.00 | Medicare | 15.80 | 52.99 |
| STDI Taxable | 03/01/2016-03/31/2016 | 0 | 0 | 5.71 | 17.13 | Federal Withholding | 0.03 | 31.63 |
| Hours Docked | 02/01/2016-02/29/2016 | -17.27 | 13.5 | -233.15 | -341.15 | State Tax - CO | 0.00 | 15.00 |
| Overtime Pay | 02/01/2016-02/29/2016 | 0.25 | 20.25 | 5.07 | 17.63 | | | |
| Unpaid Hours Time Off | 02/01/2016-02/29/2016 | 0.89 | 13.5 | -12.02 | -12.02 | | | |
| Earnings | | | | 1,286.61 | 4,244.59 | Employee Taxes | 15.83 | 99.62 |

- Year to Date amount listed on check stub
- Check date is 3/18 and pay period is the month of March



Employment Income - YTD Method

- Oddities about this paycheck:
 - There are two YTD amounts and they do not match.
 - The difference is a line called “STDI Taxable”
 - Providers should use the amount that makes sense with what was actually paid for the pay check
 - This person is paid monthly, but they qualify for overtime and they’ve also had hours docked from their pay.
 - They are paid in the middle of the month for the current month.



Employment Income - YTD Method

- Check date is 3/18 and pay period is the month of March
- Paycheck amount is \$1,280.90 , and YTD is \$4,227.46
- What is the monthly employment income for this individual?



Employment Income - YTD Method

- What is the monthly employment income for this individual?

- A. \$1,280.90
- B. \$1,409.15
- C. \$2,113.73
- D. None of the above

Pay check detail:

Check total \$1,280.90

YTD total \$4,227.46

Check date 3/18

Employment Income - YTD Method

- From the dates on the paycheck, we know that the applicant is paid once a month.
 - The applicant has been paid three times this year.
- $\$4,227.46 / 3 \text{ paychecks} = \$1,409.15$



Questions?



Employment Income - APM

| | | | | | | | | | |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 0000310023 | 07/31/2016 | 0000290024 | 07/17/2016 | 0000270026 | 07/03/2016 | 0067127087 | 06/19/2016 | 0067225507 | 06/05/2016 |
| Gross | \$540.56 | Gross | \$1,006.73 | Gross | \$682.19 | Gross | \$749.54 | Gross | \$546.94 |
| Show Check | | Show Check | | Show Check | | Show Check | | Show Check | |

- Five check amounts with no YTD total
- Dates are 6/5, 6/19, 7/3, 7/17, and 7/31
- Each entry states that it is the gross amount for the paycheck
- What is the monthly employment income for this individual?



Employment Income - APM

- What is the monthly employment income for this individual?

- A. \$1,492.70
- B. \$1,527.92
- C. \$1,762.98
- D. \$2,229.48

Pay check amounts:

| | |
|------|------------|
| 6/5 | \$546.94 |
| 6/19 | \$749.54 |
| 7/3 | \$682.19 |
| 7/17 | \$1,006.73 |
| 7/31 | \$540.56 |

Employment Income - APM

- From the dates on the checks, we can tell that the applicant is paid every two weeks.
- $\$546.94 + \$749.54 + \$682.19 + \$1,006.73 + \$540.56 = \$3,525.96$
- $\$3,525.96 / 5 \text{ pay checks} = \705.19 (Average per check)
- $\$705.19 * 26 \text{ pay periods} = \$18,334.99$ (Annual income)
- $\$18,334.99 / 12 \text{ months} = \$1,527.92$ (Monthly income)



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Employment Income - APM

| Earnings | | | | Taxes | | Deductions | | Net Pay | |
|--------------|-------|-------------|-----------------|---------------------|-------|------------|--|-------------------|---|
| | Rate | Hours/Units | Amount | | | | | | <input checked="" type="checkbox"/> Cleared |
| L Regular | 12.69 | 80.00 | 1,015.00 | Federal W/H (M/3) | 21.88 | | | Payroll Net Check | 903.47 |
| Temporary | | 61.01 | 0.00 | Medicare | 14.72 | | | Check # 900262633 | <input type="checkbox"/> |
| GROSS | | | 1,015.00 | Social Security | 62.93 | | | NET PAY | 903.47 |
| | | | | CO State W/H (M/3) | 10.00 | | | | |
| | | | | Aurora, CO | 2.00 | | | | |
| | | | | Employee Occ. Privl | | | | | |

Period Ending: 03/28/2016
 Check Date: 04/01/2016

Check Register

Sorted on Department Code



Page: 2

| | | | | | | | | | |
|--------------|-------|-------|-----------------|--------------------|-------|--|--|-------------------|--------------------------|
| Regular | 14.38 | 80.00 | 1,150.00 | Federal W/H (M/3) | 35.38 | | | Payroll Net Check | 1,009.64 |
| Temporary | | 70.00 | 0.00 | Medicare | 16.68 | | | Check # 900266481 | <input type="checkbox"/> |
| GROSS | | | 1,150.00 | Social Security | 71.30 | | | NET PAY | 1,009.64 |
| | | | | CO State W/H (M/3) | 17.00 | | | | |

Period Ending: 04/11/2016
 Check Date: 04/15/2016

Check Register

Sorted on Department Code



Employment Income - APM

- Pay period end dates are 3/28 and 4/11, and check dates are 4/1 and 4/15

- 4/1 = \$1,015
- 4/15 = \$1,150

365 March 2016

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|----|-----|-----|-----|-----|-----|-----|-----|
| 9 | | | 1 | 2 | 3 | 4 | 5 |
| 10 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 11 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 12 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 13 | 27 | 28 | 29 | 30 | 31 | | |

365 April 2016

| | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|----|-----|-----|-----|-----|-----|-----|-----|
| 13 | | | | | | 1 | 2 |
| 14 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 15 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 17 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |

- What is the monthly employment income for this individual?

Employment Income - APM

- What is the monthly employment income for this individual?

- A. \$2,165.00
- B. \$2,199.17
- C. \$2,345.42
- D. \$2,491.67

Pay check amounts:

| | |
|------|---------|
| 4/1 | \$1,015 |
| 4/15 | \$1,150 |



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Employment Income - APM

- From the dates on the checks, we can tell the applicant is paid every two weeks.
- $\$1,015 + \$1,150 = \$2,165$
- $\$2,165 / 2 \text{ pay checks} = \$1,082.50$ (Average per check)
- $\$1,082.50 * 26 \text{ pay periods} = \$28,145$ (Annual income)
- $\$28,145 / 12 \text{ months} = \$2,345.42$ (Monthly income)



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Questions?



Employment Income - Self Employed

- Applicants who are self employed may be rated using their bank statements and bills, a ledger, or a profit and loss worksheet.
- Self employed applicants who work out of their homes can use 1/3 of their mortgage and utilities as business expenses.



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Employment Income - Self Employed

- Example - Home Daycare:
 - All payments for child care count for income
 - Mortgage and utilities are expensed at 1/3 their total
 - All supplies purchased for the daycare are expensed at 100% of cost
 - Applicant also receives a deduction per child that care is provided for - \$55 for the first child and \$22 for each additional child



Employment Income - Self Employed

- Income of \$150 per week per child, with 8 enrolled children
- Mortgage of \$1,500, utilities of \$240, business phone costs of \$120
- Supplies purchased monthly for \$800
 - Includes snacks, craft supplies, games, etc.
- One part time employee paid \$1,000/month

- What is the monthly income from this business?



Employment Income - Self Employed

- What is the monthly income from this business?

- A. \$2,091
- B. \$2,171
- C. \$2,491
- D. \$2,300

| | |
|------------|---------------|
| Income | \$1,200/week |
| Mortgage | \$1,500/month |
| Utilities | \$240/month |
| Bus. Phone | \$120/month |
| Supplies | \$800/month |
| Wages | \$1,000/month |

Employment Income - Self Employed

- Income of \$150 per week per child, with 8 enrolled children
 - Since children are paid for weekly, need to use that information in the calculation.
 - $\$150 * 8 \text{ children} = \$1,200 \text{ per week}$
 - $\$1,200 * 52 \text{ weeks/year} = \$62,400 \text{ (Annual income)}$
 - $\$62,400 / 12 \text{ months} = \$5,200 \text{ per month}$



Employment Income - Self Employed

- Income: \$5,200 per month
- Bills: $(\$1,500 + \$240) / 3 + \$120 = \700
- Supplies: \$800
- Wages: \$1000
- Daycare Deduction: $\$55 + (\$22 * 7) = \$209$

- Income - Expenses - Deduction =
 $\$5,200 - (\$700 + \$800 + \$1,000) - \$209 = \$2,491$



Deductions

- Self-Declared Deductions
 - Child support payments
 - Alimony
 - Health Insurance premiums
 - Daycare/Elderly Care
- Documented Deductions
 - Personal vehicle used for work
 - Medical payments or payment plans



Medical Deductions

- Paid medical bills from the past year (365 days)
 - MUST be documented
 - Receipts and statements
- Payment plans with providers for outstanding medical bills
 - Payment plan(s) must be documented
 - Documentation can include a letter from the provider, or a bill stating what the monthly payment amount is
 - Must find out the monthly payment amount and the remaining balance



Medical Deductions

- Total remaining amount must be known to ensure correct amount of discount is given.
 - If the outstanding bill will be paid off in less than a year, do not want to give the applicant discount for the entire year
- Example: Applicant's payment plan is \$100 per month, and they have \$1,000 left on their bill. If a full year's worth of discounts are given, the applicant has an extra \$200 in deductions than they should.



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Liquid Asset Spend Down

- The Liquid Asset Spend Down (Spend Down) can be used to qualify applicants for the CICP if they are over income.
 - Use of the Spend Down is always the choice of the applicant; providers cannot require nor refuse the use of the Spend Down.



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Liquid Asset Spend Down

- Used when the difference between the applicant's calculated income and the 250% threshold is LESS than the applicant's available liquid assets.
 - Family size deduction is not considered in this process



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Liquid Asset Spend Down

- Example: A single applicant is found to be \$500 over the 250% limit. The applicant has \$1,200 in their checking account, the entirety of which is protected by the family size deduction. The applicant can still use the Spend Down because their liquid assets are greater than the amount they are over the threshold ($\$1,200 > \500).



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Applying the Spend Down

- Applicants using the Spend Down will have the amount of their spend down applied to their current bill, or other outstanding bills, as decided by the applicant.
 - The applicant can choose to apply their spend down amount to a bill at another provider; providers should accept a statement showing the amount was applied to another provider's bill as proof that the applicant has sufficiently completed the spend down.



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Applying the Spend Down

- If the applicant chooses to apply the Spend Down to their current bill, it should be recorded in the provider's data as a third party liability.
 - The applicant is still responsible for their copay after they have been accepted into the program after applying the Spend Down.



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Questions or Concerns?



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Thank You!



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