Income Determination

2020-21 CICP Training

Presented by: Taryn Graf

Jun-20

Our Mission

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

Objectives

- Categories of income
- Deductions
- Liquid Resources and the Spend Down
- FPL Calculation
- CICP vs Provider policies

Types of Income

- Three categories of income:
  - Employment income
  - Unearned income
  - Self-Employment income

Employment Income

- Employment income must be documented
  - Most common documentation is pay stubs
  - Can also use letter from employer, or phone call if no other documentation is possible
  - DO NOT use bank statements
- Pay stubs most commonly fall into one of the following pay period types:
  - Weekly
  - Bi-weekly (every two weeks)
  - Semi-monthly (twice a month)
  - Monthly

Household Incomes

- Income of the applicant's spouse must be included in the application UNLESS they are legally separated or in the process of divorcing
  - They must provide documentation of the separation/divorce
- Employment income from a working minor (under the age of 18) or an adult student living with their parent(s) is exempt
  - Includes both high school students and college students
- Income for senior household members (age 65+) should be included
- Any household member listed as "Other" must have their income counted

Question #1

- Which pay period type would the following pay period date ranges suggest?

  April 18 – May 1, May 2 – May 15, May 16 – May 29

  - A: Weekly
  - B: Bi-weekly
  - C: Semi-monthly
  - D: Monthly
  - E: Other

April 2020

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

May 2020

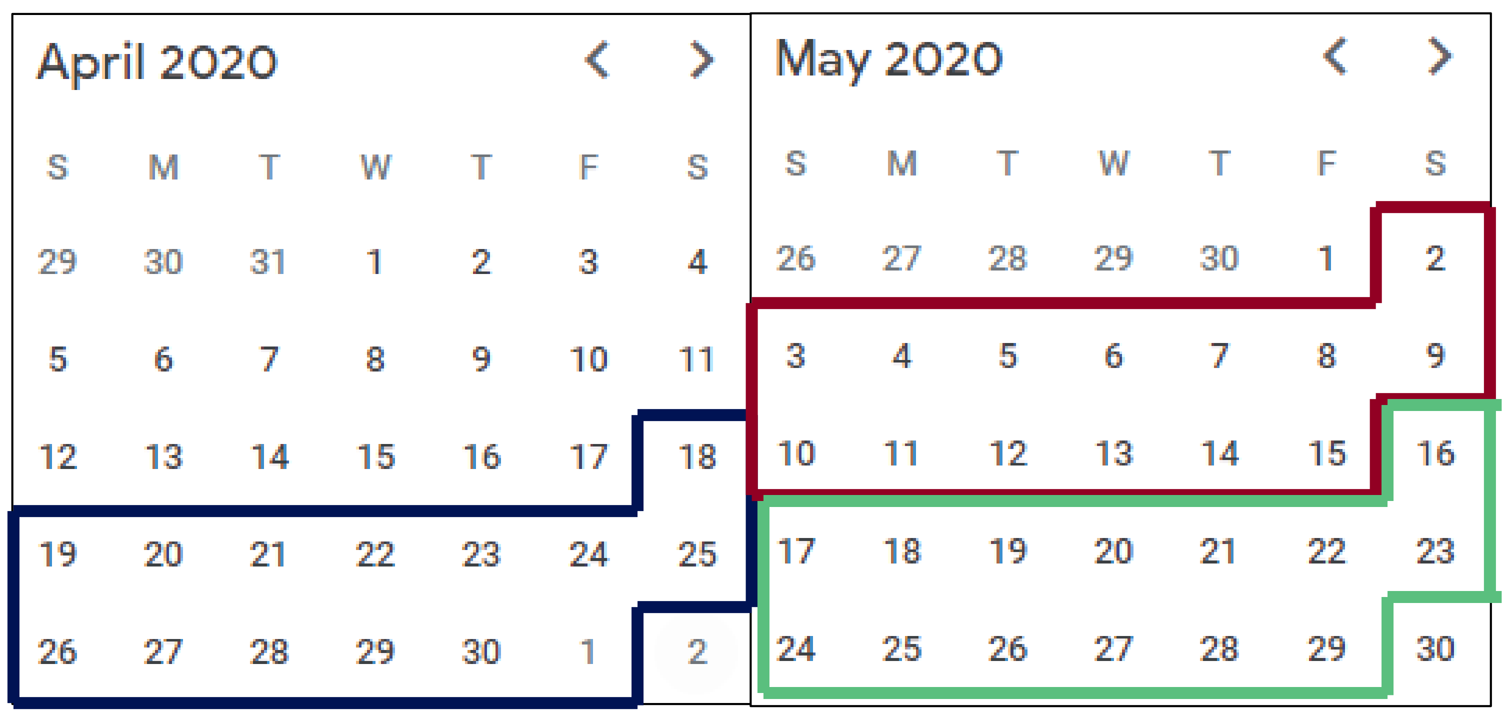
S	M	T	W	T	F	S
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Answer #1

- Which pay period type would the following pay period date ranges suggest?

    April 18 – May 1, May 2 – May 15, May 16 – May 29

    - A: Weekly
    - B: Bi-weekly
    - C: Semi-monthly
    - D: Monthly
    - E: Other



Question #2

- Which pay period type would the following pay stub dates suggest?

April 7, April 20, May 7, May 20

- A: Weekly
- B: Bi-weekly
- C: Semi-monthly
- D: Monthly
- E: Other

April 2020

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

May 2020

S	M	T	W	T	F	S
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3	4	5	6	7	8	9
10	11	12	13	14	15	16
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Answer #2

- Which pay period type would the following pay stub dates suggest?

April 7, April 20, May 7, May 20

- A: Weekly
- B: Bi-weekly
- C: Semi-monthly
- D: Monthly
- E: Other

April 2020

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29	30	31	1	2	3	4
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May 2020

S	M	T	W	T	F	S
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3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Year-to-Date (YTD) Method

- The Department encourages providers to use 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 since it includes all paychecks for the year
- For this method, you would only need one pay stub, preferably the most recent one

YTD Calculation

- Using the most recent pay stub provided, divide the total gross pay amount by the total number of paychecks the applicant has received for the year
- Multiply the outcome by the appropriate pay period conversion to calculate monthly income:
  - Weekly: multiply by 4.333
  - Bi-weekly: multiply by 2.1666
  - Semi-Monthly: multiply by 2
- Multiply by 12 to calculate the annual income amount

YTD Calculation (cont.)

- Alternatively, once you divide the gross total by the number of paychecks, you could multiply by the number of pay periods in the year to quickly calculate the annual
  - Weekly: multiply by 52
  - Bi-weekly: multiply by 26
  - Semi-Monthly: multiply by 24
- The calculation using the two different approaches is more or less the same, it may be off by a few dollars at the very most

YTD Calculation Example

- Household member has a pay stub that shows they have been paid $12,500 total, they are paid every two weeks and they have received 10 paychecks since the beginning of the year
  - $12,500/10 = $1,250 per paycheck
  - First approach: $1,250 x 2.1666 = $2,708.25 x 12 = $32,499
  - Second approach: $1,250 x 26 = $32,500

Average Pay Method (APM)

- The APM is most accurate for applicants:
  - whose pay stubs do not show a year to date total, or
  - who have recently had a change in their pay
- APM only looks at the most recent pay stubs
  - Only takes into account things that have happened recently
- Providers should still be including things like bonuses and gifts into the One Time section of the application to ensure those payments are correctly included
- For the APM, collect at least a month's worth of pay stubs – the more you have, the more accurate the calculation will be

APM Calculation Example

- Both approaches also work for the APM
- Household member provides three pay stubs, totaling $3,300 and showing a weekly pay period
  - $3,300/3 = $1,100 per paycheck
  - First approach: $1,100 x 4.333 = $4,766.30 x 12 = $57,195.60
  - Second approach: $1,100 x 52 = $57,200

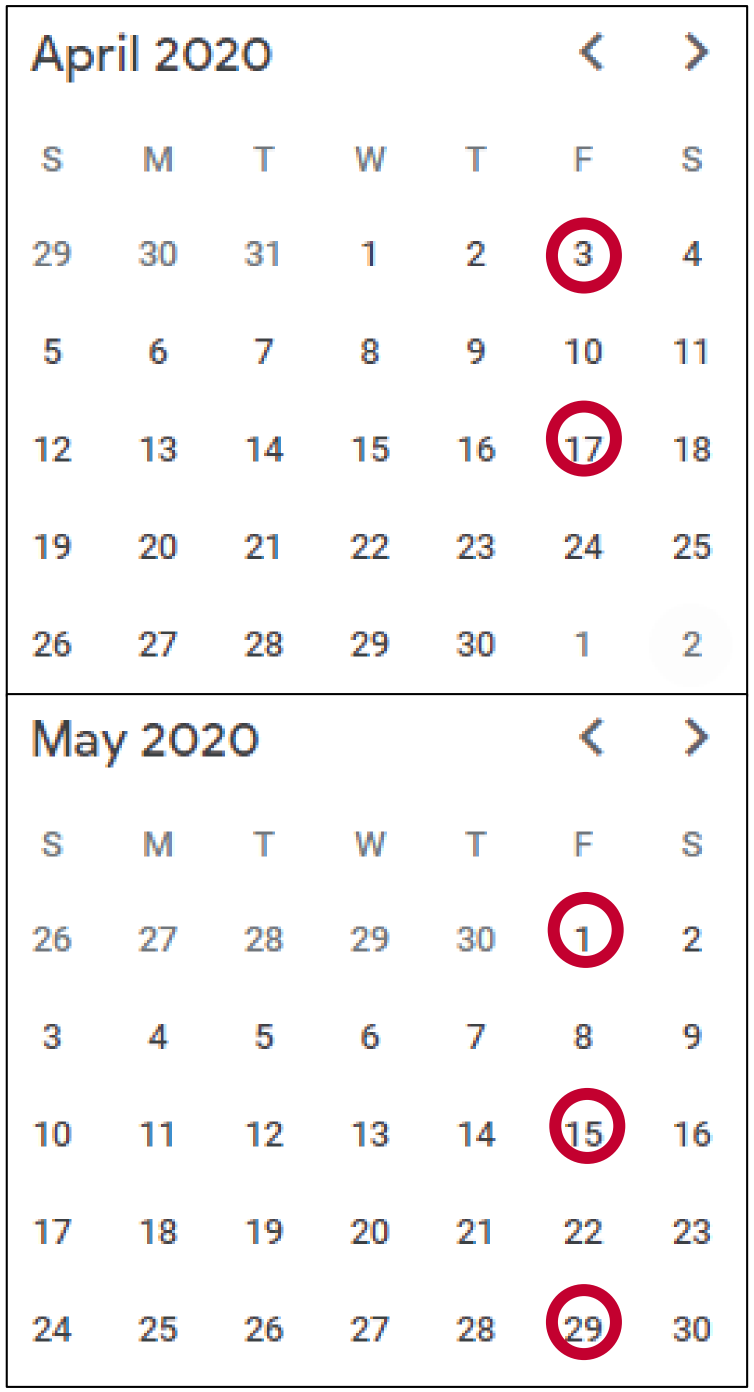
Monthly Pay Method

- The Monthly Pay Method is only accurate for applicants with fixed salaries
- This method should NOT be used for applicants who are paid monthly on an hourly basis, as their hours are likely to fluctuate from month to month
  - Annualizing one month of payments for these applicants will result in an annual income amount that is wrong
- For the monthly pay method, one pay stub would meet the "at least one month" guideline, but it would be a good idea to get a couple if you can to increase the accuracy of the calculation

Importance of Pay Periods

- It is extremely important to use the correct pay period type to calculate an applicant's annual income
- Using a semi-monthly pay period when the applicant is paid bi-weekly cuts two pay periods off their annual income calculation
- Similarly, using bi-weekly pay periods when the applicant is paid semi-monthly adds two extra pay periods onto their annual income calculation
- Additionally, adding up pay stubs for a given month may cause the wrong annual income calculation

Monthly Total Example



- Applicant is paid $1,150 every two weeks
- If the applicant came in May and used April's income, using the two pay stubs from April would show an annual income of $27,600
- If the applicant came in June and used May's income, using the three pay stubs from June would show an annual income of $41,400
- <u>THAT IS A $13,800 DIFFERENCE</u>
- This would cause an applicant to potentially be denied coverage even though their correct income would make them eligible

Question #3

- What is the correct income for the person in the previous example? Reminder: the applicant is paid $1,150 every two weeks.
  - A: $27,600
  - B: $29,899.08
  - C: $29,900
  - D: $41,400

Question #3

- What is the correct income for the person in the previous example? Reminder: the applicant is paid $1,150 every two weeks.
  - A: $27,600
  - B: $29,899.08
  - C: $29,900
  - D: $41,400
- Technically either B or C is correct.
  - $29,899.08 uses the conversion factor of 2.1666 and then annualizes
  - $29,900 is $1,150 multiplied by 26 pay periods

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

Question #4

- An applicant is paid semi-monthly on the 15th and the last day of the month. If a pay day falls on a weekend, they are paid the previous Friday. How many pay checks would they have received as of March 12th?
  - A: Three
  - B: Four
  - C: Five
  - D: Six

January 2020

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

February 2020

S	M	T	W	T	F	S
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

March 2020

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

Answer #4

- An applicant is paid semi-monthly on the 15th and the last day of the month. If a pay day falls on a weekend, they are paid the previous Friday. How many pay checks would they have received as of March 12th?
  - A: Three
  - B: Four
  - C: Five
  - D: Six

January 2020

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

February 2020

S	M	T	W	T	F	S
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

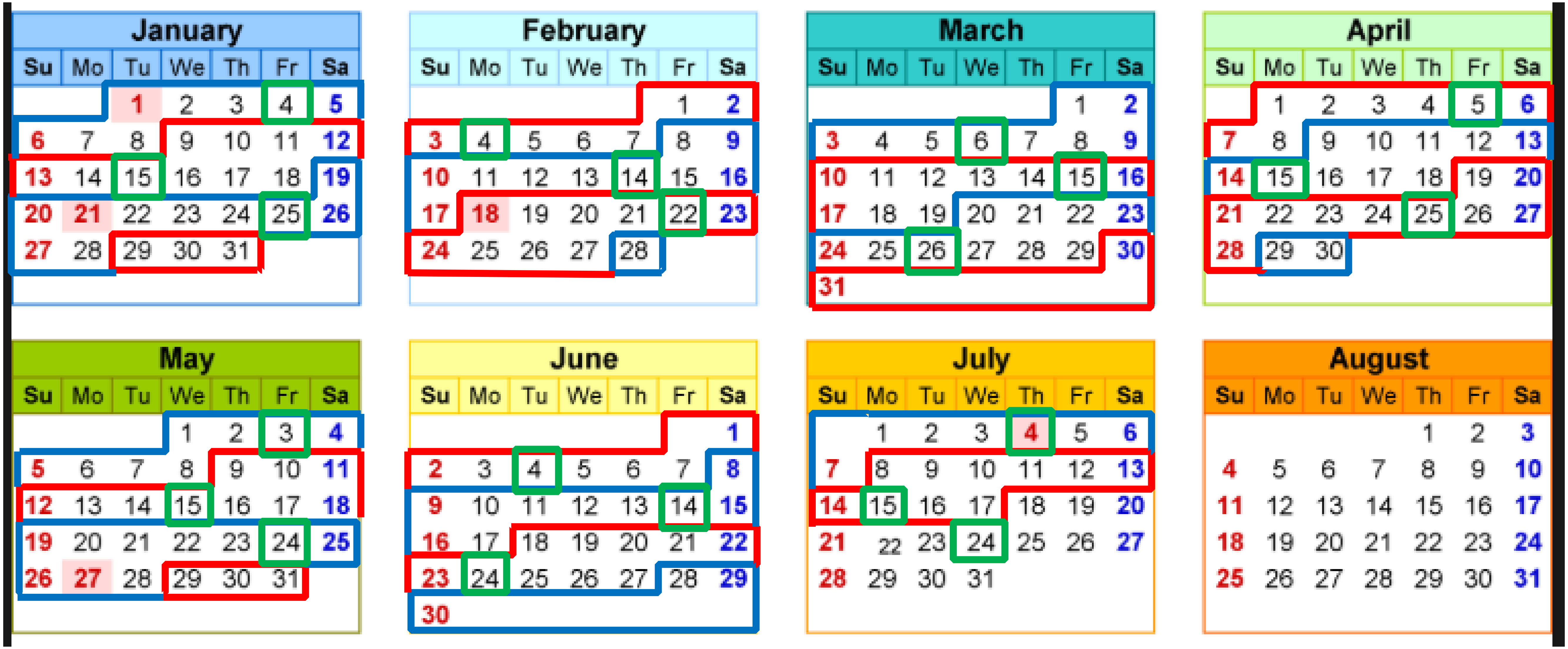
March 2020

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

Non-Common Pay Periods

- Applicants may be paid using non-common pay periods
  - For example, I have seen one using a 12 day pay period
- For these applicants, you will need to figure out how many pay periods the applicant has had so far for the year and/or how many total pay periods they will have for the year
  - Example of this next
- Eligibility techs will need to be careful in determining pay periods in order to calculate the pay correctly
  - Using an incorrect pay period will cause the annual income to be wrong

Ten Day Pay Period



- Can see in this example, applicant would be paid roughly three times a month, but it would be possible for them to be paid four times if they were paid on the 1st in a 31 day month.

Gross Pay

- Providers should always be using gross pay when calculating montly 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
  - Bonuses and gifts should be entered into the One Time income section
  - There are exceptions to this, and providers should use their best judgment to analyze their applicants' unique situations

Year-to-Date Lines

- Pay stubs normally have a year-to-date (YTD) paid amount listed on them
- For almost every pay stub with a YTD total, it is most accurate to use the YTD method for calculating income
  - This may not apply when an applicant has not been at their job since the beginning of the year, although it can be used for these applicants if they know or can calculate how many pay checks they have received since they started working

Year-to-Date Lines (cont.)

- Some pay stubs have multiple YTD lines
  - Sometimes they match and sometimes they don’t
- Providers should be very careful about which YTD lines are used to calculate income
  - Notes about which one was used and why may help avoid and audit finding

Direct Deposit Information

- Most 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 a resource if your facility counts bank accounts as resources

Unearned Income

- Providers are allowed to decide which unearned income sources are counted in applications, and these sources should be included in the Annual Provider Application for clinic providers, and documented in income determination processes for hospital providers
- In the past, CICP has counted things like unemployment, workers comp, Old Age Pension benefits, Social Security, payments from retirement plans and pensions, court-ordered alimony received, trust accounts, etc.

Exempt Unearned Income

- CICP specifically exempts certain unearned income from being included in income determination for households including but not limited to (full list in provider manual):
  - Aid to the Needy Disabled (AND) payments
  - College grants, scholarships, work-study income, and loans
  - Child support and foster care payments
  - SNAP, WIC, and TANF
  - Settlements received as a result of a prior medical injury (unrelated to the current CICP application)
  - Tax refunds
  - Social Security Income (SSI) for a minor
  - Proceeds of a loan (personal and business related)

Retirement Accounts

- Retirement accounts are treated a little differently under CICP than other accounts
- Providers are NOT allowed to count a retirement account as a liquid resource
- If the household member is receiving a monthly payment from their retirement account, the monthly amount can be included as a monthly unearned income source
- If the household member takes money out of the account for a specific purpose, for instance to make accessibility improvements to their house, that money is also not allowed to be counted

Short Term Disability

- Household members who are collecting short term disability payments are unique cases, and therefore different guidance applies to them
- Short term disability is temporary, and only pays a percentage of normal income
- Income for these household members should be calculated using a combination of their short term disability income and their normal income to make up the full 52 week year

Short Term Disability Example

- A household member is being paid bi-weekly and will be on short term disability for six weeks. Their income should be calculated using six weeks of short term disability payments and 23 bi-weekly pay periods of their normal income
- 23 bi-weekly pay periods = 46 weeks + 6 weeks short term disability = 52 total weeks = 1 full year
  - Short term disability weekly amount: $500
  - Normal bi-weekly income: $1,600
  - ($500 x 6 weeks) + ($1,600 x 23 pay periods) = $3,000 + $36,800 = $39,800 annual income

Question #5

- How many pay period would be used for a household member who is paid weekly and is collecting 10 weeks of short term disability?
  - A: 38
  - B: 40
  - C: 42
  - D: 44

Answer #5

- How many pay period would be used for a household member who is paid weekly and is collecting 10 weeks of short term disability?
  - A: 38
  - B: 40
  - C: 42
  - D: 44

Question #6

- How many pay period would be used for a household member who is paid bi-weekly and is collecting 14 weeks of short term disability?
  - A: 12
  - B: 16
  - C: 19
  - D: 22

Answer #6

- How many pay period would be used for a household member who is paid bi-weekly and is collecting 14 weeks of short term disability?
  - A: 12
  - B: 16
  - C: 19
  - D: 22

Unemployment

- Household members who are collecting unemployment payments are unique cases, and therefore different guidance applies to them
- Unemployment is temporary, and has a maximum payable amount
- Households should only be rated for the period of time that the household member's unemployment will cover and rerated once that time period has passed

Special Note: COVID

- As you are all aware, there are a lot more people currently collecting unemployment due to the pandemic
- CICP guidance for these individuals is to only rate them for six months using their state unemployment amount and any other income they may still have
- Providers are not allowed to count the extra $600 unemployed individuals are collecting, which is consistent with Health First Colorado policy
    - On this note, any stimulus money should also not be counted

COVID Guidance

- See all CICP COVID FAQs at https://www.colorado.gov/hcpf/covid-19-provider-information#CICP
- FAQ topics covered there include:
    - Application policies, including the flexibly signature policy
    - Telehealth/Co-pays, including how to adopt adjusted copays for telehealth visits
    - Backdating/End dating, including extending end dates for up to 90 days for clients whose ratings expire between March 24 and June 30 (current policy end date)
    - Documentation, including expired ID policy
    - Income calculation, including stimulus/$600 unemployment policy

COVID FAQs

- If you have questions about CICP policies during COVID that aren't covered in the FAQs, please send them to hcpf_CICPCorrespondence@state.co.us so that I can address them and get them added to the FAQ list
  - You all are the experts and see situations every day that I may not even know exist. I can only help if I'm informed of what you're experiencing!

Self-Employment Income

- Applicants who are self-employed may be rated using their bank statements and bills, a ledger, a profit and loss statement, the prior year’s taxes, or another form of documentation deemed acceptable by the provider
- Self-employed applicants who work out of their homes can use a percentage of their mortgage and utilities as business expenses
  - The Excel version of the provider application calculates the percentage for you once you enter in the necessary information

Home Business Percentage

- Percentage is based on the portion of the house used for the business multiplied by the percentage of the hours per week the business is conducted – used in taxes
- Formula takes business area square footage divided by the total area multiplied by the business hours divided by the total number of hours in a week (24 x 7 = 168)
- $\left(\frac{Business\ square footage}{Total\ house\ square\ footage}\right) x \left(\frac{Business\ hours\ per\ week}{168\ hours}\right)$
  - If you're using the paper version, it might be easiest to complete Worksheet 2 in the Excel application so that it does the calculation for you

Self-Employment Documentation

- Providers should not be accepting self-employment information that the applicant writes down at the screening appointment with no other documentation.
  - Applicants are allowed come to the appointment with a completed profit and loss statement or ledger that is handwritten, but they cannot be filling in numbers from memory on the application.
- As with employment income, self-employment income must have documentation.

Deductions

- Providers report with deductions they will be counting for the program year in the annual provider application.
  - Within this, providers are allowed to decide what types of documentation are acceptable for each deduction, while also allowing applicants to self-declare deduction amounts.
- Deductions should always only be counted for at most the 12 months before or following. This is also specified in your provider application
  - Make sure you are not counting full medical bills, only what has been or will be paid against them in the time period you are counting.

Liquid Resource Spend Down

- The Liquid Resource 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 who count liquid resources in income determination cannot require nor refuse the use of the Spend Down
- The Department's Excel application automatically calculates a spend down if the applicant qualifies for one by analyzing the amount they are over income and the protected resources they have to use as the spend down

Understanding the Spend Down

- Providers are required to protect at least $2,500 of liquid resources per household member
- If an applicant is over income by an amount less than their protected amount, they can use the Spend Down
  - Example: Applicant is over income by $1,200, with an income of $33,100 and a bank account of $2,300. The entire bank account is protected, and therefore is not counted as part of the applicant's net CICP income. Since the amount the applicant is over income is less than the amount of money they have in their bank account, they have the choice to pay $1,200 toward their bill in order to qualify for CICP.

Over Income and Protected Amount

- What's the relation between the overage amount and the protected amount?
  - Simply, there is no mathematical way to pay down to the limit if the applicant's income alone puts them over by more than either the protected amount or the amount in their bank account
  - Again, the Excel application will do all of these calculations for you, but you must be sure to check if there is an amount listed in the spend down line prior to completing the application, as you will need to collect proof that amount was paid towards a medical bill from the applicant before they will qualify

Over Income and Protected Amount Examples

- For example, an applicant with an income of $34,400 and a bank account of $2,499, they would be unable to pay down the difference between the income and the 250 FPL of $31,900 because the difference is $2,500.
- Similarly, an applicant with an income of $34,401 and a bank account of $2,500 would also be unable to pay down the difference between the income and the 250 FPL of $31,900 because the difference is $2,501.
- This also highlights the importance of calculating income correctly because a dollar could be the difference.

FPL Rate

- Households are all rated using an FPL rate, which is a one to three digit number (0-250)
  - Do not include a % sign on their card
  - Do not only rate them using the range they fall into on the income range/copayment scale (i.e. 176 instead of 160-185)
  - Can include the range letter in addition to the number, but MUST include the rate number (i.e. G 176, not just G)
- NOTE: The Excel application puts an “H” after the rate if the household is in the 0-40 range and homeless to distinguish between the previous N and Z rates, which impacts copayment responsibilities

Calculating FPL Rate

- On the CICP Annual Income Ranges for Each FPL Range scale, locate the household’s size
- Slide across the scale to the 100% FPL dollar amount
- Divide the household “Grand Total Net CICP Income” from the application by the 100% dollar amount
- Multiply by 100 to calculate the rate
  - Do not include decimal points

FPL Rate Example

Household Size	100% FPL
1	$12,760
2	$17,240
3	$21,720
4	$26,200
5	$30,680
6	$35,160
7	$39,640
8	$44,120

- A household of four has an annual income of $54,924
- 100% FPL for a household of four is $26,200
- $54,924 / $26,200 = 2.096 ≈ 2.10
- 2.10 x 100 = 210
- Household's FPL rate is 210
- Make sure you round up to ensure someone isn't over the set range dollar amount but still being included in that range

Question #7

- What is the FPL rate for a household of 1 with an annual income of $20,300?
  - A: 159
  - B: 160
  - C: 185
  - D: 203

Household Size	100% FPL
1	$12,760
2	$17,240
3	$21,720
4	$26,200
5	$30,680
6	$35,160
7	$39,640
8	$44,120

Answer #7

- What is the FPL rate for a household of 1 with an annual income of $20,300?
  - A: 159
  - B: 160
  - C: 185
  - D: 203

CICP
Colorado Indigent Care Program

Colorado Indigent Care Program Federal Poverty Level Calculator

Monthly Household income:		OR	Annual Household income:	$20,300.00
Household size:			Household size:	1
FPL Rate:			FPL Rate:	160

** FPL rates over 250% will return a DENIED statement instead of the FPL rate.

Question #8

- What is the FPL rate for a household of 6 with an annual income of $66,480?
  - A: 185
  - B: 189
  - C: 190
  - D: 200

Household Size	100% FPL
1	$12,760
2	$17,240
3	$21,720
4	$26,200
5	$30,680
6	$35,160
7	$39,640
8	$44,120

Answer #8

- What is the FPL rate for a household of 6 with an annual income of $66,480?
  - A: 185
  - B: 189
  - C: 190
  - D: 200

CICP
Colorado Indigent Care Program

Colorado Indigent Care Program Federal Poverty Level Calculator

Monthly Household income:		OR	Annual Household income:	$66,480.00
Household size:			Household size:	6
FPL Rate:			FPL Rate:	190

** FPL rates over 250% will return a DENIED statement instead of the FPL rate.

Provider Management Exception

- Providers may choose to make exceptions for households who do not qualify based on the normal income calculation process
  - Providers are allowed to count extra deductions they do not normally include for these households if they feel it is warranted
  - These exceptions are on a case by case basis, so an exception made for one household does not need to be made for all households
- Every provider has a Management Exception Manager listed on the provider application that should be handling the exception process

Management Exception

- One easy way to lower a household's income would be to allow the household to pay down a medical bill even if your facility does not count liquid resources and therefore does not normally use the liquid resource spend down
  - Same process would be followed, have the household pay the difference towards their outstanding medical bill
  - Count the payment as a medical deduction and enter it in Worksheet 3
  - Keep the receipt showing the payment with the application
- Obviously this won't work for every household, this is just an example

CICP vs Provider Policies

- CICP policies providers must follow:
  - Count **<u>ALL</u>** employment and self-employment income
  - Allow applicants to use Spend Down if Provider counts liquid resources in income determination.
- Providers can set policies for:
  - Unearned income sources counted – cannot count exempted sources
  - Deductions allowed in income determination
  - Liquid resources counted in income determination
  - What documentation is acceptable for the above, including if self-declaration is allowed for unearned income sources and deductions (liquid resources must be documented)

2020-21 Training

- Seven trainings available this year:
  - Income Calculation – Monday June 15 1:00 to 3:00 and Monday June 22 9:00 to 11:00
  - Application Policies – Tuesday June 16 1:00 to 3:00 and Thursday June 18 1:00 to 3:00
  - Copayments – Wednesday June 17 9:00 to 11:00 and Tuesday June 23 1:00 to 3:00
  - Question and Answer – Thursday June 25 1:00 to 3:00
- Try to have someone from your facility/facilities attend at least one session of each training
  - Attend the Q&A session!

Helpful Links

- Provider Information: https://www.colorado.gov/hcpf/cicp
  - Training sign up links and materials
  - Provider Manual
  - Current Client applications
- COVID FAQs: https://www.colorado.gov/hcpf/covid-19-provider-information#CICP
- CICP Email: hcpf_CICPCorrespondence@state.co.us

Contact Information

Taryn Graf
CICP Administrator
hcpf_CICPCorrespondence@state.co.us

Thank You!