

Title of Rule: Revision to the Medical Assistance Eligibility Rule Concerning the Use of Annualized Income at Sections 8.100.1 and 8.100.4

Rule Number: MSB 16-02-22-B

Division / Contact / Phone: Eligibility Division / Geoffrey Oliver / 303-866-2686

STATEMENT OF BASIS AND PURPOSE

1. Summary of the basis and purpose for the rule or rule change. (State what the rule says or does and explain why the rule or rule change is necessary).

The proposed rule change amends 10 CCR 2505-10, Sections 8.100.1 and 8.100.4 to allow the use of annualized income for MAGI-based Medicaid and CHP+ eligibility determinations for those individuals who have income that the Department has identified as causing individuals' income to fluctuate from month to month. The Department has identified earned income from self-employment, commission-based, and seasonal employment as such income. By implementing this rule the Department expects to reduce churn for these individuals and promote a continuity of care. The Colorado Benefits Management System (CBMS) is being updated to reflect these changes to sections 8.100.1 and 8.100.4 and this new functionality is currently on track to go live simultaneously with the requested effective date of this rule.

2. An emergency rule-making is imperatively necessary

- to comply with state or federal law or federal regulation and/or
 for the preservation of public health, safety and welfare.

Explain:

3. Federal authority for the Rule, if any:

42 CFR §435.603, Section 1902(e)(14) of the Social Security Act

4. State Authority for the Rule:

25.5-1-301 through 25.5-1-303, C.R.S. (2015);
25.5-4-104 C.R.S. (2014).

Initial Review

04/08/2016

Final Adoption

05/13/2016

Proposed Effective Date

06/30/2016

Emergency Adoption

DOCUMENT #05

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REGULATORY ANALYSIS

1. Describe the classes of persons who will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule.

The proposed rule will impact individuals who are applicants/beneficiaries who meet all eligibility criteria except have been found financially ineligible for Medical Assistance based upon their monthly income when using Modified Adjusted Gross Income (MAGI) methodology, and the individual has earned income from either self-employment, commission based employment, or seasonal employment that is counted in their eligibility determination. In this situation, because income from self-employment, commission based employment, and seasonal employment frequently causes individuals' income to change from month to month, self-employment, seasonal and commission based income will be annualized. The annualized amount will then be used to determine the financial eligibility of the individual. This proposed rule will not impact Medicaid programs that use Non-MAGI methodologies to determine eligibility.

2. To the extent practicable, describe the probable quantitative and qualitative impact of the proposed rule, economic or otherwise, upon affected classes of persons.

The impact of annualizing this income that is given to monthly fluctuations is to reduce individuals churning between insurance programs and maintaining a continuity of care.

3. Discuss the probable costs to the Department and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues.

The Department anticipates total costs in FY 2016-17 of approximately \$16,205,773; however, this is primarily expected to consist of federal funds and the impact to the state is expected to be approximately \$1,765,169 General Fund and \$279,471 cash funds. To arrive at these estimates, the Department analyzed client history for Medicaid for clients with gaps in coverage of 6 months or less, since gaps in coverage greater than 6 months are not assumed to be due to seasonal changes in client income (as seasonal income does not typically last longer than 6 months). The Department assumed that MAGI Eligible Children would not be affected by this change, due to continuous eligibility, and that annualization of income would have no impact on prenatal clients. Per capita costs decline as clients are eligible for longer periods of time, so the Department multiplied current per capita estimates by 50%, based in the methodology used in the analysis for estimating the cost of implementing continuous eligibility for children. Costs stem from Medicaid coverage during gaps when clients otherwise would have churned out of Medicaid, but are offset by savings through

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continuous access to preventive medical services reducing the occurrence of higher-cost services.

4. Compare the probable costs and benefits of the proposed rule to the probable costs and benefits of inaction.

The proposed rule would result in a cost to the Department for clients who churn on and off of Medicaid due to fluctuating income, by allowing these clients to remain on Medicaid based on their income annualized for the full year. Benefits of the proposed rule include lowering the burden to clients who must continuously apply and re-apply for Medicaid due to their fluctuating income. Because these clients' annual income would allow them to be eligible for Medicaid for the year if their income were annualized, churning to private insurance represents a financial burden for these clients and could result in coverage gaps. Lack of access to preventive care could result in higher costs for treating preventable, exacerbated conditions in the future. The proposed rule also more closely aligns income methodology between Medicaid and the Marketplace.

Inaction would potentially result in higher per capita costs for clients with fluctuating income, as clients go without preventive medical care during coverage gaps and seek treatment for exacerbated, preventable conditions when they churn back onto Medicaid. Inconsistencies between eligibility policy and Insurance Affordability Programs through the Marketplace would remain unresolved. Clients would continue to be burdened by reapplying for Medicaid throughout the year as their monthly income causes them to churn off Medicaid and then become eligible again.

5. Determine whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule.

The Department is not aware of less costly methods for achieving the purpose of the proposed rule at this time. Another option for resolving this issue would be continuous eligibility for adults, but the Department does not have sufficient data to perform a cost-benefit analysis between that potential solution and this one. A study would be required to analyze the potential benefits of implementing continuous eligibility for Medicaid eligible adults as well as other options that could potentially reduce churn. Continuous eligibility for adults would likely cost more than annualized income, as it would affect all adults, and not just those who churn on and off of Medicaid due to monthly fluctuations in income, but who would be Medicaid eligible for the year if their eligibility was based on annualized income and not their income in particular month.

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6. Describe any alternative methods for achieving the purpose for the proposed rule that were seriously considered by the Department and the reasons why they were rejected in favor of the proposed rule.

Alternative methods that have been reviewed to reduce churn include use of 1115 and 1332 waivers. While the employment of these waivers is an attractive method, it is not currently feasible as these 1332 waivers do not become effective until 2017.

1 **8.100 MEDICAL ASSISTANCE ELIGIBILITY**

2 **8.100.1 Definitions**

3 300% Institutionalized Special Income Group is a Medical Assistance category that provides
4 Long-Term Care Services to aged or disabled individuals.

5 1619b is section 1619b of the Social Security Act which allows individuals who are eligible for
6 Supplemental Security Income (SSI) to continue to be eligible for Medical Assistance coverage
7 after they return to work.

8 AB - Aid to the Blind is a program which provides financial assistance to low-income blind
9 persons.

10 ABD - Aged, Blind and Disabled Medical Assistance is a group of Medical Assistance categories
11 for individuals that have been deemed to be aged, blind, or disabled by the Social Security
12 Administration or the Department.

13 Adult MAGI Medical Assistance Group provides Medical Assistance to eligible adults from the
14 age of 19 through the end of the month that the individual turns 65, who do not receive or who are
15 ineligible for Medicare.

16 AND - Aid to Needy Disabled is a program which provides financial assistance to low-income
17 persons over age 18 who have a total disability which is expected to last six months or longer and
18 prevents them from working.

19 AFDC - Aid to Families with Dependent Children is the Title IV federal assistance program in
20 effect from 1935 to 1997 which was administered by the United States Department of Health and
21 Human Services. This program provided financial assistance to children whose families had low
22 or no income.

23 AP-5615 is the form used to determine the patient payment for clients in nursing facilities
24 receiving Long Term Care.

25 Alien is a person who was not born in the United States and who is not a naturalized citizen.

26 Ambulatory Services is any medical care delivered on an outpatient basis.

27 Annuity is an investment vehicle whereby an individual establishes a right to receive fixed
28 periodic payments, either for life or a term of years.

29 Applicant is an individual who is seeking an eligibility determination for Medical Assistance
30 through the submission of an application.

31 Application Date is the date the application is received and date-stamped by the eligibility site or
32 the date the application was received and date-stamped by an Application Assistance site or
33 Presumptive Eligibility site. In the absence of a date-stamp, the application date is the date that
34 the application was signed by the client.

35 Application for Public Assistance is the designated application used to determine eligibility for
36 financial assistance. It can also be used to determine eligibility for Medical Assistance.

- 1 Blindness is defined in this volume as the total lack of vision or vision in the better eye of 20/200
2 or less with the use of a correcting lens and/or tunnel vision to the extent that the field of vision is
3 no greater than 20 degrees.
- 4 Burial Spaces are burial plots, gravesites, crypts, mausoleums, urns, niches and other customary
5 and traditional repositories for the deceased's bodily remains provided such spaces are owned by
6 the individual or are held for his or her use, including necessary and reasonable improvements or
7 additions to or upon such burial spaces such as: vaults, headstones, markers, plaques, or burial
8 containers and arrangements for opening and closing the gravesite for burial of the deceased.
- 9 Burial Trusts are irrevocable pre-need funeral agreements with a funeral director or other entity to
10 meet the expenses associated with burial for Medical Assistance applicants/recipients. The
11 agreement can include burial spaces as well as the services of the funeral director.
- 12 Caretaker Relative is any relation by blood, marriage or adoption who is within the fifth degree of
13 kinship to the dependent child, such as: a parent; a brother, sister, uncle, aunt, first cousin, first
14 cousin once removed, nephew, niece, or persons of preceding generations denoted by prefixes of
15 grand, great, great great, or great-great-great; a spouse of any person included in the above
16 groups even after the marriage is terminated by death or divorce; or stepparent, stepbrother,
17 stepsister, step-aunt, etc.
- 18 Case Management Services are services provided by community mental health centers, clinics,
19 community centered boards, and EPSDT case managers to assist in providing services to
20 Medical Assistance clients in gaining access to needed medical, social, educational and other
21 services.
- 22 Cash Surrender Value is the amount the insurer will pay to the owner upon cancellation of the
23 policy before the death of the insured or before maturity of the policy.
- 24 Categorically Eligible means persons who are eligible for Medical Assistance due to their
25 eligibility for one or more Federal categories of public assistance.
- 26 CBMS - Colorado Benefits Management System is the computer system that determines an
27 applicant's eligibility for public assistance in the state of Colorado.
- 28 CDHS -Colorado Department of Human Services is the state department responsible for
29 administering the social service and financial assistance programs for Colorado.
- 30 Children MAGI Medical Assistance group provides Medical Assistance coverage to tax
31 dependents or otherwise eligible applicants through the end of the month that the individual turns
32 19 years old.
- 33 Child Support Services is a CDHS program that assures that all children receive financial and
34 medical support from each parent. This is accomplished by locating each parent, establishing
35 paternity and support obligations, and enforcing those obligations.
- 36 Citizen is a person who was born in the United States or who has been naturalized.
- 37 Client is a person who is eligible for the Medical Assistance Program. "Client" is used
38 interchangeably with "recipient" when the person is eligible for the program.
- 39 CMS - Centers for Medicare and Medicaid Services is the Federal agency within the US
40 Department of Health and Human Services that partners with the states to administer Medicaid
41 and CHP+ via State Plans in effect for each State. Colorado is in Region VIII.

- 1 CHP+ - Child Health Plan Plus is low-cost health insurance for Colorado's uninsured children and
2 pregnant women. CHP+ is public health insurance for children and pregnant women who earn too
3 much to qualify for The Medical Assistance Program, but cannot afford private health insurance.
- 4 COLA - Cost of Living Adjustment is an annual increase in the dollar value of benefits made
5 automatically by the United States Department of Health and Human Services or the state in
6 OASDI, SSI and OAP cases to account for rises in the cost of living due to inflation.
- 7 Colorado State Plan is a written statement which describes the purpose, nature, and scope of the
8 Colorado's Medical Assistance Program. The Plan is submitted to the CMS and assures that the
9 program is administered consistently within specific requirements set forth in both the Social
10 Security Act and the Code of Federal Regulations (CFR) in order for a state to be eligible for
11 Federal Financial Participation (FFP).
- 12 Commission Based Employment means employment where part or all of the earned income
13 earned is based on a percentage of sales made or a fixed amount per sale.
- 14 Common Law Marriage is legally recognized as a marriage in the State of Colorado under certain
15 circumstances even though no legally recognized marriage ceremony is performed or civil
16 marriage contract is executed. Individuals declaring or publicly holding themselves out as a
17 married couple through verbal or written methods may be recognized as legally married under
18 state law. C.R.S. § 14-2-104(3).
- 19 Community Centered Boards are private non-profit organizations designated in statute as the
20 single entry point into the long-term service and support system for persons with developmental
21 disabilities.
- 22 Community Spouse is the spouse of an institutionalized spouse.
- 23 Community Spouse Resource Allowance is the amount of resources that the Medical Assistance
24 regulations permit the spouse staying at home to retain.
- 25 Complete Application means an application in which all questions have been answered, which is
26 signed, and for which all required verifications have been submitted.
- 27 The Department is defined in this volume as the Colorado Department of Health Care Policy and
28 Financing which is responsible for administering the Colorado Medical Assistance Program and
29 Child Health Plan Plus programs as well as other State-funded health care programs.
- 30 Dependent Child is a child who lives with a parent, legal guardian, caretaker relative or foster
31 parent and is under the age of 19, a full-time student, and expected to graduate by age 19.
- 32 Dependent Relative for purposes of this rule is defined as one who is claimed as a dependent by
33 an applicant for federal income tax purposes.
- 34 Difficulty of Care Payments is a payment to an individual as compensation for providing additional
35 care to an individual who qualifies for foster care and lives in the home of the care provider. This
36 additional care must be required due to a physical, mental, or emotional handicap suffered by the
37 foster care individual.
- 38 Disability means the inability to do any substantial gainful activity (or, in the case of a child,
39 having marked and severe functional limitations) by reason of a medically determinable physical
40 or mental impairment(s) which can be expected to result in death or which has lasted or can be
41 expected to last for a continuous period of 12 months or more.

- 1 Dual Eligible clients are Medicare beneficiaries who are also eligible for Medical Assistance.
- 2 Earned Income is defined for purposes of this volume as any compensation from participation in a
3 business, including wages, salary, tips, commissions and bonuses.
- 4 Earned Income Disregards are the allowable deductions and exclusions subtracted from the
5 gross earnings. Income disregards vary in amount and type, depending on the category of
6 assistance.
- 7 Electronic Data Source is an interface established with a federal or state agency, commercial
8 entity, or other data sources obtained through data sharing agreements to verify data used in
9 determining eligibility. The active interfaces are identified in the Department's verification plan
10 submitted to CMS.
- 11 Eligibility Site is defined in this volume as a location outside of the Department that has been
12 deemed by the Department as eligible to accept applications and determine eligibility for
13 applicants.
- 14 Employed means that an individual has earned income and is working part time, full time or is
15 self-employed, and has proof of employment. Volunteer or in-kind work is not considered
16 employment.
- 17 EPSDT- Early Periodic Screening, Diagnosis and Treatment is the child health component of the
18 Medical Assistance Program. It is required in every state and is designed to improve the health of
19 low-income children by financing appropriate, medically necessary services and providing
20 outreach and case management services for all eligible individuals.
- 21 Equity Value is the fair market value of land or other asset less any encumbrances.
- 22 Ex Parte Review is an administrative review of eligibility during a redetermination period in lieu of
23 performing a redetermination from the client. This administrative review is performed by verifying
24 current information obtained from another current aid program.
- 25 Face Value of a Life Insurance Policy is the basic death benefit of the policy exclusive of dividend
26 additions or additional amounts payable because of accidental death or other special provisions.
- 27 Fair Market Value is the average price a similar property will sell for on the open market to a
28 private individual in the particular geographic area involved. Also, the price at which the property
29 would change hands between a willing buyer and a willing seller, neither being under any
30 pressure to buy or to sell and both having reasonable knowledge of relevant facts.
- 31 FBR - The Federal Benefit Rate is the monthly Supplemental Security Income payment amount
32 for a single individual or a couple. The FBR is used by the Aged, Blind and Disabled Medical
33 Assistance Programs as the eligibility income limits.
- 34 FFP - Federal Financial Participation as defined in this volume is the amount or percentage of
35 funds provided by the Federal Government to administer the Colorado Medical Assistance
36 Program.
- 37 FPL - Federal Poverty Level is a simplified version of the federal poverty thresholds used to
38 determine financial eligibility for assistance programs. The thresholds are issued each year in the
39 Federal Register by the Department of Health and Human Services (HHS).

- 1 Good Cause is the client's justification for needing additional time due to extenuating
2 circumstances, usually used when extending deadlines for submittal of required documentation.
- 3 Good Cause for Child Support is the specific process and criteria that can be applied when a
4 client is refusing to cooperate in the establishment of paternity or establishment and enforcement
5 of a child support order due to extenuating circumstances.
- 6 HCBS are Home and Community Based Services are also referred to as "waiver programs".
7 HCBS provides services beyond those covered by the Medical Assistance Program that enable
8 individuals to remain in a community setting rather than being admitted to a Long-Term Care
9 institution.
- 10 In-Kind Income is income a person receives in a form other than money. It may be received in
11 exchange for work or service (earned income) or a non-cash gift or contribution (unearned
12 income).
- 13 Inpatient is an individual who has been admitted to a medical institution on recommendation of a
14 physician or dentist and who receives room, board and professional services for 24 hours or
15 longer, or is expected to receive these services for 24 hours or longer.
- 16 Institution is an establishment that furnishes, in single or multiple facilities, food, shelter and some
17 treatment or services to four or more persons unrelated to the proprietor.
- 18 Institutionalization is the commitment of a patient to a health care facility for treatment.
- 19 Institutionalized Individual is a person who is institutionalized in a medical facility, a Long-Term
20 Care institution, or applying for or receiving Home and Community Based Services (HCBS) or the
21 Program of All Inclusive Care for the Elderly (PACE).
- 22 Institutionalized Spouse is a Medicaid eligible client who begins a stay in a medical institution or
23 nursing facility on or after September 30, 1989, or is first enrolled as a Medical Assistance client
24 in the Program of All Inclusive Care for the Elderly (PACE) on or after October 10, 1997, or
25 receives Home and Community Based Services (HCBS) on or after July 1, 1999; and is married
26 to a spouse who is not in a medical institution or nursing facility. An institutionalized spouse does
27 not include any such individual who is not likely to be in a medical institution or nursing facility or
28 to receive HCBS or PACE for at least 30 consecutive days. Irrevocable means that the contract,
29 trust, or other arrangement cannot be terminated, and that the funds cannot be used for any
30 purpose other than outlined in the document.
- 31 Insurance Affordability Program (IAP) refers to Medicaid, Child Health Plan *Plus* (CHP+), and
32 premium and cost-sharing assistance for purchasing private health insurance through state
33 insurance marketplace.
- 34 Legal Immigrant is an individual who is not a citizen or national and has been permitted to remain
35 in the United States by the United States Citizenship and Immigration Services (USCIS) either
36 temporarily or as an actual or prospective permanent resident or whose extended physical
37 presence in the United States is known to and allowed by USCIS.
- 38 Legal Immigrant Prenatal is a medical program that provides medical coverage for pregnant legal
39 immigrants who have been legal immigrants for less than five years.
- 40 Limited Disability for the Medicaid Buy-In Program for Working Adults with Disabilities means that
41 an individual has a disability that would meet the definition of disability under SSA without regard
42 to Substantial Gainful Activity (SGA).

- 1 Long-Term Care is Medical Assistance services that provides nursing-home care, home-health
2 care, personal or adult day care for individuals aged at least 65 years or with a chronic or
3 disabling condition.
- 4 Long-Term Care Institution means class I nursing facilities, intermediate care facilities for the
5 mentally retarded (ICF/MR) and swing bed facilities. Long-Term Care institutions can include
6 hospitals.
- 7 Managed care system is a system for providing health care services which integrates both the
8 delivery and the financing of health care services in an attempt to provide access to medical
9 services while containing the cost and use of medical care.
- 10 Medical Assistance is defined as all medical programs administered by the Department of Health
11 Care Policy and Financing. Medical Assistance/Medicaid is the joint state/federal health benefits
12 program for individuals and families with low income and resources. It is an entitlement program
13 that is jointly funded by the states and federal government and administered by the state. This
14 program provides for payment of all or part of the cost of care for medical services.
- 15 Medical Assistance Required Household is defined for purposes of this volume as all parents or
16 caretaker relatives, spouses, and dependent children residing in the same home.
- 17 Minimal Verification is defined in this volume as the minimum amount of information needed to
18 process an application for benefits. No other verification can be requested from clients unless the
19 information provided is questionable or inconsistent.
- 20 MMMNA - Minimum Monthly Maintenance Needs Allowance is the calculation used to determine
21 the amount of institutionalized spouse's income that the community spouse is allowed to retain to
22 meet their monthly living needs.
- 23 MAGI - Modified Adjusted Gross Income refers to the methodology by which income and
24 household composition are determined for the MAGI Medical Assistance groups under the
25 Affordable Care Act. These MAGI groups include Parents and Caretaker Relatives, Pregnant
26 Women, Children, and Adults. For a more complete description of the MAGI categories and
27 pursuant rules, please refer to section 8.100.4.
- 28 MAGI-Equivalent is the resulting standard identified through a process that converts a state's net-
29 income standard to equivalent MAGI standards.
- 30 MIA - Monthly Income Allowance is the amount of institutionalized spouse's income that the
31 community spouse is allowed to retain to meet their monthly living needs.
- 32 MSP - Medicare Savings Program is a Medical Assistance Program to assist in the payment of
33 Medicare premium, coinsurance and deductible amounts. There are four groups that are eligible
34 for payment or part-payment of Medicare premiums, coinsurance and deductibles: Qualified
35 Medicare Beneficiaries (QMBs), Specified Low-Income Medicare Beneficiaries (SLIMBs),
36 Qualified Disabled and Working Individuals (QDWIs), and Qualifying Individuals – 1 (QI-1s).
- 37 Non-Filer is an individual who neither files a tax return nor is claimed as a tax dependent. For a
38 more complete description of how household composition is determined for the MAGI Medical
39 Assistance groups, please refer to the MAGI household composition section at 8.100.4.E.
- 40 Nursing Facility is a facility or distinct part of a facility which is maintained primarily for the care
41 and treatment of inpatients under the direction of a physician. The patients in such a facility

- 1 require supportive, therapeutic, or compensating services and the availability of a licensed nurse
2 for observation or treatment on a twenty-four-hour basis.
- 3 OAP - Old Age Pension is a financial assistance program for low income adults age 60 or older.
- 4 OASDI - Old Age, Survivors and Disability Insurance is the official term Social Security uses for
5 Social Security Act Title II benefits including retirement, survivors, and disability. This does not
6 include SSI payments.
- 7 Outpatient is a patient who is not hospitalized overnight but who visits a hospital, clinic, or
8 associated facility for diagnosis or treatment. Is a patient who does not require admittance to a
9 facility to receive medical services.
- 10 PACE - Program of All-inclusive Care for the Elderly is a unique, capitated managed care benefit
11 for the frail elderly provided by a not-for-profit or public entity. The PACE program features a
12 comprehensive medical and social service delivery system using an interdisciplinary team
13 approach in an adult day health center that is supplemented by in-home and referral services in
14 accordance with participants' needs.
- 15 Parent and Caretaker Relative is a MAGI Medical Assistance group that provides Medical
16 Assistance to adults who are parents or Caretaker Relatives of dependent children.
- 17 Patient is an individual who is receiving needed professional services that are directed by a
18 licensed practitioner of the healing arts toward maintenance, improvement, or protection of
19 health, or lessening of illness, disability, or pain.
- 20 PEAK – the Colorado Program Eligibility and Application Kit is a web-based portal used to apply
21 for public assistance benefits in the State of Colorado, including Medical Assistance.
- 22 PNA - Personal Needs Allowance means moneys received by any person admitted to a nursing
23 care facility or Long-Term Care Institution which are received by said person to purchase
24 necessary clothing, incidentals, or other personal needs items which are not reimbursed by a
25 Federal or state program.
- 26 Pregnant Women is a MAGI Medical Assistance group that provides Medical Assistance
27 coverage to pregnant women whose MAGI-based income calculation is less than 185% FPL,
28 including women who are 60 days post-partum.
- 29 Premium means the monthly amount an individual pays to participate in a Medicaid Buy-In
30 Program.
- 31 Provider is any person, public or private institution, agency, or business concern enrolled under
32 the state Medical Assistance program to provide medical care, services, or goods and holding a
33 current valid license or certificate to provide such services or to dispense such goods.
- 34 Psychiatric Facility is a facility that is licensed as a residential care facility or hospital and that
35 provides inpatient psychiatric services for individuals under the direction of a licensed physician.
- 36 Public Institution means an institution that is the responsibility of a governmental unit or over
37 which a governmental unit exercises administrative control.
- 38 Questionable is defined as inconsistent or contradictory tangible information, statements,
39 documents, or file records.

- 1 Reasonable Compatibility refers to an allowable difference or discrepancy between the income an
2 applicant self attests and the amount of income reported by an electronic data source. For a more
3 complete description of how reasonable compatibility is used to determine an applicant's financial
4 eligibility for Medical Assistance, please refer to the MAGI Income section at 8.100.4.C
- 5 Reasonable Explanation refers to the opportunity afforded an applicant to explain a discrepancy
6 between self-attested income and income as reported by an electronic data source, when the
7 difference is above the threshold percentage for reasonable compatibility.
- 8 Recipient is any person who has been determined eligible to receive benefits.
- 9 Resident is any individual who is living within the state and considers the state as their place of
10 residence. Residents include any unemancipated child whose parent or other person exercising
11 custody lives within the state.
- 12 RRB - Railroad Retirement Benefits is a benefit program under Federal law 45 U.S.C. § 231 et
13 seq that became effective in 1935. It provides retirement benefits to retired railroad workers and
14 families from a special fund, which is separate from the Social Security fund.
- 15 Seasonal Employment means employment where the work is performed only for part of the year
16 for a set period of time, usually less than six months.
- 17 Secondary School is a school or educational program that provides instruction or training towards
18 a high school diploma or an equivalent degree such as a High School Equivalency Diploma
19 (HSED).
- 20 SGA – Substantial Gainful Activity is defined by the Social Security Administration. SGA is the
21 term used to describe a level of work activity and earnings. Work is “substantial” if it involves
22 performance of significant physical or mental activities or a combination of both, which are
23 productive in nature. For work activity to be substantial, it does not need to be performed on a
24 full-time basis. Work activity performed on a part-time basis may also be substantial gainful
25 activity. “Gainful” work activity is work performed for pay or profit; or work of a nature generally
26 performed for pay or profit; or work intended for profit, whether or not a profit is realized.
- 27 Single Entry Point Agency means the organization selected to provide case management
28 functions for persons in need of Long-Term Care services within a Single Entry Point District.
- 29 Single Streamlined Application or “SSAp” is the general application for health assistance benefits
30 through which applicants will be screened for Medical Assistance programs including Medicaid,
31 CHP+, or premium and cost-sharing assistance for purchasing private health insurance through a
32 state insurance marketplace.
- 33 SISC- Supplemental Income Status Codes are system codes used to distinguish the different
34 types of state supplementary benefits (such as OAP) a recipient may receive. Supplemental
35 Income Status Codes determine the FFP for benefits paid on behalf of groups covered under the
36 Medical Assistance program.
- 37 SSA - Social Security Administration is an agency of the United States federal government that
38 administers Social Security, a social insurance program consisting of retirement, disability, and
39 survivors' benefits.
- 40 SSI - Supplemental Security Income is a Federal income supplement program funded by general
41 tax revenues (not Social Security taxes) that provides income to aged, blind or disabled
42 individuals with little or no income and resources.

- 1 SSI Eligible means an individual who is eligible to receive Supplemental Security Income under
2 Title XVI of the Social Security Act, and may or may not be receiving the monetary payment.
- 3 TANF - Temporary Assistance to Needy Families is the Federal assistance program which
4 provides supportive services and federal benefits to families with little or no income or resources.
5 It is the Block Grant that was established under the Personal Responsibility and Work
6 Opportunity Reconciliation Act in Title IV of the Social Security Act.
- 7 Tax Dependent is anyone expected to be claimed as a dependent by a Tax-Filer.
- 8 Tax-Filer is an individual, head of household or married couple who is required to and who files a
9 personal income tax return.
- 10 Third Party is an individual, institution, corporation, or public or private agency which is or may be
11 liable to pay all or any part of the medical cost of an injury, a disease, or the disability of an
12 applicant for or recipient of Medical Assistance.
- 13 Title XIX is the portion of the federal Social Security Act which authorizes a joint federal/state
14 Medicaid program. Title XIX contains federal regulations governing the Medicaid program.
- 15 TMA - Transitional Medical Assistance is a Medical Assistance category for families that lost
16 Medical Assistance coverage due to increased earned income or loss of earned income
17 disregards.
- 18 ULTC 100.2 is an assessment tool used to determine level of functional limitation and eligibility
19 for Long-Term Care services in Colorado.
- 20 Unearned Income is the gross amount received in cash or kind that is not earned from
21 employment or self-employment.
- 22 VA - Veterans Affairs is The Department of Veterans Affairs which provides patient care and
23 Federal benefits to veterans and their dependents.
24

1 **8.100.4.C. MAGI Methodology for Income Calculation**

2 1. For an in depth treatment of gross income, refer to 26 U.S.C. § 61, which is hereby
3 incorporated by reference. The incorporation of 26 U.S.C. § 61 (2014) excludes later
4 amendments to, or editions of, the referenced material. Pursuant to § 24-4-103(12.5),
5 C.R.S., the Department maintains copies of this incorporated text in its entirety, available
6 for public inspection during regular business hours at: Colorado Department of Health
7 Care Policy and Financing, 1570 Grant Street, Denver CO 80203. Certified copies of
8 incorporated materials are provided at cost upon request. Except as otherwise provided,
9 pursuant to 26 U.S.C. § 61 gross income means all income from all derived sources, The
10 Modified Adjusted Gross Income calculation for the purposes of determining a
11 household's financial eligibility for Medical Assistance shall consist of, but is not limited
12 to, the following:

13 a. Earned Income:

- 14 i) Wages, salaries, tips;
15 ii) Gross income derived from business;
16 iii) Gains derived from dealings in property;
17 iv) Distributive share of partnership gross income (not a limited partner);
18 v) Compensation for services, including fees, commissions, fringe benefits
19 and similar items;and
20 vi) Taxable private disability income.

21 b. Unearned Income:

- 22 i) Interest (includes tax exempt interest);
23 ii) Rents;
24 iii) Royalties;
25 iv) Dividends;
26 v) Alimony payments made directly to the household from a non-household
27 member and separate maintenance payments;
28 vi) Pensions and annuities;
29 vii) Income from life insurance and endowment contracts;
30 viii) Income from discharge of indebtedness;
31 ix) Income in respect of a decedent; and
32 x) Income from an interest in an estate or trust.
33 xi) Social Security (SSA) income

- 1 xii) Distributive share of partnership gross income (limited partner)
- 2 c. Additional Income: In addition to the types of income identified in section
3 8.100.4.C.1.a-b., the following income is included in the MAGI calculation.
- 4 i) Any tax exempt interest income
- 5 ii) Untaxed foreign wages and salaries
- 6 iii) Social Security Title II Benefits (Old Age, Disability and Survivor's
7 benefits)
- 8 d. The following are Income exclusions:
- 9 i) An amount received as a lump sum is counted as income only in the
10 month received.
- 11 ii) Scholarships, awards, or fellowship grants used for educational purposes
12 and not for living expenses.
- 13 iii) Child support received
- 14 iv) Worker's Compensation
- 15 v) Supplemental Security Income (SSI)
- 16 vi) Veteran's Benefits
- 17 vii) American Indian/Alaskan Native income exceptions listed at 42 C.F.R. §
18 435.603(e) (2012) is hereby incorporated by reference. The incorporation
19 of 42 C.F.R. § 435.603(e) (2012) excludes later amendments to, or
20 editions of, the referenced material. Pursuant to § 24-4-103(12.5),
21 C.R.S., the Department maintains copies of this incorporated text in its
22 entirety, available for public inspection during regular business hours at:
23 Colorado Department of Health Care Policy and Financing, 1570 Grant
24 Street, Denver, CO 80203. Certified copies of incorporated materials are
25 provided at cost upon request.
- 26 e. Allowable Deductions: For an in depth treatment of allowable deductions from
27 gross income, please refer to 26 U.S.C. 62, which is hereby incorporated by
28 reference. The incorporation of 26 U.S.C. 62 (2014) excludes later amendments
29 to, or editions of, the referenced material. Pursuant to § 24-4-103(12.5), C.R.S.,
30 the Department maintains copies of this incorporated text in its entirety, available
31 for public inspection during regular business hours at: Colorado Department of
32 Health Care Policy and Financing, 1570 Grant Street, Denver CO 80203.
33 Certified copies of incorporated materials are provided at cost upon request. The
34 following deductions are allowed to be subtracted from an individual's taxable
35 gross income, in order to calculate the Adjusted Gross Income including (but not
36 limited to):
- 37 i) Student loan interest deductions
- 38 ii) Certain Self- employment expenses (SEP, SIMPLE and qualified plans,
39 and health insurance deductions)

- 1 iii) Deductible part of self-employment tax
- 2 iv) Health savings account deduction
- 3 v) Certain Business expenses of reservists, performing artist, and fee-basis
- 4 government officials
- 5 vi) Certain reimbursed expenses of employees
- 6 vii) Moving expenses
- 7 viii) IRA deduction
- 8 ix) Penalty on early withdrawal
- 9 x) Domestic production activities deduction
- 10 xi) Alimony paid outside the home

11 f. Income of children and tax dependents:

- 12 i) The income of a child who is included in the household of their natural,
- 13 adopted, or step parent will not be included in the household income
- 14 unless that child has income sufficient to require that the child file a tax
- 15 return.
- 16 1) Income from Title II Social Security benefits and Tier I Railroad
- 17 benefits are excluded when determining if a child is required to
- 18 file taxes.
- 19 ii) The income of a person, other than a child or spouse, who expects to be
- 20 claimed as a tax dependent will not be included in the household income
- 21 of the taxpayer unless that tax dependent has income sufficient to
- 22 require that the tax dependent file a tax return.
- 23 1) Income from Title II Social Security benefits and Tier I Railroad
- 24 benefits are excluded when determining if a tax dependent is
- 25 required to file taxes.

26 2. Income verifications: When discrepancies arise between self-attested income and
 27 electronic data source results, the applicant shall receive every reasonable opportunity to
 28 establish his/her financial eligibility through the test for reasonable compatibility, by
 29 providing a reasonable explanation of the discrepancy, or by providing paper
 30 documentation in accordance with this section. For Reasonable Opportunity Period
 31 please see section 8.100.3.H.9.

- 32 a. Income information obtained through an electronic data source shall be
- 33 considered reasonably compatible with income information provided by or on
- 34 behalf of an applicant in the following circumstances:
- 35 i) If the amount attested by the applicant and the amount reported by an
- 36 electronic data source are both below the applicable income standard for
- 37 the requested program, that income shall be determined reasonably
- 38 compatible and the applicant shall be determined eligible.

