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200.03 WHAT IS NOT INCOME

Some items received by an individual are not income because they do not meet the definition of income. Other items are income by definition, but are excluded from an individual's income by federal statute. Only those items specifically listed in the law and regulations can be excluded from income. The items in this section are not considered income for Medicaid purposes.

200.03.01 MEDICAL AND SOCIAL SERVICES, RELATED CASH AND IN-KIND ITEMS

Medical and social services are not income for Medicaid purposes. Under the circumstances specified in this section, cash and in-kind items received in conjunction with medical and social services are also not income.

Medical Services

Medical services are those services which are directed toward diagnostic, preventive, therapeutic or palliative treatment of a medical condition and which are performed, directed or supervised by a state licensed health professional. The term “medical services” includes any room and board (i.e., food or shelter) provided during a medical confinement, as well as in-kind medical items such as prescription drugs, eyeglasses, prosthetics and their maintenance, electric wheelchairs, modified scooters and specially trained animals, such as seeing eye dogs, and their maintenance. Transportation to and from medical treatment is also considered a medical service.

Social Services

A social service is any service (other than medical) which is intended to assist a handicapped or socially disadvantaged individual to function in society on a level comparable to that of an individual who does not have such a handicap or disadvantage. Some frequently encountered social services programs are programs funded under Title IV-B of the Social Security Act, Child Welfare Services; Title V of the Social Security Act, Maternal and Child Health and Crippled Children's Services and the Rehabilitation Act of 1973.

Education is not generally considered to be a social service, nor is vocational training that is not part of a vocational rehabilitation program. Government income maintenance programs such as TANF or Bureau of Indian Affairs General Assistance and Child Welfare Assistance are also not social services.

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MEDICAL AND SOCIAL SERVICES, RELATED CASH AND IN-KIND ITEMS (Continued)

Cash Received in Conjunction with Medical or Social Services

When cash is received in conjunction with medical or social services, handle as follows:

- Any cash provided by a governmental medical or social services program is not income.
- Any cash from a nongovernmental medical or social services organization is not income when:
 - The cash is for medical or social services already received by the individual and approved by the organization; however, if the individual receives an amount in excess of the expense of the medical or social services, the excess cash is unearned income; or
 - The cash is a payment restricted to the future purchase of a medical or social service, or related excludable in-kind items.
 - Cash from any insurance policy which pays “loss of time” benefits to the recipient and restricts payment to periods of hospital confinement is treated as a third party resource, not income. However, cash payments considered to be an income supplementation for lost income due to a disability are income. This includes weekly disability policies without regard to hospital confinement.

In-Kind Items Received in Conjunction with Medical or Social Services

When in-kind items are is received in conjunction with medical or social services, handle as follows:

- In-kind items which meet the definition of medical services are not income regardless of their source.
- Room and board (food and shelter) provided during a medical confinement is not income. A medical confinement exists when an individual receives treatment in a medical treatment facility.
- Any in-kind items (including food and shelter) provided by a governmental medical or social services program are not income.
- In-kind items (other than food or shelter) provided by a nongovernmental medical or social services organization for medical or social services purposes are not income.

NOTE: Cash payments for medical or social services that are not income are also not a resource for one calendar month following the month of receipt.

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200.03.02 PERSONAL SERVICES

A personal service performed for an individual is not income. Examples of personal services for an individual which are not income are:

- Mowing the lawn;
- Doing housecleaning;
- Going to the grocery store; and
- Babysitting.

200.03.03 CONVERSION OR SALE OF A RESOURCE

Receipts from the sale, exchange or replacement of a resource are not income, but are resources that have changed their form. This includes any cash or in-kind item that is provided to replace or repair a resource that has been lost, damaged or stolen.

Example: Jerry sells his 1999 Buick for \$1000. The money he receives is not income, but a resource which has been converted from one form (a car) to another form (cash).

200.03.04 REBATES AND REFUNDS

When an individual receives a rebate, refund or other return of money he has already paid, the money returned is not income. The key idea in applying this policy is the return of an individual's own money. Some rebates do not fit that category. If the rebate is a return on an investment, for example, the rebate would be treated as a dividend.

200.03.05 INCOME TAX REFUNDS

Any amount of income tax refunded to an individual is not income. Amounts withheld or paid as income tax during the course of a taxable year are included in the definition of income; therefore, any later refund of income taxes by a federal, state, or local taxing authority is not again treated as income. This is so even if the income from which the tax was withheld or paid was received in a period prior to the Medicaid application.

NOTE: The American Taxpayer Relief Act of 2012 excludes from income all federal tax refunds and advanced tax credits received on or after January 1, 2010. A federal refundable tax credit reduces the federal tax liability of certain taxpayers. It can result in a payment to the taxpayer, either as an advance from an employer or as a refund from the IRS. All federal tax refunds and advanced tax credits received after 01/01/2010 also qualify for a 12-month resource exclusion.

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200.03.06 CREDIT LIFE OR CREDIT DISABILITY INSURANCE PAYMENTS

Credit life and credit disability insurance are issued to or on behalf of borrowers to cover payments on loan, mortgages, etc., in the event of the borrower's death or disability. Both types of insurance may be administered under group or individual policies. The insurance payments are made directly to loan or mortgage companies, and are not available to the individual, either directly or by sale or conversion, for purposes of meeting his basic needs. These payments made on behalf of an individual under credit life or credit disability policies are not income.

200.03.07 OTHER INSURANCE PAYMENTS

Each insurance policy must be examined to determine the type of benefit it provides and the purposes for which it can be used. Cash payments should be treated as follows:

- Cash payments from any insurance policy made directly to the provider are not income since the beneficiary does not receive the payment. Any amounts paid to a facility for purposes other than medical care may be considered income if the facility actually pays the amount to the individual.
- Cash payments from any insurance policy which are restricted for purchase or reimbursement of medical services covered under the policy are a third party resource, not income.
- Cash payments from policies that restrict payments to periods of hospital confinement are a third party resource, not income.
- Cash payments from specialized policies, such as cancer or dismemberment policies, are reimbursements, not a third party resource.
- Cash payments from any insurance policy intended for income supplementation for lost income due to a disability are considered income. This includes weekly disability payments without regard to hospital confinement.
- Long term care insurance policies may be paid directly to the individual or to the nursing facility. If payments are made directly to the individual, consider them countable unearned income. If paid directly to the nursing facility, consider them a third party resource.

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200.03.08 BILLS PAID BY A THIRD PARTY

When someone other than the eligible individual or couple makes a payment directly to a vendor, the payment is not income to the Medicaid recipient because the individual does not receive the payment itself. However, a third party vendor payment is a means by which an individual may receive unearned in-kind income if food or shelter is received.

200.03.09 REPLACEMENT OF INCOME ALREADY RECEIVED

If an individual's income is lost, stolen or destroyed and the individual receives a replacement, the replacement is not income. This is because once a payment has been issued and treated as income in determining an individual's eligibility, the reissuance of that same payment is not counted as income

200.03.10 RETURN OF ERRONEOUS PAYMENTS

A payment is not income when the individual is aware the he is not due the money and returns the check uncashed or otherwise refunds all of the erroneously received money in the month of receipt or the following month. When the return is timely, accept the client's statement the money was returned and do not count it as income. However, if there is a delay in return of the erroneous payment beyond the month following the month of receipt, verify return of the full payment and document the reason for the delay and any other relevant facts.

200.03.11 WEATHERIZATION ASSISTANCE

Weatherization assistance (insulation, storm doors, windows, etc.) is not income.

200.03.12 RECEIPT OF CERTAIN NON-CASH ITEMS

The value of any noncash items (other than an item of food or shelter) is not income if the item would become a partially or totally excluded nonliquid resource if retained into the month after the month of receipt.. Such non-income items may include, but are not limited to, specially equipped vehicles, automobiles, household goods, and property essential to self-support. Consider these non-income items solely under resource rules.

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200.03.13 WAGE- RELATED PAYMENTS

The following payments by an employer are not income unless the funds for them are deducted from the employee's salary:

- Funds the employer uses to purchase qualified benefits under a cafeteria plan
- Employer contributions to a health insurance or retirement fund
- The employer's share of FICA taxes or unemployment compensation taxes, in all cases
- The employee's share of FICA taxes or unemployment taxes paid by the employer on wages *for domestic service in the private home of the employer or for agricultural labor only*; to the extent the employee does not reimburse the employer.

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200.03.14 PROCEEDS OF A LOAN

Bona Fide Loan

The proceeds of a bona fide loan are not income to the borrower because of the borrower's obligation to repay. Money received as repayment of the principal of a bona fide loan is not income to the lender; however, the interest received on money loaned is income to the lender. A bona fide loan is an agreement that is legally valid and made in good faith. The agreement must have been in effect at the time of the transaction. Money given with no obligation to repay cannot become a loan at a later date. The repayment plan must be feasible. The loan agreement must be in writing and include:

- The borrower's acknowledgment of his obligation to repay, with or without interest.
- Schedule and plan for repayment, e.g., borrower plans to repay when he receives anticipated income in the future, and
- Borrower's express intent to repay by pledging either real or personal property or anticipated future income.

Non Bona Fide Loan

If the loan is not bona fide, the proceeds received in the transaction are unearned income to the borrower in the month received. If the loan is not bona fide, payments toward principal and interest are unearned income to the lender. As indicated above, the interest received by the lender on money loan is unearned income whether the loan is bona fide or not.

200.03.15 PROMISSORY NOTES AND PROPERTY AGREEMENTS

For the Medicaid client who is the borrower, under both SSI and liberalized policy, cash paid by the lender to the borrower is not income if a promissory note or property agreement is bona fide, but it may be a resource the following month. Also under both policies, if the agreement is non-bona fide or non-negotiable, cash paid by the lender to the borrower is income in the month received by the borrower and any retained cash (or property received) may be a resource the following month.

A promissory note is a written, unconditional agreement where one person promises to pay another party a specific amount at a specific time (or on demand). It can be repayment for goods, money loaned or services rendered.

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PROMISSORY NOTES AND PROPERTY AGREEMENTS (Continued)

A property agreement, also known as a mortgage, deed of trust, real estate contract, etc., exists when a piece of property is used to secure payment of a debt or performance of services within a specified period of time. A bona fide agreement is one which is legally valid and made in good faith. An agreement is assumed to be negotiable if there is no legal bar to its sale.

SSI Policy – Medicaid Client is Lender

Under SSI policy, a bona fide, negotiable promissory note or property agreement is a resource. The goods or money represented in the agreement are not a resource because they are not accessible. The interest portion of the payment on a bona fide, negotiable agreement received by the Medicaid client who is the lender is unearned income. If the agreement is non-bona fide or non-negotiable, both principal and interest paid to the lender are income.

Liberalized Policy – Medicaid Client is Lender

For coverage groups subject to liberalized resource policy, a bona fide, non-negotiable promissory note or agreement can be excluded as a resource if it produces at least a 6% net annual return of the principal balance. For this exclusion to apply to the non-institutionalized client, the income must be received by the client/spouse and counted as income. For all institutionalized individuals in either SSI or liberalized programs, the agreement may be excluded as a resource if it produces at least a 6% net annual return of the principal balance and meets all of the following criteria:

- The repayment terms of the note or agreement are actuarially sound; the institutional client must reasonably expect to receive full payoff of the note or agreement during his lifetime. The average number of years of life expectancy remaining based on the Annuity Life Expectancy charts must coincide with the payout of the note or agreement
- Principal and interest portions of payments are of uniform rate, with no deferred or balloon payments and
- The agreement must not state the debt is cancelled upon death of the lender.

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200.03.16 FUND RAISING PROCEEDS

Benefits received through fund raising are a potential third party liability source. The applicant/recipient must report all sources of income from fund raising to the regional office. The regional office will inform the Third Party Liability unit of the availability of any source of payment for medical services. Donated funds for the purpose of payment of medical services are considered a third party source.

In order for donated funds to be excluded as income, the following criteria must be met:

- Prior to accepting donations, the applicant/recipient (or family of a child) must make arrangements to place donations in a trust fund or special account;
- The trust fund or special account must be managed by an administrator (someone outside the family);
- The funds must never be mixed with personal or family money;
- The applicant/recipient should not have direct access to the trust funds or special account;
- The applicant/recipient or administrator must be able to produce documentation of how the funds were spent.