

# Implementation Guide: Medicaid State Plan Eligibility Work Incentives

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## Work Incentives

### **POLICY CITATION**

**Statute:** 1902(a)(10)(A)(ii)(XIII)

### **BACKGROUND**

#### **Overview**

This reviewable unit (RU) describes the Medicaid eligibility group for working individuals who, except for earned income, would be eligible to receive supplemental security income (SSI) benefits. It provides the criteria under which individuals may be covered under this group, as well as the income and resource standards used.

The Work Incentives group is one of four eligibility groups collectively called the “buy-in” groups. If a state elects to cover one of these groups, the state may require individuals to “buy-in” to the group by paying premiums and cost sharing.

The buy-in groups are:

- Work Incentives
- Ticket to Work Basic
- Ticket to Work Medical Improvements
- Family Opportunity Act Children with a Disability

Each of the buy-in groups has its own eligibility requirements. States may apply less restrictive income and resource counting methodologies to any of these groups, using section 1902(r)(2) authority. And 209(b) states may apply their more restrictive methodologies to these groups.

#### **Characteristics**

The Work Incentives group is an optional eligibility group established by section 1902(a)(10)(A)(ii)(XIII) of the Act. This eligibility group covers individuals who:

- Have earned income;
- Meet the SSI program’s definition of disability, except for earnings;
- Meet each of the income standards in a two-step test:
  - Step 1 – family net income is at or below 250% FPL
  - Step 2 – individual net income, excluding earned income, is at or below the SSI income standard
- Have resources that do not exceed the SSI resource standard.

#### *Disability*

Eligibility for the Work Incentives group is not limited to individuals who are, or have been, an SSI recipient. However, if an individual has not been determined by the Social Security Administration (SSA) or state Medicaid agency to have a disability, the state must ensure that the individual meets the SSI definition of disability, except that the individual’s employment

activity, earned income, and substantial gainful activity is not factored into this determination. If a 209(b) state elects to apply its more restrictive eligibility criteria to this group, and those criteria include a more restrictive definition of disability, the more restrictive definition may be applied when determining eligibility for the Work Incentives group, except that the state should, like the SSI-based states, not factor into this determination the individual's employment activity, earned income, and substantial gainful activity.

### *Earned Income*

The Work Incentives group requires that an individual have earned income; i.e., that the individual be working. The statute does not provide any specific employment requirements and does not allow states to create a definition of employment, such as a minimum standard for either number of hours worked or level of earnings. However, states may require that an individual provide evidence of earnings, such as pay stubs or evidence of FICA taxes paid.

### **Financial Eligibility**

In determining financial eligibility for the Work Incentives eligibility group, states utilize a two-step process.

#### ***Step One***

The first step is a net income test, based on the individual's combined family income, including all earnings. The family's net combined income must be less than 250 percent of the federal poverty level (FPL) for a family of the size involved. Family income is determined using SSI methodologies, including the application of all appropriate SSI disregards and exemptions, including the earned income disregard. 209(b) states may apply their more restrictive income counting requirements in determining whether the individual meets the Step One test.

Family size is defined for this purpose in the **Non-MAGI Methodologies** RU. States have flexibility in how they define a family for the purpose of this income test. As one example, a state could choose to consider a 20 year old individual with a disability, who is living with his parents and two younger siblings, as a family of five. The Medicaid deeming rules, which are described at 42 C.F.R §435.602, would prohibit the state from counting the income of the individual's siblings, because their income is not deemed to be available to the individual. Only the income of the individual and the individual's parents would be counted. However, the siblings would be included in the family size when comparing family income to 250 percent of the FPL, in this case for a family of five.

Alternatively, a state could choose to consider a disabled adult living with his or her parents and two younger siblings as a family of one. In this case, only the individual's income would be counted and the individual's "family" income would be compared to 250 percent of the FPL for a family of one.

Option: Less Restrictive Methodologies. When determining family income under step one, states may apply less restrictive methodologies under section 1902(r)(2) of the Act. Additional information on less restrictive income counting methodologies can be found in the implementation guides that accompany the **Less Restrictive Income Methodologies under 1902(r)(2)** screen.

### *Step Two*

Assuming the individual met the net family income test, the second step is a determination of whether the individual meets the unearned income and resource standards that would be required to receive an SSI benefit. The individual's countable unearned income (e.g., title II disability benefits) must be less than the SSI income standard, or at state option, the standard for optional state supplementary payments if the state makes such payments. In addition, the individual's countable resources must be less than the SSI resource standard.

SSI methodologies are used for the Step Two income and resource test, and 209(b) states have the option to apply their more restrictive income and resource methodologies. In both cases, any earned income received by the individual is disregarded.

Options: Less Restrictive Methodologies. When determining financial eligibility under Step Two, states may apply less restrictive income and/or resource methodologies under section 1902(r)(2) of the Act. Additional information on less restrictive income and resource counting methodologies can be found in the implementation guides that accompany the **Less Restrictive Income Methodologies under 1902(r)(2)** screen and the **Less Restrictive Resource Methodologies under 1902(r)(2)** screen.

## REVIEWABLE UNIT DEPENDENCIES

Many RUs in MACPro are dependent upon other RUs. Each time a primary RU is changed, there could be an effect on other, secondary RUs which are dependent on the primary. For example, in the **Mandatory Eligibility Groups** RU, there is a question as to whether the state covers the Adult Group. If **Yes** is selected, and if a box is checked to include the Adult Group in the submission package, then the **Adult Group** RU will be included by the system in the package and the user can navigate to it to complete it. If **No** is selected, the **Adult Group** RU will not be included in the package. In this example, the **Mandatory Eligibility Groups** RU is the **Primary RU** and the **Adult Group** RU is the **Secondary RU**. The **Adult Group** RU is considered to be dependent on selections made in the **Mandatory Eligibility Groups** RU.

Whenever a change in a primary RU may affect a secondary RU, you either need to revise the secondary RU (if it is already in the package) or add the secondary RU to the package so that it can be updated in the same submission package as the primary RU.

The following table explains the dependent relationships for the **Work Incentives** RU:

Primary RU	Secondary RU	Nature of Dependency	Actions Needed
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Work Incentives	<u>For States Only:</u> Unless the <b>Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability</b> RU (primary) has either been approved in MACPro or is included, completed and validated in the submission package, the <b>Work Incentives</b> RU (secondary) cannot be displayed.	If the secondary RU will not display because the primary RU is neither approved in MACPro nor included in the package: <ul style="list-style-type: none"> <li>• Add the primary RU to the package, complete it and validate it.</li> <li>• Alternatively, remove the secondary RU from the package.</li> </ul>
Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability	Work Incentives	<u>For States Only:</u> The selection of <b>209(b) State</b> , or <b>SSI Criteria</b> or <b>1634 State</b> as the basis for the eligibility determination in section A of the <b>Eligibility Determinations of Individuals Age 65 or Older or Who Have Blindness or a Disability</b> RU (primary) affects the requirements displayed in sections B and C of the <b>Work Incentives</b> RU (secondary) with respect to financial methodologies.	<ul style="list-style-type: none"> <li>• You must complete, save and validate the primary RU before you can complete the secondary RU.</li> <li>• Once the primary RU is approved in MACPro, it does not have to be included again in a submission package unless the basis changes, in which case the secondary RU also has to be included again.</li> </ul>

## INSTRUCTIONS

Where there are unique instructions for a 1634, SSI Criteria, or 209(b) state, or for a territory, the reader will be directed to the appropriate instructions.

### A. Characteristics

There are three statements (A.1. through A.3.) describing the characteristics of this eligibility group.

### B. Step One Financial Methodologies and Income Test

*For 1634 States, SSI Criteria States and Territories*

- At **B.1.a.**, there is a statement that SSI methodologies are used in calculating family income for this eligibility group. A separate RU, **Non-MAGI Methodologies**, describes the Non-MAGI methodologies used by the state.

If you wish to view the approved methodologies,

- If the RU has been included in the package, select the *View current version of Non-MAGI Methodologies* link.
  - The **Non-MAGI Methodologies** RU included in the package will appear.
  - Select the *Work Incentives* link to return to the **Work Incentives** RU.
- If the RU has not been included in the package, but has been previously approved, *select the View approved version of Non-MAGI Methodologies* link.
  - The previously approved **Non-MAGI Methodologies** RU will appear.
  - Select the *Work Incentives* link to return to the **Work Incentives** RU.
- If the RU has been neither included nor approved, select the *View Non-MAGI Methodologies* link.
  - You will see a message asking you to include and complete this RU.
    - Select the *Work Incentives* link to return to the **Work Incentives** RU
- At **B.1.b.**, indicate *Yes* or *No*, if less restrictive methodologies are used in calculating countable income.
  - If *Yes* is selected, select the *Add/Modify Less Restrictive Methodologies* button.
    - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Income Methodologies – Selection** and **Less Restrictive Income Methodologies** for how to complete these screens.)

*For 209(b) States*

- At **B.1.**, select one of the two options (**B.1.a.** or **B.1.b.**) to indicate if SSI methodologies are used in calculating family income or if more restrictive requirements apply to this group.

- If **B.1.a. SSI methodologies are used in calculating family income** is selected, there is a statement that the Non-MAGI methodologies are described in the **Non-MAGI Methodologies** RU.

If you wish to view the Non-MAGI methodologies,

- If the RU has been included in the package, select the ***View current version of Non-MAGI Methodologies*** link.
  - The **Non-MAGI Methodologies** RU included in the package will appear.
  - Select the ***Work Incentives*** link to return to the **Work Incentives** RU.
- If the RU has not been included in the package, but has been previously approved, *select the ***View approved version of Non-MAGI Methodologies*** link.*
  - The previously approved **Non-MAGI Methodologies** RU will appear.
  - Select the ***Work Incentives*** link to return to the **Work Incentives** RU.
- If the RU has been neither included nor approved, select the ***View Non-MAGI Methodologies*** link.
  - You will see a message asking you to include and complete this RU.
  - Select the ***Work Incentives*** link to return to the **Work Incentives** RU.
- If **B.1.b. More restrictive requirements than SSI are used in calculating countable income** is selected, there is a statement that the more restrictive requirements are described in the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU.

If you wish to view the more restrictive requirements:

- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is included in this submission package, select the ***View current version of More Restrictive Requirements than SSI under 1902(f) – (209(b) States)*** link to view the version included in this package.
- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is not included in the package, select the ***View approved version of More Restrictive Requirements than SSI under 1902(f) – (209(b) States)*** link to view the approved version.
- The appropriate **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU will appear for viewing.
- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is not included in the package and there is no approved version, a screen message will appear to include the RU in the package if the ***View More Restrictive Requirements than SSI under 1902(f) - (209(b) States)*** link is selected.

- Select the **Work Incentives** link to return to the **Work Incentives** RU.
- At **B.1.c.**, indicate **Yes** or **No**, if less restrictive methodologies are used in calculating countable income.
  - If **Yes** is selected, select the **Add/Modify Less Restrictive Methodologies** button.
    - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Income Methodologies – Selection** and **Less Restrictive Income Methodologies** for how to complete these screens.)

*For all States and Territories*

- At **B.2.**, there is a statement that family net income must be less than 250% FPL. A separate RU, **Non-MAGI Methodologies**, provides the definition(s) of family size used by the state.

If you wish to view the definition(s) of family size,

- If the RU has been included in the package, select the **View current version of Non-MAGI Methodologies** link.
  - The **Non-MAGI Methodologies** RU included in the package will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- If the RU has not been included in the package, but has been previously approved, select the **View approved version of Non-MAGI Methodologies** link.
  - The previously approved **Non-MAGI Methodologies** RU will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- If the RU has been neither included nor approved, select the **View Non-MAGI Methodologies** link.
  - You will see a message asking you to include and complete this RU.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.

**C. Step Two Financial Methodologies and Income/Resource Test**

*For 1634 States, SSI Criteria States and Territories*

- At **C.1.a.**, there is a statement that SSI methodologies are used in calculating family income for this eligibility group. A separate RU, **Non-MAGI Methodologies**, describes the Non-MAGI methodologies used by the state.

If you wish to view the Non-MAGI methodologies,

- If the RU has been included in the package, select the **View current version of Non-MAGI Methodologies** link.
  - The **Non-MAGI Methodologies** RU included in the package will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.



- If the RU has not been included in the package, but has been previously approved, *select the **View approved version of Non-MAGI Methodologies** link.*
  - The previously approved **Non-MAGI Methodologies** RU will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- If the RU has been neither included nor approved, select the **View Non-MAGI Methodologies** link.
  - You will see a message asking you to include and complete this RU.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- At **C.1.b.**, indicate **Yes** or **No**, if less restrictive methodologies are used in calculating countable income.
  - If **Yes** is selected, select the **Add/Modify Less Restrictive Methodologies** button.
    - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Income Methodologies – Selection** and **Less Restrictive Income Methodologies** for how to complete these screens.)
- At **C.1.c.**, select **Yes** or **No**, to indicate if less restrictive methodologies are used in calculating countable resources.
  - If **Yes** is selected, click on the **Add/Modify Less Restrictive Methodologies** button.
    - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Resource Methodologies – Selection** and **Less Restrictive Resource Methodologies** for how to complete these screens.)

*For 209(b) States*

- At **C.1.**, select one of the two options (**C.1.a.** or **C.1.b.**) to indicate if SSI methodologies are used in calculating family income and resources (except that earned income is not counted), or if more restrictive requirements than SSI apply to this group.
  - If **C.1.a. SSI methodologies are used in calculating family income and resources...** is selected, there is a statement that the Non-MAGI methodologies are described in the **Non-MAGI Methodologies** RU.

If you wish to view the Non-MAGI methodologies,

- If the RU has been included in the package, select the **View current version of Non-MAGI Methodologies** link.
  - The **Non-MAGI Methodologies** RU included in the package will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.

- If the RU has not been included in the package, but has been previously approved, *select the **View approved version of Non-MAGI Methodologies*** link.
  - The previously approved **Non-MAGI Methodologies** RU will appear.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- If the RU has been neither included nor approved, select the ***View Non-MAGI Methodologies*** link.
  - You will see a message asking you to include and complete this RU.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- If **C.1.b. More restrictive requirements than SSI are used in calculating countable income and/or resources...** is selected, there is a statement that the more restrictive requirements are described in the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU.

If you wish to view the more restrictive requirements:

- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is included in this submission package, select the ***View current version of More Restrictive Requirements than SSI under 1902(f) – (209(b) States)*** link to view the version included in this package.
- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is not included in the package, select the ***View approved version of More Restrictive Requirements than SSI under 1902(f) – (209(b) States)*** link to view the approved version.
- The appropriate **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU will appear for viewing.
- If the **More Restrictive Requirements than SSI under 1902(f) – (209(b) States)** RU is not included in the package and there is no approved version, a screen message will appear to include the RU in the package if the ***View More Restrictive Requirements than SSI under 1902(f) - (209(b) States)*** link is selected.
  - Select the **Work Incentives** link to return to the **Work Incentives** RU.
- At **C.1.c.**, indicate ***Yes*** or ***No***, if less restrictive methodologies are used in calculating countable income.
  - If ***Yes*** is selected, select the ***Add/Modify Less Restrictive Methodologies*** button.
    - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Income Methodologies – Selection** and **Less Restrictive Income Methodologies** for how to complete these screens.)

- At **C.1.d.**, select **Yes or No**, to indicate if less restrictive methodologies are used in calculating countable resources.
  - If **Yes** is selected, click on the **Add/Modify Less Restrictive Methodologies** button.
  - When you have completed these screens, the less restrictive methodologies selected will be inserted into the **Work Incentives** RU. (See the implementation guides, **Less Restrictive Resource Methodologies – Selection** and **Less Restrictive Resource Methodologies** for how to complete these screens.)

*For all States and Territories*

- At **C.2.**, select one of the two options (**C.2.a.** or **C.2.b.**) to indicate the income standard used for unearned income (plus deemed income, if appropriate).
- There is a statement at **C.3.** that the individual’s resources must be less than the SSI resource standard.

**D. Premiums and Cost Sharing**

There is a statement concerning the state’s premium and cost sharing requirements.

**E. Additional Information (optional)**

Except in limited circumstances, this field remains blank. Please consult with CMS before adding any additional information concerning this RU.

**REVIEW CRITERIA**

*The less restrictive methodologies entered must be sufficiently clear, detailed and complete to permit the reviewer to determine that the state’s description meets applicable federal statutory, regulatory and policy requirements.*