# Implementation Guide:
# Medicaid State Plan Eligibility
# Eligibility Groups – Mandatory Coverage
# Transitional Medical Assistance

## Contents

# Transitional Medical Assistance

## POLICY CITATION

Statute: 408(a)(11)(A), 1902(a)(52), 1902(e)(1), 1925, 1931(c)(2)

## BACKGROUND

**Overview**

This reviewable unit (RU) describes the mandatory Medicaid eligibility group for transitional medical assistance (TMA). It provides the criteria under which individuals may be covered under this group, the number of extension periods, the applicable income standard used, and the medical assistance provided. This RU is applicable to the 50 states and the District of Columbia; it is not applicable to the territories.

Congress created TMA in 1988, at a time at which an individual's receipt of benefits from the then-extant Aid to Families with Dependent Children (AFDC) cash assistance program was an automatic basis for Medicaid eligibility. The purpose of TMA was to provide a time-limited extension of Medicaid eligibility to individuals who lost their AFDC benefits as a result of their earned income. As described in section 1925 of the Social Security Act (the Act), TMA provides up to 12 months of continued Medicaid coverage to families who become ineligible for Medicaid due to earnings or hours of employment. The protection is designed to encourage individuals to work more and earn more without the disincentive of losing Medicaid coverage.

In 1996, Congress replaced the AFDC program with the Temporary Assistance to Needy Families (TANF) program, which correspondingly eliminated the AFDC-related basis of Medicaid eligibility (Congress did not link receipt of TANF benefits to Medicaid eligibility). In the same law that eliminated the AFDC program, Congress enacted section 1931 of the Act ("Assuring Coverage for Certain Low-Income Families"), which preserved a mandatory Medicaid eligibility group for low-income families. Generally, the "1931" group extends Medicaid to families whose household income meets their state's AFDC-related financial eligibility standards in effect in 1996, or increases in those standards permitted under section 1931. This eligibility group is implemented at 42 C.F.R. §435.110 for parents and caretaker relatives, and described in the **Parents and Other Caretaker Relatives** RU. For children, eligibility under section 1931 of the Act is implemented at 42 C.F.R. §435.118, as described in the **Infants and Children Under Age 19** RU.

The TMA eligibility originally afforded by section 1925 of the Act for certain former AFDC beneficiaries continues to apply. Despite changes to the underlying eligibility groups, TMA remains relatively unchanged as a mandatory group. TMA was made permanent by the Medicaid and CHIP Reauthorization Act of 2015.

Option: Number of Extended Eligibility Periods. Section 1925 of the Act provides for two extended eligibility periods for TMA – an "initial six-month extension" and an

"additional six-month extension." As described at section 1925(b) of the Act, the second six-month extension includes additional requirements related to household income, premium payments and reporting. States may eliminate these additional requirements by adopting a single TMA extension period of 12 months in lieu of two six-month periods. If the state elects to extend the initial eligibility period for 12 months, the requirements for the second extended eligibility period (described below) are not applicable.

## Initial Extended Eligibility Period

### *Individuals Covered*

1. Parents and Other Caretaker Relatives:

   To qualify for TMA, a parent/caretaker relative must have been covered under the Parents and Other Caretaker Relatives eligibility group at 42 C.F.R. §435.110 within a particular time frame preceding the point at which they received the earned income that ultimately rendered them ineligible for the group. It is necessary to understand the eligibility requirements for this group in order to understand the rules for TMA.

   To be eligible for the Parents and Other Caretaker Relatives group, an individual must:
   - Have income below a standard established by the state, and
   - Meet the definition of a caretaker relative described at 42 C.F.R. §435.4.

   A "caretaker relative" is a relative, or other specified individual, who lives with and is primarily responsible for the care of a dependent child. It also includes the individual's spouse, if living together. A "dependent child" is defined at 42 C.F.R. §435.4 as a child who meets specified age criteria and is "deprived of parental support" (meaning, generally, that at least one of the child's parents is not providing support to the child). Some states have chosen to eliminate the deprivation requirement, and in those states, a child need only meet the age requirement. Each state's caretaker relative and dependent child definitions can be found in the **Parents and Other Caretaker Relatives** RU.

   To qualify for TMA in the initial extended eligibility period, a parent/caretaker relative must:
   - Have been covered under the Parents and Other Caretaker Relatives eligibility group for a specified number of months before losing eligibility.
   - Have lost eligibility under this group due to:
     - Earnings that caused family income to exceed the income standard, or
     - Hours of employment that exceeded the state's deprivation requirement, if applicable, for a dependent child.
   - Continue to live with a child.

   The loss of eligibility that leads to TMA typically results from increased earnings or hours of employment. It is not a requirement for states to provide TMA protection to

families based on the state's reduction of either the income standard or the unemployment standard. However, it is permissible for states to provide such protection under TMA.

If a parent/caretaker's spouse returns to the family following an absence from the home, even after the family's TMA coverage has begun, the returning individual is eligible for the remainder of the extended eligibility period. This applies in the case of another parent of the child returning to the family.

Option: Duration of Enrollment in the Parents and Other Caretaker Relatives Group. To meet the eligibility requirements for TMA, states may require that a parent/caretaker relative was covered for at least three of the six months immediately preceding the loss of eligibility in the Parents and Other Caretaker Relatives group, or states may reduce the requirement to one or two months of the preceding six months.

2. Children:

To qualify for TMA in the initial extended eligibility period, a child must:

- Live with a TMA-eligible parent/caretaker relative, and
- Not be eligible for the Infants and Children under Age 19 eligibility group (42 C.F.R. §435.118).

A state's income standard for children is frequently higher than its income standard for parents/caretaker relatives. So when a parent/caretaker relative transitions to TMA, the individual's children often remain eligible in the Infants and Children under Age 19 group. If a child loses eligibility for the infants and children group at any time during the parent/caretaker relative's extended eligibility period (either the initial or the second extended period), that child is eligible for and enrolled in TMA for the remainder of the extension. Additionally, any children born or adopted into the family, and any children returning home after a period of absence, also qualify for the remainder of the parent/caretaker relative's period of extended eligibility.

***Income/Resource Test***

During the initial extended eligibility period, there is no income or resource test.

***Medical Assistance Provided***

During the initial extended eligibility period, eligible families continue to receive the same medical assistance provided to other parents and other caretaker relatives, and to children under the state plan.

If a TMA-eligible individual has access to employer-sponsored coverage, states have the option to pay the family's premiums and cost sharing for such coverage. States that elect this option may require enrollment in employer-sponsored coverage, provided that the individual is not required to make any financial contributions for the coverage and wrap-

around coverage is made available for services not provided under the employer-sponsored plan. Any elections regarding such premium assistance are described in the benefits section of the state plan.

***Termination of Extension***

The first extended eligibility period continues regardless of changes in the family's earnings. However, eligibility will be terminated prior to the end of the first extended eligibility period if the family no longer includes a child. This may occur, for example, because the child leaves the household or the child turns age 18 (or age 19 in a state that considers 18 year old full-time students as children). In such cases, eligibility for all family members terminates at the end of the first month in which the family ceases to include a child. As required whenever eligibility is terminated, the state must first determine that the individual does not qualify for coverage in another eligibility group and then proper notice must be provided to the individual in accordance with 42 C.F.R. §435.917.

**Second Extended Eligibility Period**

The requirements for a second extended eligibility period of TMA apply only in states that offer two six-month extended eligibility periods.

***Individuals Covered***

1. Parents and Other Caretaker Relatives:

   To qualify for TMA in the second extended eligibility period, a parent/caretaker relative must:
   - Have been covered for the full six months of the initial extended eligibility period,
   - Have completed the quarterly report due in the 4th month of the initial extended eligibility period (see quarterly reporting discussion below for additional information), and
   - Continue to live with a child.

2. Children:

   The eligibility requirements for children are the same in the first and second extended eligibility periods. A child must:
   - Live with a TMA-eligible parent/caretaker relative, and
   - Not be eligible for the Infants and Children under Age 19 eligibility group.

***Income/Resource Test***

The second extended eligibility period includes an income test based on information provided in quarterly reports submitted by the family. TMA does not have an income standard in the same manner as other eligibility groups. Instead, section

1925(b)(3)(A)(iii) of the Act requires an income test based on the quarterly reports submitted by families, and the test is applied after the report is received. There is no resource test during the second extended eligibility period.

The income test has two requirements:

- ***Continued Earnings.*** The parent/caretaker relative must have continued to work during each month of the reporting period.
- ***Earnings Below the Threshold.*** Income earned during the reporting period cannot exceed 185% of the federal poverty level (FPL).

***Income Counting Methodology***

States may select one of two methodologies for applying the income test during the second extended eligibility period. A state may use either:

1. The family's average gross monthly earnings for the reporting period, less the costs of child care necessary for a parent/caretaker relative's employment; such earnings may not exceed 185% of the FPL; or
2. The parent/caretaker relative's average MAGI-based household income for the reporting period; such income may not exceed the MAGI-converted equivalent of 185% of the FPL.

Section 1925(b)(2)(B)(iii)(II) of the Act requires states to terminate the second six-month extension if "the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative)" exceed 185% FPL. However, section 1902(e)(14)(A) of the Act requires states to use modified adjusted gross income (MAGI) for any purpose under the state plan for which a determination of income is required. The reference to gross monthly earned income in section 1925 of the Act may or may not be considered a "determination of income" within the meaning of section 1902(e)(14)(A) of the Act. In the absence of rulemaking to clarify, states have flexibility to use either gross monthly earnings or MAGI-based income.

If the state elects to use MAGI-based household income, then the state must propose a conversion of the 185% FPL (gross monthly earnings less child care) standard to an equivalent MAGI-based income standard for CMS review and approval. The conversion methodology will account for the differences in income counting and allowed disregards between the income counting methodologies in a manner that, in the aggregate, will keep eligibility using the income test approximately the same. CMS is available to provide additional technical assistance on such a conversion of this income standard.

***Reporting***

Families enrolled in TMA must report their income to the state through three quarterly reports. The first quarterly report is submitted during the initial extended eligibility period, and it describes the family's income during the first three months of enrollment in TMA. Submission of the first quarterly report is a requirement for eligibility in the second extended eligibility period. However, there is no income test for the initial

extended eligibility period, and eligibility for the initial extended eligibility period cannot be terminated for failure to submit the report.

The second and third quarterly reports are submitted during the second extended eligibility period. These reports must be submitted timely for a family to retain TMA eligibility. Each quarterly report is due by the 21st day of the month following the end of the reporting period, consistent with the table below.

Table 1. TMA Quarterly Reports

| Quarterly Report | Reporting Period | Due Date |
|---|---|---|
| 1st Quarterly Report | Months 1-3 of the initial extended eligibility period | 21st day of month 4 |
| 2nd Quarterly Report | Months 4-6 of the initial extended eligibility period | 21st day of month 7 |
| 3rd Quarterly Report | Months 7-9 of the second extended eligibility period | 21st day of month 10 |

For example, if the initial extended eligibility period begins on January 1st, the family's first report is due on April 21st for the period of January, February, and March. The second report would be due July 21st for the period of April, May, and June. And the third report would be due October 21st for the reporting period of July, August, and September.

***Medical Assistance Provided***

Section 1925(b)(4) of the Act provides states with several options regarding the scope of coverage provided to individuals during the second extended eligibility period. States may:

- Provide the same scope of coverage as that provided during the first extended eligibility period;
- Eliminate coverage of certain non-acute care services identified in section 1925(b)(4)(B) of the Act, such as home health services and hospice care;
- Pay the premiums and cost sharing for a family's employer-sponsored coverage, in the same manner as such premium assistance is provided during the initial extended eligibility period; or
- Enroll families in one of the following alternative sources of coverage:
    - The state employee health plan,
    - A state-sponsored plan for uninsured individuals, or
    - A Medicaid managed care plan.

If a state elects to enroll families in alternative coverage, the state must pay for any premiums which exceed the amounts otherwise permitted for TMA. The state must also

pay for any cost sharing that exceeds the cost sharing charges otherwise permitted under the state plan.

***Premium Requirements***

Section 1925(b)(5) of the Act gives states the option to impose premiums as a condition of eligibility during the second extended eligibility period. When a premium is applied, monthly premium payments are due no later than the 21st day of the following month.

Premiums are limited to families whose income exceeded 100% of the FPL prior to imposition of the premium. Any premiums imposed may not exceed three percent of family income. The calculation of income for the premium payment requirements is the same as for the family reporting requirement and income test. For a state that elects the income counting methodology option above to use average MAGI-based household income for the income test, the state must propose for CMS review and approval a conversion of the income requirements to an equivalent MAGI-based income standard for the payment of premiums. The conversion will use the same methodology as used for the conversion of the standard for the income test.

***Termination of Extension***

Like the initial extended eligibility period, eligibility during the second extended eligibility period will be terminated early if the family no longer includes a child. In addition, eligibility during the second extended eligibility period may be terminated early if:

- The state imposes a monthly premium and the family fails to pay their premium by the due date. Eligibility would be terminated at the close of the following month unless the family can establish good cause, to the satisfaction of the state, for failure to make the payment on time.
- The family fails to submit a required report by the due date. Eligibility would be terminated at the end of the month unless the family can demonstrate good cause, to the satisfaction of the state, for failing to report.
- The family reports that no earned income was received during one or more months of the reporting period. If the parent/caretaker relative was prevented from working due to involuntary loss of employment or illness, or if the individual can establish, to the state's satisfaction, other good cause for failure to earn, the state may continue coverage under TMA.
- The family reports earned income that exceeds 185% of the FPL (or the MAGI-equivalent).

As required whenever eligibility is terminated, the state must first determine that each TMA-eligible family member does not qualify for coverage in another eligibility group. If TMA is terminated because the family reports that no earned income was received, the parents or caretaker relatives will likely become eligible again for the Parents and Other Caretaker Relatives eligibility group (and the children for the Infants and Children under Age 19 group).

Option: Suspension of Coverage for Failure to Report Timely. In lieu of terminating eligibility when a parent or other caretaker relative does not submit the family's quarterly report on time, states have the option to suspend coverage until the following month. For example, if a family failed to submit their quarterly report by the July 21st due date, the state could elect to suspend coverage beginning August 1st. If the family submits the report before the end of August, coverage would be reinstated beginning September 1st. If the family does not submit the report by the end of August, coverage would be terminated following proper notice to the family.

## INSTRUCTIONS

### A. Characteristics

- **A.1.** has statements listing the criteria for this eligibility group.
    - If you wish to view the approved RU for parents and caretaker relatives, select the ***View approved version of Parents and Other Caretakers*** link.
        - The appropriate **Parents and Other Caretaker Relatives** RU will appear if there is an approved version in the MACPro system.
        - If there is no approved version of the RU in MACPro, a screen will appear with the following message: "There is no approved version of this reviewable unit in MACPro available to display."
        - Select the ***Transitional Medical Assistance*** link to return to the **Transitional Medical Assistance** RU.
- At **A.2.**, select one of the two options regarding the length of the extended eligibility period.
    - If **A.2.a.** is selected, sections **D.** and **E.** will be presented.
    - If **A.2.b.** is selected, sections **D.** and **E.** will not be displayed.

### B. Individuals Covered

- **B.1.** lists the criteria for parents or other caretaker relatives qualifying for this eligibility group.
    - At **B.1.a.i**, select one of the three options to indicate the period of time the parent or caretaker relative must have been enrolled in the Parents and Other Caretaker Relatives eligibility group.
- **B.2.** lists the criteria for a child qualifying for this eligibility group.

### C. Initial Extended Eligibility Period

There are statements describing the requirements for eligibility and coverage under this extended eligibility period.

*For states with two six-month extended periods:*

**D. <u>Second Extended Eligibility Period</u>**

There are statements describing the requirements for eligibility and coverage under this extended eligibility period.

- At **D.4.c.**, select one of the two options to indicate whether eligibility is terminated or suspended for failure to submit a timely quarterly report.
- At **D.4.e.**, select one of the two options to indicate whether average gross monthly earnings less the cost of child care or average MAGI-based household income is used for the income test.

*For states with two six-month extended periods:*

**E. <u>Family Reporting Requirements</u>**

There are statements describing the quarterly reporting process.

**F. <u>Additional Information (optional)</u>**

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

## REVIEW CRITERIA

***If a state elects the option at D.4.e. to use a MAGI-based household income standard, the state should work with CMS on creating and submitting a MAGI-equivalent income standard for approval. The income standard conversion will be separate from the state plan amendment process but should be approved prior to or concurrently with the amendment. General guidance on conversion to MAGI-equivalent income standards may be found in State Health Official Letter #12-003.***