

Operationalizing Annualized Income Stakeholder Webinar

Convened by the Colorado Department of Health Care
Policy and Financing

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Our Mission

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



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Outline

- Background
- Why Use Annualized Income
- Updated Policy
- Systems
- Operations/Stakeholder Feedback
- Next Steps



Background

- Obtained budget approval from the General Assembly to implement policy starting on July 1, 2016
- Held meetings last fall to obtain stakeholder feedback on policy
 - Discussed two alternative tracks
- Ongoing conversations with the Centers for Medicare and Medicaid Services (CMS)
- Still on track for July 1, 2016 implementation



Why Use Annualized Income

- To reduce unnecessary churn between coverage programs.
- To ensure individuals and their families maintain continuous health coverage and increase health care access.



The Policy

- Policy change applies to MAGI based Medicaid/CHP+ eligibility determinations ONLY
- Continue to use monthly income first for all determinations
- If ineligible based on monthly income AND have fluctuating income, then use annualized income
- Fluctuating income equals income from
 - Self-employment
 - Commission Based Earned Income
 - Seasonal Earned Income



The System

- Leverage existing functionality in CBMS
 - Already have ability to capture and edit annualized income from a specific job or self-employment.
 - If the applicant doesn't provide a self attested annualized income then they will get the same eligibility determination as they would based upon monthly income.
- Adding in ability to indicate if earned income is seasonal or commission based, including new questions in PEAK.
 - If the nature of the job changes at a later date, an applicant can indicate that the job is no longer seasonal or commission based and determination will be based upon monthly income.
- CBMS will make the eligibility determination automatically behind the scene.



Operations

- How to identify what counts as a fluctuation in income
 - What is Seasonal based earned income
 - What is Commission based earned income
 - What is Self-employment
- How can we verify annualized income
 - Reasonable Explanation (for earned income)
 - Documentation
- Paper Application
 - The new paper application will be able to apply annualized income



Verification of Annualized Income from Self-Employment

- Ledger in single streamlined application with Annual Gross Income, unless questionable.
- If Ledger questionable, Tax Forms from Prior Year
 - 1099-Misc (Box 7-Non Employee Compensation)
 - Schedule C (Line 1-Income from Sole Proprietorship)



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SCHEDULE C (Line 1)

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074 2015 Attachment Sequence No. 09	
Department of the Treasury Internal Revenue Service (99)		▶ Information about Schedule C and its separate instructions is at www.irs.gov/schedulec . ▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.			
Name of proprietor		Social security number (SSN)			
A	Principal business or profession, including product or service (see instructions)	B Enter code from instructions		▶	
C	Business name. If no separate business name, leave blank.	D Employer ID number (EIN), (see instr.)			
E	Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code				
F	Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶				
G	Did you "materially participate" in the operation of this business during 2015? If "No," see instructions for limit on losses				<input type="checkbox"/> Yes <input type="checkbox"/> No
H	If you started or acquired this business during 2015, check here				<input type="checkbox"/>
I	Did you make any payments in 2015 that would require you to file Form(s) 1099? (see instructions)				<input type="checkbox"/> Yes <input type="checkbox"/> No
J	If "Yes," did you or will you file required Forms 1099?				<input type="checkbox"/> Yes <input type="checkbox"/> No
Part I Income					
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked	▶ <input type="checkbox"/>		1	
2	Returns and allowances			2	
3	Subtract line 2 from line 1			3	
4	Cost of goods sold (from line 42)			4	
5	Gross profit. Subtract line 4 from line 3			5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)			6	
7	Gross income. Add lines 5 and 6	▶		7	
Part II Expenses. Enter expenses for business use of your home only on line 30.					



1099 MISC (Box 7)

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$	2 Royalties \$	OMB No. 1545-0115 2015 Form 1099-MISC	Miscellaneous Income
		3 Other income \$	4 Federal income tax withheld \$	Copy B For Recipient	
		5 Fishing boat proceeds \$	6 Medical and health care payments \$		
PAYER'S federal identification number	RECIPIENT'S identification number	7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	11	12		
13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$				
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

Form 1099-MISC (keep for your records) www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service



Verification Annualized Income from Seasonal Employment

- Letter from Employer
 - With annual income amount; or
 - indicating monthly amount and the period of employment.
- Tax Forms from prior year
 - 1040 (Line 7)
 - W-2 (Box 1)



1040 Tax Form (Line 7)

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2015** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning _____, 2015, ending _____, 2015. See separate instructions.

Your first name and initial _____ Last name _____ Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____ **▲** Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). _____

Foreign country name _____ Foreign province/state/country _____ Foreign postal code _____

Filing Status Check only one box.

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶ _____

4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____

5 Qualifying widow(er) with dependent child

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions)
(f) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

Boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see instructions)
Dependents on 6c not entered above
Add numbers on lines above ▶ _____

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7

8a Taxable interest. Attach Schedule B if required 8a

b Tax-exempt interest. Do not include on line 8a 8b

9a Ordinary dividends. Attach Schedule B if required 9a

b Qualified dividends 9b

10 Taxable refunds, credits, or offsets of state and local income taxes 10

11 Alimony received 11

12 Business income or (loss). Attach Schedule C or C-EZ 12

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13

14 Other gains or (losses). Attach Form 4797 14

15a IRA distributions 15a b Taxable amount 15b

16a Pensions and annuities 16a b Taxable amount 16b

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.



W-2 (Box 1)

22222		a Employee's social security number		OMB No. 1545-0008					
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld				
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld				
			5 Medicare wages and tips		6 Medicare tax withheld				
			7 Social security tips		8 Allocated tips				
d Control number			9		10 Dependent care benefits				
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	12a		
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/>		12b	
								12c	
								12d	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement
 Copy 1—For State, City, or Local Tax Department

2016

Department of the Treasury—Internal Revenue Service



Verification of Annualized Income from Commission Based Employment

- Letter from Employer
 - Commissions may either be incorporated into the annual income; or
 - Be given as an average monthly amount.
- Tax Forms from prior year
 - 1040 (Line 7)
 - W-2 (Box 1)
- Signed Contract
 - If it verifies the annual income.



Stakeholder Feedback on Operations

- Are we overlooking anything?
- Questions?
 - What do you anticipate will be the challenge when working with applicants and members?
 - How do you anticipate that this will work with SNAP verifications?
 - Do you see this impacting other programs? If so how?
- Suggestions?



Next Steps

- Implementation scheduled for July 1, 2016
- Rule-
 - Public Rule Review meeting on Monday, March 21, 2016
- Training
- Changes to PEAK
 - Soliciting feedback from the Person and Family Centeredness Advisory Council



Questions or Concerns?



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Contact Information

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Thank You!



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Questions and Answers from Webinar

Seasonal income work performed for a partial amount of the year

What about teacher's income

- We need to follow up

Kristine: Have heard that sometimes there is difficulty in obtaining employer letters

- There are other alternatives for verifications as well

Cinthya Munoz: would this apply for teachers?

Janine Phillips: Will you be updating PEAK with the new check boxes like the paper applications

- Absolutely

Marsha Schuppe: Question about farmers who apply the month they have zero income in. They would then be determined eligible and we can't ask for the tax forms to prove their annualized income?

- Farmers fall under self-employment realm. Use the ledger and annualized. (A person who has zero monthly income will still be found eligible based upon their monthly income)>

Melissa Ingalls: How would apply to the back-end with the establishment of claims?

- Can't answer at this time

Katherine DeGraffenreid: How will this affect other programs?

- We do not anticipate this will affect Connect for Health Colorado, not changing their eligibility determination. We don't anticipate that this will affect other programs but are open to feedback on this topic.

Caroline Champagne: What about Waiters and tips?

- Will look into this

AVANYE RENNER: how will this affect PE sites?

- This is done through entirely manual. We are in discussion to figure out if appropriate and how to implement.

JoAnn King: Do we enter the expenses for self-employment the same way?

- Yes, we are not changing how enter expenses. Currently enter monthly amount and have ability to attest to a different annual amount

Melissa Strait: Will it be required to use annual income or at the clients choice?

- This will be an automatic set up. First use monthly income based on current functionality so if eligible, great. If not eligible, then we will look for the three types and do an annualized income. If they do not attest a different amount, will have same outcome as monthly.

Caroline Champagne: The issue with entering expenses is that the system does not allow you to later remove those. Can we not just subtract the expenses from total income and enter that amount?

- We can take this back but at this time the answer is no.

Marsha Schuppe: So will we use the Schedule C and use the expenses there for annual expenses?

- Only use it as a verification. Only if income is not reasonably compatible do you need to use this income.

Devin Kepler: What annualized FPL level must an individual be under to be eligible for MAGI Medicaid? Will it be 138% of FPL?

- It depends on individual who is applying. If pregnant women, it is 185%

When will systems change go into effect? Timeline of testing? Recommend opening up testing to stakeholders to have different scenarios are tested.

- All systems, rules, and SPA go in for an effective date of July 1st. Testing scheduled to start in May.

Marsha Schuppe: When will training be provided statewide? I can see there will be much confusion with eligibility staff.

- The Department is pursuing all avenues of training, exact date not determined yet. Please help us help you with identifying the issues/questions that will cause confusion.

Ruby Loya: Are the Federal Poverty Guidelines going to change this year?

- Yes they will change. Agency letters within next couple of weeks.

Silvia Barajas: is the power point will be available later?

- Yes

Debbie Schandelmeier: Will the case workers at the county level be trained. When the case rolls to the county the case worker is closing the case without a denial there for there is no tax credit and even if there was a tax credit and the self-employed person uses it then at the end of the year income show they were eligible for Medicaid they owe it all back.

Highlight need to train community based workers and assisters and understanding interpretations.

- We will need to take this back for details

Marya Uybungco: In cases that are using annualized income, how will the change appear in Case Wrap Up?

- We are still in design sessions.

Teri Slater: PEAK Trainers would be glad to join in the training efforts!

Tony LaCombe: where will this presentation be available to review?

- It will be on the HCPF website

Marsha Schuppe: It would be really important to update the F1 buttons in CBMS as part of these changes, too.

- We will take this back

Kristin: Any thinking of creating any checks and balance and audits to make sure it is working appropriately?

- Yes we will work with audits team to make sure working appropriately

Caroline Champagne: I am sorry but I am still confused about howw to break down expenses for those people who cannot predict every l expense each month in the "Future" . Is the only answer to use last yerars expenses?

- No, we are only annualizing income so enter expenses appropriately

Teri Slater: What about deductible annualized expenses like depreciation?

- In MAGI only certain are allowable but it is a current expense

Cinthya Munoz: thank you for this interesting webinar

Teri Slater: it sounds like it might behoove those self-employed individuals to average their monthly expenses then because some are paid annually like insurance premiums

- The Department uses the current monthly expenses

JoAnn King: Is it correct that the only way to use this and get the right decision is to use the monthly income and expenses then use the calculated annual income then get the decision correct?

- We will annualize the income portion of self-employment, convert back to monthly and then apply the expenses

Melissa Ingalls: will you post these slides on the portal?

- We can look at this

Kristin: When talking about monthly and then annualized, how does it look in the application, do you go all the way through with monthly and then go back?

- No, as it is done with Connect for Health Colorado, provide monthly income and then have ability to enter annualized income. This happens

Lot of clients that are seasonal workers, will they be denied in one month and then have to reapply?

- For seasonal works we will look at their annual income and average out over the year.

Marsha Schuppe: The yellow application that is used for FA and MA doesn't ask annualized income for self-employment. That will also need to be updated. And the large MA application doesn't give much room for the self-employment information either.

- The SPA is being reviewed and we are looking into whether we will be allowed to update to add annualized income. The MA application needs to be vetted with CMS to determine if we can add more room.

Teri Slater: I hope there will be further consideration for self-employment income. I don't understand the decision to only annualize the income, but not the expenses. The amount of expenses would be negligible compared to an annual amount of income.

- Currently monthly is \$500 and expenses are \$100. Then current monthly self-employment would have \$400 counted towards eligibility. \$500-\$100 from monthly expenses. If they were found ineligible based upon monthly income we would then annualize the income from this self-employment this would be \$500 x 12 = \$6,000. Then if the individual provided a self-attested annual amount of \$4,000 that amount would be converted back into an average monthly amount reflective of the self-attested annualized income being roughly \$333, and then the monthly expenses would be deducted from that amount. In this situation the countable income based off of the annualized income would be \$233, which is \$333-\$100 from monthly expenses.

Marsha Schuppe: I wonder if we shouldn't ask for monthly income and annualized income both.

Marsha Schuppe: The majority of our applicants are applying for FA and MA at the esame time.

- We do currently allow for both monthly and annualized as it is needed for C4

Kristin: Recommend more scenarios to work through them, sheds some light on how it works

Teri Slater: Thank you, I didn't know the system would do the math in reverse after annualizing income.

JoAnn King: Are you double counting the expenses?

- No not double counting

Marsha Schuppe: What about people that just started their self-employment business and don't have any history to look back at. They could have a really big start up month and not be eligible but have no idea what annualized income would be.

- We would still use the ledger and attest to the annualized income. Regulations indicate there is some need of an indicator that there is history but do not see this as problematic.

Kristin: Recommend reaching out to Hunger Free Colorado and connection on SNAP

- We appreciate this and any other feedback on how this impacts others

Karen Asato-Chrysler: Would people still be required to report changes (increase in income that puts them over the FPL) within 10 days?

- Absolutely, any existing requirements will still apply to them

Marsha Schuppe: That doesn't happen!

Kristin: Will renewal form be updated to capture annualized income?

- Yes it will

Marsha Schuppe: When you do the training, please be sure to do complicated self-employment examples, not just simple one.

- Yes we can do complicated

JoAnn King: Existing clients!

- We will look at existing cases to help craft our hypotheticals.

Marsha Schuppe: I am really concerned with the FA clients and self-employment that I would suggest you work closely with FA policy right away.

- Yes we have been so far with first stakeholder meeting and also they are part of the system development but we will continue to collaborate. Looking at all aspects, policies, operational (on the ground), and system.

JoAnn King: Please use examples of existing clients that need changes

Marsha Schuppe: Thanks - our statewide error rate on FA could be really affected.

Sabrina Hickel: You stated this doesn't affect non-magi program correct? What about those cases that go back and forth? Would the system know what income to read based on program eligibility?

- The system will know what to read based on each category

Kristin: Thought about to send something to individuals on their renewal about this option now available for a little bit for those currently enrolled now.

- We will look at feasibility or how beneficial

Katherine DeGraffenreid: so will we need to enter income twice? Once for FA regularly and once for MA as annualized?

- Currently you enter monthly income and if not accurate representation enter an annual amount so we are leveraging already existing functionality

Sabrina Hickel: For clients who are currently part of those 3 groups, will there be an exception report done so the county workers will have to go into each case individually and update with the new checkbox option?

- Will take this into consideration on how this will work. However we already have self-employment we will already have indicators.

Gloria Gonzales-Ayala: will these questions and answers be added with the slide

- We will do our best

Caroline Champagne: Expedited process does not require you to separate expenses for SE clients. Will this no longer be an option?

- This process is part of the standard path, not part of the expedited process. This should not affect the expedited process in any way.

Sabrina Hickel: Will the checkbox in the Employment Screen be marked in Red with the asterisk?

- Don't believe it will because this is optional but this is a design aspect to be discussed in design meetings