Income Calculations

Colorado Indigent Care Program

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COLORADO
Department of Health Care
Policy & Financing

Objectives

- Categories of income
- Deductions
- Liquid Resources and Spend Down
- FPL Calculator
- Audits
- Policy for COVID vaccine

Types of Income

- Three categories of income:
  - Employment Income
  - Unearned Income
  - Self-Employment Income

Employment Income

- Employment income must be documented
  - Most common documentation is pay stubs
  - Can also use letter from employer, or phone call if no other documentation is possible
  - DO NOT use bank statements
- Pay stubs most commonly fall into one of the following pay period types:
  - Weekly
  - Bi-weekly (every two weeks)
  - Semi-monthly (twice a month)
  - Monthly

Household Incomes

- Income of the applicant's spouse must be included in the application UNLESS they are legally separated or in the process of divorcing
  - They must provide documentation of the separation/divorce
- Employment income from a working minor (under the age of 18) or an adult student living with their parent(s) is exempt
  - Includes both high school students and college students
- Income for senior household members (age 65+) should be included
- Any household member listed as "Other" must have their income counted

Year-to-Date (YTD) Method

- The Department encourages providers to use the YTD method whenever possible
  - ➢ This method is the most accurate in calculating the actual income for the applicant for the year
  - ➢ It more accurately takes into account fluctuations that can happen from paycheck to paycheck since it includes all paychecks for the year
- For this method, you would only need one pay stub, preferably the most recent one

YTD Calculation

- Using the most recent pay stub provided, divide the total gross pay amount by the total number of paychecks the applicant has received for the year
- Multiply the outcome by the appropriate pay period conversion to calculate the monthly income:
  - Weekly: multiply by 4.333
  - Bi-weekly: multiply by 2.166
  - Semi-Monthly: multiply by 2
- Multiply by 12 to calculate the annual income amount

YTD Calculation (cont.)

- Alternatively, once you divide the gross total by the number of paychecks, you could multiply by the number of pay periods in the year to quickly calculate the annual
  - Weekly: multiply by 52
  - Bi-weekly: multiply by 26
  - Semi-monthly: multiply by 24
- The calculation using the two different approaches is more or less the same, it may be off by a few dollars at the very most

YTD Calculation Example

- Household member has a pay stub that shows they have been paid $12,500 total, they are paid every two weeks, and they have received 10 paychecks since the beginning of the year
  - $12,500/10 = $1,250 per paycheck on average
  - First approach: $1,250 x 2.166 = $2,708.25 x 12 = $32,499
  - Second approach: $1,250 x 26 = $32,500

Average Pay Method (APM)

- The APM is most accurate for applicants:
  - whose pay stubs do not show a year-to-date total, or
  - who have recently had a change in their pay
- APM only looks at the most recent pay stubs
  - Only takes into account things that have happened recently
- Providers should still be including things like bonuses and gifts in the One Time section of the application to ensure those payments are correctly included
- For the APM, collect at least a month's worth of pay stubs – the more you have, the more accurate the calculation will be

APM Calculation Example

- Both approaches also work for the APM
- Household member provides three pay stubs, totaling $3,300 and showing a weekly pay period
  - $3,300/3 = $1,100 per paycheck
  - First approach: $1,100 x 4.333 = $4,766.30 x 12 = $57,195.60
  - Second approach: $1,100 x 52 = $57,200

Question 1

- An applicant states that they recently got a raise that is only reflected on their most recent pay stub. They also state that during their last pay period, they had two days of unpaid leave. What is the best way to calculate this applicant's income going forward?
  - A. Year-to-Date Method
  - B. Average Pay Method
  - C. Other

Answer 1

- What is the best way to calculate this applicant’s income going forward?
  - A. Year-to-Date Method
  - B. Average Pay Method
  - C. Other
- The applicant has a new pay rate, and their hours on the most recent pay stub aren’t normal. Therefore, neither of the two normal methods are going to give you a good idea of what their income will look like going forward.

What would be the best way to calculate that income?

- Determine the usual number of hours worked in each pay period
  - Can use the pay stub if total hours worked is listed
  - Can call employer to verify normal hours
- Multiply number of hours by the new pay rate
- Calculate monthly/annual income
- Example: 38 hours per weekly pay period, $20 per hour
  - 38 x $20 = $760 x 52 pay periods = $39,520 annual
  - 38 x $20 = $760 x 4.333 = $3,293.08 monthly = $39,516.96

Question 2

- The applicant's new pay rate is $20 per hour, and in a normal bi-weekly pay period, they work 70 hours. This means their "expected" paycheck every two weeks should be $1,400. What is their calculated annual income?
  - A. $33,600.00
  - B. $36,388.80
  - C. $36,400.00

Answer 2

- What is their calculated annual income?
  - A. $33,600.00
  - B. $36,388.80
  - C. $36,400.00
- Both B and C are acceptable answers.
  - B is calculated by finding the monthly income first and then annualizing ($1,400 x 2.166 x 12)
  - C is found by multiplying the expected paycheck by the number of pay periods for the year ($1,400 x 26)

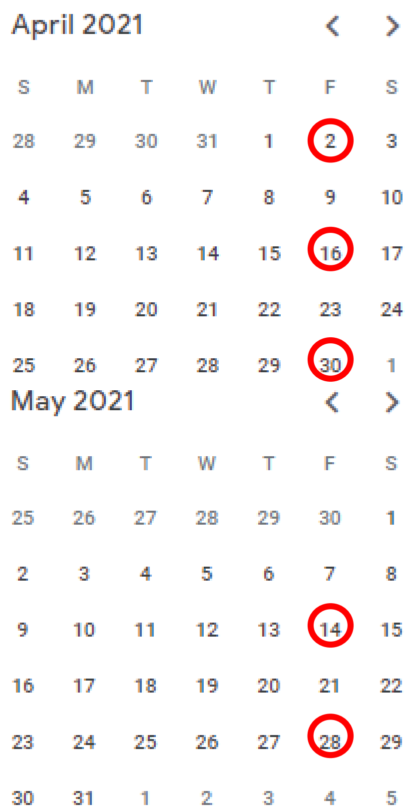
Monthly Pay Method

- The Monthly Pay Method is only truly accurate for applicants with fixed salaries
- This method should NOT be used for applicants who are paid monthly on an hourly basis, as their hours are likely to fluctuate from month to month
  - Annualizing one month of payments for this applicants will result in an annual income amount that is wrong
- For the monthly pay method, one pay stub would meet the “at least one month” guideline, but it would be a good idea to get a couple if you can to increase the accuracy of the calculation

Importance of Pay Periods

- It is extremely important to use the correct pay period type to calculate an applicant's annual income
- Using a semi-monthly pay period when the applicant is paid bi-weekly cuts two pay periods off their annual income calculation
- Similarly, using bi-weekly pay periods when the applicant is paid semi-monthly adds two extra pay periods onto their annual income calculation
- Additionally, adding up pay stubs for a given month may cause the wrong annual income calculation

Monthly Total Example



- Applicant is paid $1,225 every two weeks
- If the applicant came in May and used April's income, adding the three pay stubs would show an annual income of $44,100
- If the applicant came in June and used May's income, adding the two pay stubs would show an annual income of $29,400
- **<u>THAT IS A $14,700 DIFFERENCE</u>**
- This would cause an applicant to potentially be denied coverage even though their correct income would make them eligible

Question 3

- What is the correct income for the person in the previous example? Reminder: the applicant is paid $1,225 every two weeks.
  - A. $29,400.00
  - B. $31,840.20
  - C. $31,850.00
  - D. $44,100.00

Answer 3

- What is the correct income for the person in the previous example? Reminder: the applicant is paid $1,225 every two weeks.
  - A. $29,400.00
  - B. $31,840.20
  - C. $31,850.00
  - D. $44,100.00
- Both B and C are acceptable answers, as they use the two different annualization methods

Counting Pay Periods

- Must know what type of pay period the applicant has to be able to correctly count paychecks
- When determining income, must use the total number of <u>paychecks</u> for the year, not pay periods
  - There may be a paycheck in this calendar year for hours worked in last calendar year, but it was still paid out in this calendar year so it must be counted
  - This coincides with the total payment amount shown for the year, and the amount reported for taxes

Gross Pay

- Providers should always be using gross pay when calculating monthly income
- Gross pay should not include bonuses or gifts, but should include tips and commissions
  - Tips and commissions are reported on pay stubs and are usually paid out either every or every other pay check
  - Bonuses and gifts should be entered into the One Time income section
  - There are exceptions to this, and providers should use their best judgment to analyze their applicants’ unique situations

Direct Deposit Information

- Most pay stubs will show if the payment was direct deposited into the applicant's bank account or to a bank/prepaid card
  - ➢ This should always be checked, especially if the applicant claims they do not have a bank account
  - ➢ If an applicant does not have a bank account but does have a bank/prepaid card, the amount of money on the card should be counted as a resource if your facility counts bank accounts as resources

Bonuses

- Bonuses should be removed from the gross pay total of the pay stub and factored in separately
  - UNLESS the bonus is recurring, in which case it should be included in the annual calculation

COVID Bonuses and Incentive Pay

- An applicant that has received a bonus(es) or incentive pay due to the pandemic will need to state whether they believe that extra pay will be one time or recur
  - At this point in the pandemic, any bonuses or incentive pay will most likely be in the past and no longer recur
  - If the applicant does not believe that the bonus or incentive pay will continue, it can be removed from the calculation entirely since it is unlikely that they will receive it again in the next year
- NOTES NOTES NOTES! Document everything

Questions?

Unearned Income

- Providers are allowed to decide which unearned income sources are counted in applications, and these sources should be included in the Annual Provider Application for clinic providers, and documented in income determination processes for hospital providers
- In the past, CICP has counted things like unemployment, workers comp, Old Age Pension benefits, Social Security, payments from retirement plans and pensions, court-ordered alimony received, trust accounts, etc.

Exempt Unearned Income

- CICP specifically exempts certain unearned income from being included in income determination for households including but not limited to (full list in provider manual):
  - Aid to the Needy Disabled (AND) payments
  - College grants, scholarships, work-study income, and loans
  - Child support and foster care payments
  - SNAP, WIC, and TANF
  - Settlements received as a result of a prior medical injury (unrelated to the current CICP application)
  - Tax refunds
  - Social Security Income (SSI) for a minor
  - Proceeds of a loan (personal and business related)

Retirement Accounts

- Retirement accounts are treated a little differently under CICP than other accounts
- Providers are NOT allowed to count a retirement account as a liquid resource
- If the household member is receiving a monthly payment from their retirement account, the monthly amount can be included as a monthly unearned income source
- If the household member takes money out of the account for a specific purpose, for instance to make accessibility improvements to their house, that money is also not allowed to be counted

Short Term Disability (STD)

- Household members who are collecting short term disability payments are unique cases, and therefore different guidance applies to them
- Short term disability is temporary, and only pays a percentage of normal income
- Income for these household members should be calculated using a combination of their short term disability income and their normal income to make up the full 52 week year

Short Term Disability Example

- A household member is being paid bi-weekly and will be on short term disability for six weeks. Their income should be calculated using six weeks of short term disability payments and 23 bi-weekly pay periods of their normal income
- 23 bi-weekly pay periods = 46 weeks + 6 weeks short term disability = 52 total weeks = 1 full year
  - Short term disability weekly amount: $500
  - Normal bi-weekly income: $1,600
  - ($500 x 6 weeks) + ($1,600 x 23 pay periods) = $3,000 + $36,800 = $39,800 annual income

Prior Short Term Disability

- If an applicant has received STD payments in the current calendar year, providers will need to take that into account when calculating income
  - This does NOT mean that previous STD should be included in the calculation
  - Using the APM may be a better option, although the YTD can be used if it can be determined how many pay periods were STD instead of normal income

APM with Previous STD

- Use the most recent pay stubs that DO NOT include any of the time periods that were covered by the STD
- Use the normal method with the normal amount of pay periods
  - Since the STD was in the past, it shouldn't impact the calculation for CICP since we look at the coming 12 months

YTD with Previous STD

- When figuring out the average paycheck amount, only the pay periods that had no STD payments should be counted in the total number of pay periods
  - This also only works if the STD falls fully in a pay period
- In most situations, the APM will be the best option when the applicant had STD during the current calendar year

Unemployment

- Household members who are collecting unemployment payments are unique cases, and therefore different guidance applies to them
- Unemployment is temporary, and has a maximum payable amount
- Households should only be rated for the period of time that the household member's unemployment will cover and rerated once that time period has passed

Question 4

- An applicant is currently unemployed and their unemployment benefit expires October 15, 2021. They currently have $6,500 available in their unemployment bank, and their weekly benefit is $450. Assuming that their next payment is on June 18th, when will their benefit run out?
  - A. October 15
  - B. September 24
  - C. September 17

2021 Calendar

JANUARY

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FEBRUARY

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MARCH

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JUNE

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JULY

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OCTOBER

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NOVEMBER

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DECEMBER

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$6,500 total/$450 weekly

- A. October 15
- B. September 24
- C. September 17

Answer 4

- Assuming that their next payment is on June 18th, when will their benefit run out?
  - A. October 15
  - B. September 24
  - C. September 17
- With a bank of $6,500 and a weekly pay out of $450, the last payment will be made on September 24 and it will be a partial payment.

Question 5

- The application is dated June 16, 2021. What date should the CICP eligibility be end dated?
  - A. September 24, 2021
  - B. October 15, 2021
  - C. June 16, 2022

Answer 5

- The application is dated June 16, 2021. What date should the CICP eligibility be end dated?
  - A. September 24, 2021
  - B. October 15, 2021
  - C. June 16, 2022
- After September 24, the applicant will either no longer have income from unemployment, or will possibly have a new job. Either way, their income has changed and they need to be rerated.

Question 6

- We know that the applicant is paid $450 per week from unemployment, and their bank is $6,500. What is the correct annual income for this applicant?
  - A. $6,500
  - B. $21,600
  - C. $23,400

Answer 6

- What is the correct annual income for this applicant?
  - A. $6,500
  - B. $21,600
  - C. $23,400
- The applicant is receiving $450 each week, which equates to $1,950 each month until their unemployment ends.

COVID Unemployment

- At this point in the pandemic, fewer and fewer people will be filing new COVID unemployment claims
  - ➢ If an applicant is still receiving unemployment due to COVID, they should be rated for six months or when their unemployment benefit runs out, whichever occurs first
- The additional $300 per week of federal money is scheduled to run out September 6, and should not be included in unemployment calculations

Pensions/Income in other Currencies

- If an applicant has income that is stated in a currency other than US dollars, you will need to use a converter to find the amount in US dollars
  - Google has a built in currency converter
- Exchange rates can change daily
  - Make sure you take a screen shot of the webpage showing the conversion rate when the application is completed to document the amount used on that day

Change in Pound Sterling (£)

1 Pound sterling equals

1.41 United States Dollar

Jun 15, 7:26 PM UTC · Disclaimer

1	Pound sterling
1.41	United States Dollar

Questions?

Self-Employment

- Applicants who are self-employed may be rated using their bank statements and bills, a ledger, a profit and loss statement, the prior year's taxes, or another form of documentation deemed acceptable by the provider
- Self-employed applicants who work out of their homes can use a percentage of their mortgage and utilities as business expenses
    - ➢ The Excel version of the provider application calculates the percentage for you once you enter in the necessary information

Home Business Percentage

- Percentage is based on the portion of the house used for the business multiplied by the percentage of the hours per week the business is conducted – used in taxes
- Formula takes business area square footage divided by the total area multiplied by the business hours divided by the total number of hours in a week (24 x 7 = 168)
- $\left(\frac{Business\ square footage}{Total\ house\ square\ footage}\right) x \left(\frac{Business\ hours\ per\ week}{168\ hours}\right)$
    - ➢ If you're using the paper version, it might be easiest to complete Worksheet 2 in the Excel application so that it does the calculation for you

Self-Employment Calculation

- The Home Business Percentage only applies to the rent/mortgage and any utilities used for the business (i.e. internet, phone, etc.)
- Any costs that are solely for the business are counted at 100%
  - Materials
  - Business phone
  - Advertising
  - Wages
  - Insurance

Self-Employment Example

- An applicant runs their business out of their home 40 hours per week. Their house is 1600 sqft and their business area is 200 sqft. They spend $500 monthly on materials for their business and have no other expenses.
- Their Home Business Percentage is (200/1600) x (40/168) = (.125) x (.238) = .030
  - Their mortgage is $1,800, so they are allowed to count $54 as a business expense ($1,800 x .03)
- Their total expenses per month is $554.

Question 7

- A self-employed applicant works out of their home and provides documentation showing their mortgage amount, utilities, materials purchased, business fees from the city, and wages paid to their employee. Which of the following show the correct documentation the Home Business percentage applies to?
  - A. Mortgage, utilities, and business fees
  - B. Materials and wages
  - C. Mortgage and utilities
  - D. Utilities and business fees

Answer 7

- Which of the following show the correct documentation the Home Business percentage applies to?
  - A. Mortgage, utilities, and business fees
  - B. Materials and wages
  - C. Mortgage and utilities
  - D. Utilities and business fees
- Self-employed applicants are allowed to count their mortgage and any applicable utilities (electricity, internet, phone, etc.) at the Home Business percentage as a business expense

Deductions

- Providers report which deductions they will be counting for the program year in the annual provider application.
  - Within this, providers are allowed to decide what types of documentation are acceptable for each deduction, while also allowing applicants to self-declare deduction amounts.
- Deductions should always only be counted for at most the 12 months before or following. This is also specified in your provider application
  - Make sure you are not counting full medical bills, only what has been or will be paid against them in the time period you are counting.

Liquid Resource Spend Down

- The Liquid Resource Spend Down (Spend Down) can be used to qualify applicants for the CICP if they are over income
  - Use of the Spend Down is always the choice of the applicant; providers who count liquid resources in income determination cannot require nor refuse the use of the Spend Down
- The Department's Excel application automatically calculates a spend down if the applicant qualifies for one by analyzing the amount they are over income and the protected resources they have to use as the spend down

Understanding the Spend Down

- Providers are required to exclude at least $2,500 of liquid resources per household member
- If an applicant is over income by an amount less than their excluded amount, they can use the Spend Down
  - Example: Applicant is over income by $900, with an income of $33,100 and a bank account of $2,300. The entire bank account is excluded, and therefore is not counted as part of the applicant's net CICP income. Since the amount the applicant is over income is less than the amount of money they have in their bank account, they have the choice to pay $900 toward their bill in order to qualify for CICP.

Over Income and Excluded Amount

- What's the relation between the overage amount and the protected amount?
  - Simply, there is no mathematical way to pay down to the limit if the applicant's income alone puts them over by more than either the protected amount or the amount in their bank account
  - Again, the Excel application will do all of these calculations for you, but you must be sure to check if there is an amount listed in the spend down line prior to completing the application, as you will need to collect proof that amount was paid towards a medical bill from the applicant before they will qualify

FPL Rate

- Households are all rated using an FPL rate, which is a one to three digit number (0-250)
  - Do not include a % sign on their card
  - Do not only rate them using the range they fall into on the income range/copayment scale (i.e. 176 instead of 160-185)
  - Can include the range letter in addition to the number, but MUST include the rate number (i.e. G 176, not just G)
- NOTE: The Excel application puts an “H” after the rate if the household is in the 0-40 range and homeless to distinguish between the previous N and Z rates, which impacts copayment responsibilities

Provider Management Exception

- Providers may choose to make exceptions for households who do not qualify based on the normal income calculation process
  - Providers are allowed to count extra deductions they do not normally include for these households if they feel it is warranted
  - These exceptions are on a case by case basis, so an exception made for one household does not need to be made for all households
- Every provider has a Management Exception Manager listed on the provider application that should be handling the exception process

Management Exception

- One easy way to lower a household's income would be to allow the household to pay down a medical bill even if your facility does not count liquid resources and therefore does not normally use the liquid resource spend down
  - Same process would be followed, have the household pay the difference towards their outstanding medical bill
  - Count the payment as a medical deduction and enter it in Worksheet 3
  - Keep the receipt showing the payment with the application
- Obviously this won't work for every household, this is just an example

CICP vs Provider Policies

- CICP policies providers must follow:
  - Count <u>ALL</u> employment and self-employment income
  - Allow applicants to use Spend Down if Provider counts liquid resources in income determination.
- Providers can set policies for:
  - Unearned income sources counted – cannot count exempted sources
  - Deductions allowed in income determination
  - Liquid resources counted in income determination
  - What documentation is acceptable for the above, including if self-declaration is allowed for unearned income sources and deductions (liquid resources must be documented)

Audits

- The most common audit finding related to income determination is the auditor being unable to follow the income calculation
- Providers should be documenting any odd income situations within the application and including their calculations as much as possible

COVID Vaccine

- Per the Constant Contact email sent out January 22, 2021, CICP Clients can receive the COVID vaccine free of charge
  - No additional copay for vaccine received during an office visit (standard)
  - No copay for a visit solely to receive vaccine
  - No copay for vaccine received at pharmacy or during a vaccination event
- Providers would include the charge minus all payments from third parties (HRSA, insurance, other) with no client copay in the data

Questions?

2021-22 Training

- Seven trainings available this year:
  - Income Calculation – Wednesday June 16 9:00 to 11:00 and Tuesday June 22 1:00 to 3:00
  - Application Policies – Thursday June 17 9:00 to 11:00 and Wednesday June 23 9:00 to 11:00
  - Household Scenarios – Monday June 21 1:00 to 3:00 and Thursday June 24 9:00 to 11:00
  - Question and Answer – Tuesday June 29 9:00 to 12:00
- Someone from your facility/facilities should attend at least one session of each training

Helpful Links

- Provider Information: https://hcpf.colorado.gov/cicp
  - Training sign up links and materials
  - Provider Manual
  - Current Client applications
- COVID FAQs: https://hcpf.colorado.gov/covid-19-provider-information#CICP
- CICP Email: hcpf_CICPCorrespondence@state.co.us

Contact Info

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Thank you!