WILL LIGHTBOURNE
DIRECTOR

GAVIN NEWSOM
GOVERNOR

DATE: February 19, 2021

Letter No: 21-04

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL SAWS CONSORTIUM PROJECT MANAGERS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY MEDS LIAISONS

SUBJECT: DETERMINING MODIFIED ADJUSTED GROSS INCOME (MAGI) MEDI-CAL HOUSEHOLD INCOME
(Reference: ACWDL 08-07, ACWDL 14-18, ACWDL 16-16, ACWDL 18-25, MEDIL I 15-06, MEDIL I 15-07, MEPM Section 4M)

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties with guidance on Modified Adjusted Gross Income (MAGI) Medi-Cal income calculations. The following topics will be covered: treatment of different income and deduction types, whose income counts, the utilization of different budget periods for counting income, and verifying income. This guidance applies to MAGI Medi-Cal, Medi-Cal Access Program (MCAP), Medi-Cal Access Infant Program (MCAIP) and County Children's Health Initiative Program (CCHIP), and are based on the MAGI methodology outlined in this ACWDL.

MAGI household income rules for Covered California programs are also included in this letter. The intent of this information is to assist county eligibility workers (CEWs) with eligibility determinations for all Insurance Affordability Programs (IAPs).

Background

The Affordable Care Act of 2010 (ACA) introduced MAGI-based Medi-Cal, which created a new household income counting methodology. MAGI Medi-Cal income methodology uses federal tax filing rules for determining Medi-Cal eligibility as defined in Title 42 Code of Federal Regulations (C.F.R.) Section 435.603. The ACA also allowed states to elect three different budget periods to allow greater flexibility in how income can be counted to determine MAGI Medi-Cal eligibility.

Previously, the Department of Health Care Services (DHCS) issued guidance in Medi-Cal Eligibility Division Information Letter (MEDIL) I 15-07 and ACWDL 15-06 regarding the use of budget periods for MAGI Medi-Cal eligibility determinations. **The guidance provided in these prior letters, specifically in regards to the use of Projected Annual Income, is now obsolete. Please refer to the Income Budget Periods section starting on page 14 of this ACWDL for updated guidance.**

The following policy areas will be included in this ACWDL. Due to the size of this ACWDL, the corresponding page numbers have been included next to the subject title for navigation purposes.

I. Countable Income for MAGI Medi-Cal

MAGI Medi-Cal generally follows Internal Revenue Services (IRS) tax rules when determining the treatment of income, with a few exceptions. Unlike Non-MAGI Medi-Cal which uses gross income, MAGI income methodology requires the use of Adjusted Gross Income (AGI), which is federal taxable income minus any allowable deduction(s) for eligibility determinations under Internal Revenue Code Section 36B(d)(2)(B) and 42 C.F.R. § 435.603(e). Federal taxable income is typically any money that someone receives that is subject to an income tax.

In addition to federal taxable income, the following income types are also included as countable income for MAGI Medi-Cal:

1. Non-taxable Title II Social Security benefits not included in the gross income, such as Retirement, Survivors and/or Disability benefits;
2. Tax-exempt interest;
3. Foreign earned income and housing expenses for Americans living abroad;
4. Lump sum income (one-time non-recurring income) is counted only in the month of receipt for MAGI Medi-Cal.
    a. Any amount of income received as a lump sum payment will count as income in the month of receipt and calculated as part of the individual's annual income.

Some income types may be taxable but are excluded from MAGI including (but not limited to):

1. Scholarships, awards or fellowship grants used for educational purposes and not for living expenses.
2. Certain Native American Indian/Alaska Native income as outlined on the MAGI Income and Deductions Types chart and ACWDL 16-02.

The CEW shall generally accept the self-attested income as the federal taxable income. However, if verifications were requested and submitted, the CEW shall use the federal taxable amount when determining eligibility. If there are inconsistencies between the self-attested information and verifications, and the CEW is unable to determine the federal taxable income amount, the CEW shall reach out to the applicant per the applicant's preferred method of contact for clarification before making any changes to the case file.

Deductions

CEWs shall use the same deductions that an individual uses when filing taxes to reduce their overall taxable income to determine the Adjusted Gross Income (AGI) on the 1040 for MAGI Medi-Cal eligibility determinations. CEWs may use the MAGI Income and Deductions Chart to determine if deductions are applicable when determining an individual's AGI.

MAGI Medi-Cal uses federal taxable income, not gross income, when determining the income amount to use in the eligibility determination. This means that certain pre-tax deductions are subtracted from the gross income by an employer or other income source outside of the MAGI determination. The county shall use the federal taxable portion of income minus any allowable deductions when determining MAGI Medi-Cal eligibility.

II. Whose Income Counts

Eligibility for MAGI Medi-Cal is determined on an individual basis as outlined in ACWDL 16-16. Prior to determining whose income counts in the individual's MAGI Medi-Cal determination, the CEW shall construct a MAGI Medi-Cal household for each individual on the case as detailed in ACWDL 20-10. The MAGI household composition shows which individuals should be considered when determining whose income counts in an individual's eligibility determination.

When determining whose income counts for MAGI Medi-Cal eligibility, the CEW shall include the sum of an individual's countable MAGI income, and the countable income of all other persons included in their MAGI household. An individual's income that does not count in the case under evaluation should not be used. Counties may use the 'Whose Income Counts in the Household Calculation' flow chart on the "County Operations Resources" page to assist with determining whose income counts for each individual in the household for MAGI Medi-Cal determinations.

As detailed in the flow chart, to determine whose income counts in an individual's MAGI Medi-Cal eligibility determination, the CEW shall apply the following income counting rules for each person, in each MAGI household composition:

Adults in the tax household **not** claimed as a tax dependent:

- Count the MAGI-based income of the adult.

Adults in the tax household claimed as a tax dependent:

- Count the MAGI-based income of the tax-dependent adult when at least one of the following apply:
    - The tax filer claiming the adult is not included in the household composition under evaluation; and/or
    - The adult is expected to be required to file a tax return.
- **Do not** count the MAGI-based income for adults when:
    - The adult is a tax dependent, the tax filer claiming them as a dependent is within their household composition, and the adult is not expected to file taxes.

Children in the household (under the age of 19 or under age 21 if a full time student):

- Count the MAGI-based income of the child when one of the following apply:
    - The tax filer claiming the child is someone other than a parent and the child's parent (natural, adopted, or step) is not included in the child's household composition; and/or
    - The child is expected to be required to file a tax return.
- **Do not** count the MAGI-based income for children when:
    - The child's parent(s) is/are included in the household composition, and the child is not expected to be required to file taxes.

Sometimes members of the same family have different MAGI household compositions. This may result in a child's or tax dependent's income counting for one household but not another.

Whose Income Counts for Covered California
Eligibility for Covered California programs is determined by the tax household's income (based on their reported modified adjusted gross income) and family size. As defined in 26 C.F.R. § 1.36B-1, household income for Covered California eligibility determinations includes:

- The primary tax filer's income,
- The primary tax filer's spouse's income; and
- Any tax dependent(s)' income if the tax dependent is required to file their own tax return.

Income from spouses and tax dependents is included in the household income even if they will not be applying for health insurance coverage. Generally, applicants are asked to include everyone's income when completing the application, especially in instances when it is uncertain whether a dependent will file their own tax return. Rules for determining household composition for Covered California programs are detailed in ACWDL 20-10.

Examples of Whose Income Counts
The intent of the examples below is to assist counties in understanding whose income counts in a MAGI Medi-Cal household composition. Each scenario identifies the appropriate steps taken (boxes marked A,B,C or D) on the 'Whose Income Counts in the Household Calculation' chart for each individual within a household and how other members within the household are counted for that individual. Some scenarios below are companions with examples shown in ACWDL 20-10.

Example 1: Married Couple with Mutual Child
A married couple (Spouse 1 and Spouse 2) are living together with one mutual child (Child 1). Child 1 is under the age of 18. Spouse 1 and Spouse 2 plan to file a joint tax return and will claim Child 1 as a tax dependent. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Spouse 1	Spouse 2	Child	Family Size
Spouse 1	Included	Included	Included	3
Spouse 2	Included	Included	Included	3
Child 1	Included	Included	Included	3

Spouse 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 1	A,C	No

Spouse 2's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Included?
Spouse 2	A,B	Yes
Spouse 1	A,B	Yes
Child 1	A,C	No

Child 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Included?
Child 1	A,C	No
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes

Note: For Covered California purposes, the household size is 3 because the spouses will file a joint return tax return and claim their child as a tax dependent. The incomes of Spouse 1 and Spouse 2 will be counted in Example 1. Child 1 is not counted if they will not be filing their own tax return.

Example 2: Married Couple with Mutual Children (Age 18, 22, and 23). None of the Children Reside in the Home with the Parents

A married couple (Spouse 1 and Spouse 2) are living together, plan to file joint tax return and claim three mutual children as tax dependents (Child 1 is 18 years old, Child 2 is 22 years old, and Child 3 is 23 years old). Child 1 and Child 3 do not expect to file a tax return, but Child 2 expects to be required to file a tax return. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Spouse 1	Spouse 2	Child	Child 2	Child 3	Family Size
Spouse 1	Included	Included	Included	Included	Included	5
Spouse 2	Included	Included	Included	Included	Included	5
Child 1 (18)	Included	Included	Included	Included	Included	5
Child 2 (22)	Included	Included	Included	Included	Included	5
Child 3 (23)	Included	Included	Included	Included	Included	5

Spouse 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 1 (18)	A,C	No
Child 2 (22)	A,B,D	Yes
Child 3 (23)	A,B,D	No

Spouse 2's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Spouse 2	A,B	Yes
Spouse 1	A,B	Yes
Child 1 (18)	A,C	No
Child 2 (22)	A,B,D	Yes
Child 3 (23)	A,B,D	No

Child 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 1 (18)	A,C	No
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 2 (22)	A,B,D	Yes
Child 3 (23)	A,B,D	No

Child 2's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 2 (22)	A,B,D	Yes
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 1 (18)	A,C	No
Child 3 (23)	A,B,D	No

Child 3's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 3 (23)	A,B,D	No
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 1 (18)	A,C	No
Child 2 (22)	A,B,D	Yes

Note: For Covered California purposes, the household size is 5 because the spouses will file a joint tax return and claim their three children as tax dependents. The income of Spouse 1, Spouse 2, and Child 2 will be counted. Child 1 and Child 3's income are not counted because they will not be filing their own tax returns.

Example 3: Married Couple with Mutual Child (Age 14) and Grandparent (age 63)

A married couple (Spouse 1 and Spouse 2) is living together, plans to file joint tax return and claim as tax dependents: one mutual child (Child 1) who is 14 and Spouse 1's parent (Grandparent) who is age 63. Neither Child 1 nor Grandparent is expected to file taxes. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Spouse 1	Spouse 2	Child 1	Grandparent (Under 65)	Family Size
Spouse 1	Included	Included	Included	Included	4
Spouse 2	Included	Included	Included	Included	4
Child 1	Included	Included	Included	Included	4
Grandparent (Under 65)	Not Included	Not Included	Not Included	Included	1

Spouse 1’s Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Child 1	A,C	No
Grandparent	A,B,D	No

Spouse 2’s Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Spouse 2	A,B	Yes
Spouse 1	A,B	Yes
Child 1	A,C	No
Grandparent	A,B,D	No

Child 1’s Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 1	A,C	No
Spouse 1	A,B	Yes
Spouse 2	A,B	Yes
Grandparent	A,B,D	No

Grandparent’s Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Grandparent	A,B	Yes
Spouse 1	N/A	N/A
Spouse 2	N/A	N/A
Child 1	N/A	N/A

Note: For Covered California purposes, the household size is 4 because the spouses will file a joint tax return and claim Child 1 and Grandparent as tax dependents. Spouse 1 and Spouse 2’s income will be counted. Child 1 and Grandparent’s income are not counted because they will not be filing their own tax returns.

Example 4: Non-Parent Caretaker Relative who claims their grandchild (age 10) as a dependent

A child lives with their grandparent. Grandparent has earned income, is required to file taxes and claims the child as a tax dependent. The child receives Social Security Survivor's benefits but is not required to file taxes. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Grandparent 1	Child 1	Family Size
Grandparent	Included	Included	2
Child	Not Included	Included	1

Grandparent's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Grandparent	A,B	Yes
Child	A,B,D	No

Child's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child	A,B	Yes
Grandparent	N/A	N/A

Note: For Covered California purposes, the household size is 2 because the Grandparent will file taxes and will claim the child as a tax dependent. The Grandparent's income will be counted. The Child's income will be counted if the child will file their own tax return.

Example 5: Unmarried Couple (Person 1 or Person 2) with Mutual Child (Age 8), and One Child (age 10) Claimed by a Non-Custodial Parent (Neither Person 1 or Person 2)

Unmarried couple (Person 1 and Person 2) is living together and each plan to file taxes as single. Person 1 claims a mutual child (Child 1) as a tax dependent, and Person 2 has a separate child (Child 2) living in the home claimed as a tax dependent by a non-custodial parent. Both children are under 18 and neither expect to file taxes. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Person 1	Person 2	Child 1	Child 2	Family Size
Person 1	Included	Not Included	Included	Not Included	2
Person 2	Not Included	Included	Not Included	Not Included	1
Child 1 (8)	Included	Included	Included	Included	4
Child 2 (10)	Not Included	Included	Included	Included	3

Person 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Person 1	A,B	Yes
Person 2	N/A	N/A
Child 1 (8)	A,C	No
Child 2 (10)	N/A	N/A

Person 2's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Person 2	A,B	Yes
Person 1	N/A	N/A
Child 1 (8)	N/A	N/A
Child 2 (10)	N/A	N/A

Child 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 1 (8)	A,C	No
Person 1	A,B	Yes
Person 2	A,B	Yes
Child 2 (10)	A,C	No

Child 2's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child 2 (10)	A,C	No
Person 1	N/A	N/A
Person 2	A,B	Yes
Child 1 (8)	A,C	No

Note: For Covered California purposes, Person 1's household size is 2 because Person 1 will file taxes and claim Child 1 as a tax dependent. Person 1's income will be counted, and Child 1's income will not be counted because Child 1 will not file a tax return. Person 2's household size is 1. Person 1's income will be counted in their household. Child 2's income is not counted for either household because neither Person 1 nor Person 2 will be claiming Child 2 as a tax dependent.

Example 6: Single Parent with Married Dependents

Single Parent (Parent 1), age 40, is claiming their married adult child (Spouse 1) as a dependent but is not claiming the other spouse (Spouse 2). Parent 1, Spouse 1, and Spouse 2 all live in the same home. Spouse 1 and Spouse 2 are married, both aged 18 years old, and neither expects to be required to file taxes. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them:

Household Composition

Medi-Cal Household	Parent 1	Spouse 1	Spouse 2	Family Size
Parent 1	Included	Included	Not Included	2
Spouse 1	Included	Included	Included	3
Spouse 2	Not Included	Included	Included	2

Parent 1's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Parent 1	A,B	Yes
Spouse 1	A,C	No
Spouse 2	N/A	N/A

Spouse 1's Whose Income Counts Budget

Medi-Cal Househo	Income Flow Chart Steps	Income Counted?
Spouse 1	A,C	No
Parent 1	A,B	Yes
Spouse 2	A,B	Yes

Spouse 2's Whose Income Counts Budget

Medi-Cal Househo	Income Flow Chart Steps	Income Counted?
Spouse 2	A,B	Yes
Parent 1	N/A	N/A
Spouse 1	A,B	Yes

Note: For Covered California purposes, the household size is 2 because Parent 1 will claim Spouse 1 as a tax dependent. Parent 1's income will be counted. Spouse 1's income is not counted because they will not be filing their own tax return. Spouse 2's income is not counted because Parent 1 will not be claiming Spouse 2 as a tax dependent.

Example 7: Non-Custodial Parent Claiming Adult

Grandparent, age 64, lives alone but is claiming their adult grandchild (Child 1) as a tax dependent. Child 1 is 23 years old and does not expect to be required to file taxes. The following charts consist of their Household Composition and whether or not EACH household member's income is counted for them.

Household Composition

Medi-Cal Household	Grandparent 1	Child 1	Family Size
Grandparent	Included	Included	2
Child	Not Included	Included	1

Grandparent's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Grandparent	A,B	Yes
Child	A,B,D	No

Child's Whose Income Counts Budget

Medi-Cal Household	Income Flow Chart Steps	Income Counted?
Child	A,B	Yes
Grandparent	N/A	N/A

Note: For Covered California purposes, the household size is 2 because Grandparent is claiming Child 1 as a tax dependent. The Grandparent's income will be counted. Child 1 is not counted because they will not be filing their own tax return.

III. Obtaining Household Income

Applicants and beneficiaries can report their household's income at application, annual renewal, or reported change in circumstance to the county by mail, in person, and any other allowable methods of contact outlined in ACWDL 14-18. Applicants and beneficiaries may also update their income online or on paper via the Single Streamlined Application (SSApp), SAWS2Plus or MC 216.

Covered California applicants and enrollees can report their household's income at application, annual renewal, or reported change in circumstance by mail, by phone, to a licensed insurance agent or Certified Enrollment Counselor, to their local county office, or by logging into their online account.

Note: At the time of the publication of this letter, the paper SSApp and SAWS2Plus are under revision to include additional questions to obtain whether or not the applicant and/or beneficiary's income began before January of the current year they are applying in. DHCS will provide additional policy guidance once these revisions are completed.

IV. Income Budget Periods

Budget periods offer different ways to utilize reported income over certain time periods. They can affect what income and over what period of time the income is counted, which may reduce some income for a specified period of time. Budget periods also help reduce excessive movement by Medi-Cal beneficiaries to ineligibility or between other IAPs, such as Covered California.

When the ACA was enacted, the Center for Medicare and Medicaid Services (CMS) allowed states to select three different budget periods to base MAGI Medi-Cal eligibility. California elected to use all three budget period methodologies. The methodologies are as follows:

- Current Monthly Income (CMI);
- Reasonably Projected Annual Income (RPAI); and

- Projected Annual Income (PAI)- *beneficiaries only*

The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) will have enhanced functionality with Change Request (CR) 151332 that will be released in the future to properly apply each of the budget periods.

Note: Until CalHEERS is updated to include this functionality, counties are to continue processing cases using existing county processes where PAI and RPAI are merged into one budget period due to system functionality.

The amount of an applicant/beneficiary's income for MAGI Medi-Cal is determined based on the budget period with the lowest income calculation between CMI and RPAI. The CEW shall only use the budget period of PAI when the beneficiary is not eligible using the other budget periods and the PAI is within the MAGI Medi-Cal Federal Poverty Level (FPL) threshold.

In order to align Covered California and Medi-Cal policies, CalHEERS may use different terminology in the online application when referring to budget periods. CalHEERS refers to PAI as System Calculated Annual Income (SCAI) (see chart below). Additionally, DHCS previously referred to RPAI as Reasonably Predictable Future Income (RPFI). Counties are to use the new RPAI terminology with the release of this letter.

Pre-ACWDL	Post-ACWDL
Currently Monthly Income (CMI)	Currently Monthly Income (CMI)
Reasonably Predictable Future Income (RPFI)	Reasonably Projected Annual Income (RPAI)*
Projected Annual Income (PAI) Also: System-Generated PAI (In CalHEERS)	PAI (Projected Annual Income) Also: System Calculated Annual Income (In CalHEERS)

***Note: <u>This is MAGI Medi-Cal specific terminology.</u>** Due to policy differences, Covered CA will continue to reference the MAGI Medi-Cal RPAI as PAI.

Current Monthly Income (CMI)
CMI is the amount of income an applicant or beneficiary expects to receive in the month under evaluation for eligibility. The CEW shall use CMI for the MAGI Medi-Cal eligibility determination when:

- An applicant or beneficiary does not provide income information for a different budget period to be applied at application, annual renewal, or reported changes in circumstance; or
- CMI is the budget period with the lowest income amount.

CMI Example
A family of three consisting of two parents and their child apply for MAGI Medi-Cal in March. Parent 1 was employed in January earning $3,000 per month, but lost their job unexpectedly before the family applied for Medi-Cal and does not qualify for unemployment benefits. The family has no other source of income and is unsure of when Parent 1 will be employed again. Since the current monthly income is $0, the CEW will use CMI for the MAGI households where their income is counted.

The CEW will use CMI to determine eligibility for March 2020 until February 2021 with the redetermination period as February 2021 if there is no reported change in circumstance.

Reasonably Projected Annual Income (RPAI)

RPAI is the total amount of income that an applicant or beneficiary **expects to receive in a twelve-month period**, starting at the month of application, annual renewal, or reported change in circumstance. The RPAI budget period promotes continued coverage to those who would otherwise not qualify for MAGI Medi-Cal because of their fluctuating income.

CEWs shall only use RPAI for applicants or beneficiaries whose income fluctuates (refer to ACWDL 15-06). Income from past months cannot be included in the calculation for RPAI, however historic income information can be used to reasonably predict future income. For example, if a beneficiary works seasonally every year from May through September and receives unemployment from October through April, and the beneficiary does not expect there to be any changes, then the CEW can reasonably predict their future income because of past months income information.

In order for the applicant/beneficiary to be screened for the RPAI budget period, they must report fluctuating income to the county. This can be found by the CEW on the SSApp or renewal forms as there are specific questions regarding fluctuating income. Once fluctuating income is reported, the CEW must determine whether or not there is enough evidence to use the RPAI budget period (see section below titled "Determining when Income Meets RPAI Criteria").

To calculate the monthly RPAI, the CEW shall divide the provided RPAI amount by twelve. The CEW shall then compare the applicant or beneficiary's CMI amount to the RPAI amount and use whichever budget period has the lowest monthly income amount.

Note: CalHEERS and SAWS already have functionality for RPAI labeled as ‘overridden projected annual income’ in CalHEERS and PAI in SAWS. However, this title may be updated during a future systems enhancement.

Determining When Income Meets RPAI Criteria

When income is reported to a CEW that may appear to be RPAI, the CEW must determine if it meets the criteria for RPAI in order to utilize it as a budget period.

First, the CEW shall determine whether or not they have sufficient evidence to use the RPAI budget period. If not, the CEW shall contact the individual using their preferred method of contact to obtain the following additional information regarding the potential RPAI:

- What reasonably predictable future changes in income will occur during the next 12 months?
- Why will the change in income occur?
- Does the individual have other reasonably predictable income changes that will occur in the next 12 months?

Next, the CEW shall prompt the individual to account for other relevant future changes pertaining to their situation, when relevant. For example:

- If the individual is reporting a job loss, the CEW shall inquire about eligibility for unemployment benefits. If a person is eligible for unemployment, they may be considered to have unconditionally available income that should factor into the calculated income amount for the budget period. See ACWDL19-13 for more information on unconditionally available income.
- If the individual is reporting a future termination date of employment, such as employment that is contract based, the CEW shall inquire about the individual’s history of employment to determine if it is reasonable that they will receive an extension.

Manual verification of RPAI is required if the self-attested income information is not reasonably compatible with the Federal Data Services Hub (FDSH). Administrative verification methods of the income change includes but is not limited to:

  - A signed contract for employment;
  - Clear proof of a history of predictable fluctuations in income;

- Prior year's tax return;
- Written sworn statement (see page 28 for more details); or
- Other clear documentation of such predicted future changes in income (such as the remaining balance of UIB, if any)

The CEW shall document all details of adequate verification used in the determination of income as RPAI in the case file. For the usage of Income and Eligibility Verification System (IEVS) records, reference ACWDL 11-30.

Once RPAI is utilized as a budget period, beneficiaries must still report any future changes in income. The CEW shall then re-evaluate the case based on the new income information provided.

RPAI Example 1
Person A was laid off and filed for unemployment benefits (UIB) on January 1 and applies for MAGI Medi-Cal on January 5. Person A provided the CEW with how much benefits were on their claim, which was $8,600 and reports that the benefits are exhausted in June of the current year. Person A also provides the UIB award letter which verifies their CMI of $1,755 per month. Based on Person A's self-attestation of fluctuating income and proof of income ending with the unemployment award letter, their income is considered reasonably predictable by the county.

The CEW determines that Person A qualifies for an evaluation using the RPAI budget period. To determine the RPAI monthly income, the CEW divides their remaining UIB balance amount of $8,600 by 12 to obtain a reasonably predictable annual amount:

UIB remaining	$8,600
Total	$8,600 divided by 12 mos.=$716.66 per month RPAI

Current Month					
Jan.	Feb.	March	April	May	June
$1,755	$1,755	$1,755	$1,755	$1,580	$0
$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average

July	Aug.	Sep.	Oct.	Nov.	Dec.
$0	$0	$0	$0	$0	$0
$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average	$716.66 Average
					Eligibility Redetermined

The CEW determines Person A’s RPAI monthly income is $716.66 and then compares this amount with Person A’s CMI of $1,755. Because Person A’s RPAI monthly income is lower than their CMI, the CEW uses the RPAI monthly income to determine eligibility for January until annual renewal in December.

<u>RPAI Example 2</u>
Person B worked as a lifeguard last year during spring and summer. Person B applies for MAGI Medi-Cal on June 1, 2020. Person B states they have a CMI of $1,500, but also states that they are a seasonal worker and receives this income from April through September 2020 only and will have no wages from October 2020 through March 2021. Person B also states that they will have the same yearly schedule as the previous year and it will continue for the foreseeable future. Person B supplies the CEW with pay stubs and a letter from their employer which verifies their CMI and confirms fluctuating income.

The CEW determines that Person B qualifies for an evaluation using the RPAI budget period. To determine the RPAI monthly income, the CEW multiples their CMI of $1,500 by six months (the total months in which the income was received) then divides that amount by 12 to obtain a reasonably predictable annual amount:

6 mos. Wages (April through September)	$1,500 x 6 = $9,000
Total	$9,000 divided by 12 mos.=$750 per month RPAI

Current Month					
June	July	Aug.	Sept.	Oct.	Nov.
$1,500	$1,500	$1,500	$1,500	$0	$0
$750 Average	$750 Average	$750 Average	$750 Average	$750 Average	$750 Average

Dec.	Jan.	Feb.	March	April	May
$0	$0	$0	$0	$1,500	$1,500
$750 Average	$750 Average	$750 Average	$750 Average	$750 Average	$750 Average
					Eligibility Redetermined

The CEW determines Person B’s RPAI monthly income is $750 and then compares this amount with Person B’s CMI of $1,500. Because Person B’s RPAI monthly income is lower than their CMI, the CEW uses the RPAI monthly income to determine eligibility for June 1, 2020 until May 31, 2021, with the redetermination period as May 2021.

RPAI Example 3
Person C works as a seasonal farm worker and has no other employment.
Person C applies for MAGI Medi-Cal on April 1 and states to the CEW that they have a CMI of $1,800. Person C also states that they are a seasonal worker and receives this income from March 2020 through August 2020 only, and expects to receive $600 a month in unemployment benefits from September 2020 through February 2021. Person C supplies the CEW with pay stubs, a letter from their employer, and an unemployment award notice from last year. All this information verifies their CMI and confirms fluctuating income.

The CEW determines that Person C qualifies for an evaluation using the RPAI budget period. To determine the RPAI monthly income, the CEW multiples Person C’s CMI of $1,800 by six months (the total months the income was received) and then the CEW must calculate the monthly unemployment income of $600 by six months and add the sum of those two amounts. Finally, the CEW divides that amount by 12 to obtain a reasonably predictable annual amount:

6 mos. Wages (March through August)	$1,800 x 6 = $10,800
6 mos. UIB (September through February)	$600 x 6 = $3,600
Total	$14,400 divided by 12 mos.=$1,200 per month RPAI

Current Month					
April	May	June	July	Aug.	Sep.
$1,800	$1,800	$1,800	$1,800	$1,800	$600
$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average

Oct.	Nov.	Dec.	Jan.	Feb.	March
$600	$600	$600	$600	$600	$1,800
$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average	$1,200 Average
					Eligibility Redetermined

The CEW determines Person C's RPAI monthly income is $950 and then compares this amount with Person C's CMI of $1,800. Because Person C's RPAI monthly income is lower than their CMI, the CEW uses the RPAI monthly income to determine eligibility for April 1, 2020 until March 31, 2021, with the redetermination period as March 2021.

Note: The CEW is not required to redetermine eligibility automatically in September when the CMI of $600 is the lesser amount. However, if the beneficiary calls to report the loss of employment and approval of unemployment in September, the CEW shall redetermine eligibility and use CMI, as it is the lesser of the two budget periods at that point in time.

RPAI Example 4
A family of three consists of two parents and their child. The family applies for MAGI Medi-Cal on May 8, 2020, and has a CMI of $2,000. Parent 1 is a logger who is seasonally employed every year from May to October. Parent 1 also expects to receive unemployment benefits of $866 per month from November 2020 to April 2021. The family reports this on their application and Parent 1 supplies the CEW with pay stubs, a letter from their employer, and an unemployment award notice from last year. All this information verifies their CMI and confirms fluctuating income.

The CEW determines that the family qualifies for an evaluation using the RPAI budget period. To determine the RPAI monthly income, the CEW multiplies Parent 1's CMI of $2,000 by six months (the total months the income was received) and then the CEW must calculate the monthly unemployment income of $866 by six months and add the sum of those two amounts. Finally, the CEW divides that amount by 12 to obtain a reasonably predictable annual amount.

6 mos. Wages (May through October)	$2,000 x 6 = $12,000
6 mos. UIB (November through April next year)	$866 x 6 = $5,196
Total	$12,000 + 5,196 = $17,196 $17,196 divided by 12 mos.=$1,433 per month RPAI

Current Month					
May	June	July	Aug.	Sept.	Oct.
$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average

Nov.	Dec.	Jan.	Feb.	March	April
$866	$866	$866	$866	$866	$866
$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average	$1,433 Average
					Eligibility Redetermined

The CEW determines Parent 1's RPAI monthly income is $1,433 and then compares this amount with Parent 1's CMI of $2,000. Because Parent 1's RPAI monthly income is lower than their CMI, the CEW uses the RPAI monthly income to determine eligibility for the family for May 2020 until April 30, 2021, with the redetermination period as April 2021.

<u>RPAI Example 5 (RPAI no longer acceptable at RAC)</u>
Person D is a beneficiary who is currently eligible for MAGI Medi-Cal by using the RPAI budget period. They are employed as a snowboard instructor from November to March and from April to October, they work part time as a kayaking instructor. Using the RPAI budget period due to their fluctuating income, their RPAI monthly income is $1,300. In April, Person D reports a change in income. Their new CMI is $4,500. At this point, the CEW must determine whether or not this is a permanent change in income, and what new budget period Person D qualifies for, if any.

Person D self-attests that this income is a permanent change. The CEW then determines that because their income is no longer fluctuating, the RPAI budget period cannot be used. The CEW shall determine if they qualify for MAGI Medi-Cal based on their CMI, which is over the MAGI Medi-Cal income limit.

Accordingly, the CEW will discontinue Person D from MAGI Medi-Cal and will follow existing processes for those individuals who are over income limits as described in ACWDL 16-14.

Note: PAI would not be used in this scenario because the average CMI for the entire year from January through December is also over the MAGI income limits.

Projected Annual Income (PAI)

PAI is a budget period for beneficiaries whose income increases during the calendar year and puts their CMI over the MAGI income limit, but their calendar year income would allow them to be under the MAGI income limit. PAI shall not be used for individuals whose income will fluctuate. PAI is intended to help beneficiaries maintain the same health coverage under MAGI Medi-Cal until a new health benefit year begins and they can transition to a Covered California program. The county shall only use PAI when the beneficiary is ineligible to Medi-Cal for both the CMI and RPAI (when appropriate) budget periods. Currently RPAI and PAI are treated as one combined budget period in CalHEERS. Counties may continue existing processes until the implementation and release of CR 151332 to separate the functionality of RPAI and PAI. SAWS and CalHEERS will issue additional guidance to counties regarding the functionality of the budget periods once CR 151332 is implemented.

The CEW shall use PAI when:

- An individual is a current beneficiary;
- An individual's CMI **and** RPAI (when applicable) are over the MAGI income limit; and
- An individual's PAI amount is under the MAGI Medi-Cal income limit.

Individuals that are eligible for MAGI Medi-Cal based on PAI shall have their case redetermined prior to the end of that calendar year in which PAI is being applied. The redetermination will assess the beneficiary for program eligibility in January of the following year. The annual renewal date is not reset by this mandatory redetermination. For example, if a beneficiary reports an increase in income in October that triggers the PAI budget period to be used, the beneficiary will still have the end-of-year PAI redetermination to move them to the appropriate program, AND their annual renewal the following year in October. For cases that have an annual renewal due in December and are using the PAI budget period, the CEW shall run eligibility for December to maintain eligibility in MAGI Medi-Cal and for January of the following year to potentially transition the individual to Covered California.

<u>Note:</u> Until CR 151332 is implemented, counties will continue normal processing of annual renewals.

Note: Covered California uses PAI to determine an applicant's eligibility for Covered California programs, including advance premium tax credits (APTC), cost sharing reduction (CSR), and state subsidy. Other methods are not used to determine eligibility for Covered California financial assistance.

PAI for Covered California programs is based on expected household income for the coverage year, not current income or a prior year's income. For example, if a consumer is applying for health insurance in 2020 through Covered California for the 2021 coverage year, their eligibility for Covered California programs is based on their projected annual income for 2021, not their current income or a prior year's income.

<u>PAI Example 1</u>
Person A was determined eligible for MAGI Medi-Cal on February 15, 2020. Eligibility was based on their unemployment CMI income of $450, which began before January of the current year. In October, Person A contacts their local county office and reports a change (RAC) that they started a new job and their CMI is now $2,000. Person A is not expecting any other changes to their income. Because Person A does not expect their income to fluctuate in the future, they do not qualify for RPAI and the CEW would proceed to evaluate Person A using PAI methodology.

To determine Person A's PAI monthly income, the CEW adds Person A's monthly income of $450 from January 1, 2020 until September 30, 2020. The CEW then adds the CMI of $2,000 for October through December 2020.

9 mos. UIB (Jan. through Sept.)	$450 x 9 = $4,050
3 mos. Wages (Oct. through Dec.)	$2,000 x 3 = $6,000
Total	$4,050 + 6,000= $10,050 $10,050 divided by 12 = $837.50 per month PAI

Jan.	Feb.	March	April	May	June
$450.00	$450.00	$450.00	$450.00	$450.00	$450.00
	Applied for Medi-Cal				

July	Aug.	Sept.	Oct.	Nov.	Dec.
$450.00	$450.00	$450.00	$2,000	$2,000	$2,000
			$837.50 Average	$837.50 Average	$837.50 Average
			RAC-Income Changes		Eligibility Redetermined

Based on the previous calendar income of $4,050 and the new projected income of $6,000, their monthly PAI amount is $837.50.

PAI determines Person A's Medi-Cal eligibility through December 31, 2020, as it is the lesser of the reported budget periods. Person A will have their case redetermined in the month of December 2020 for the following year.

PAI Example 2

A family of three, consisting of both parents and their child, were determined eligible for MAGI Medi-Cal on January 15, 2020. Eligibility was based on Parent 1's unemployment CMI income of $920, which began before January of the current year. In July, Parent 1 contacts their local county office and reports that they started a new job and their CMI is now $2,100. Parent 1 is not expecting any other changes to their income and is the only one in their family with an income. Because Parent 1 does not expect their income to fluctuate in the future, they do not qualify for RPAI and the CEW would proceed to evaluate the family for MAGI Medi-Cal using PAI methodology.

To determine Parent 1's PAI monthly income, the CEW adds Parent 1's monthly income of $920 from January 1, 2020 until June 30, 2020. The CEW then adds the CMI of $2,100 for July through December 2020.

6 mos. UIB (January through June)	$920 x 6 = $5,520
6 mos. Wages (July through December)	$2,100 x 6 = $12,600
Total	$5,520 +12,600= $18,120 $18,120 divided by 12 = $1,510 per month PAI

Jan.	Feb.	March	April	May	June
$920	$920	$920	$920	$920	$920
Applied for Medi-Cal					

July	Aug.	Sept.	Oct.	Nov.	Dec.
$2,100	$2,100	$2,100	$2,100	$2,100	$2,100
$1,510 Average	$1,510 Average	$1,510 Average	$1,510 Average	$1,510 Average	$1,510 Average
RAC- Parent 1 starts job.					Eligibility Redetermined

Based on the previous calendar income of $5,520 and the new projected income of $12,600, their monthly PAI amount is $1,510.

PAI determines the family's Medi-Cal eligibility through December 31, 2020, as it is the lesser of the reported budget periods. They will have their case redetermined in the month of December 2020 for the following year.

<u>PAI Example 3</u>
A family of four, consisting of both parents and two children, were determined eligible for MAGI Medi-Cal on March 10, 2020. The parents are married, file joint taxes and each person is within each other's household composition. Eligibility was based on Parent 1's CMI income of $1,000, which began before January of the current year. In August, Parent 2 contacts their local county office and reports that they started a new job and their CMI is now $3,500. Parent 2 does not expect any other changes to their income and Parent 1 is still receiving $1,000 for their employment. Because both parents do not expect their income to fluctuate in the future, they do not qualify for RPAI and the CEW would proceed to evaluate the family for MAGI Medi-Cal using PAI methodology.

To determine the family's PAI, the CEW adds Parent 1's monthly income of $1,000 from January 1, 2020 until December 31, 2020. The CEW then adds the CMI for Parent 2 of $3,500 from August through December 2020.

12 mos. Parent 1 Wages (January through December)	$1,000 x 12 = $12,000 divided by 12= $1,000
5 mos. Parent 2 Wages (August through December)	$3,500 x 5 = $17,500 divided by 12= 1,458.33
Total Monthly Income using PAI	$1,000 + $1458.33= $2458.33

	Jan.	Feb.	March	April	May	June
Parent 1 CMI	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Parent 2 CMI	$0	$0	$0	$0	$0	$0
			Applied for Medi-Cal			

	July	Aug.	Sept.	Oct.	Nov.	Dec.
Parent 1 CMI	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Parent 2 CMI	$0	$3,500	$3,500	$3,500	$3,500	$3,500
		$2,458.33 PAI	$2,458.33 PAI	$2,458.33 PAI	$2,458.33 PAI	$2,458.33 PAI
		RAC-Parent 2 starts job				Eligibility Redetermined for January

PAI determines the family's Medi-Cal eligibility through December 31, 2020 and PAI is used because Parent 1 and 2 are ineligible to Medi-Cal using CMI. The CEW will redetermine eligibility in the month of December 2020 for the following year.

<u>PAI Example 4 (CMI is less than PAI at RAC)</u>
Person B applies for MAGI Medi-Cal in November. They were determined eligible with a CMI of $700 a month. On March 1 of the following year, the beneficiary reports a change in income based on a new job and advises the CEW that their new CMI is $1,600 a month. Person B does not expect any other changes to their income. Because Person B does not expect their income to fluctuate in the future, they do not qualify for RPAI. The CEW would proceed to evaluate Person B for MAGI Medi-Cal using the PAI methodology because their CMI is too high to be eligible for MAGI Medi-Cal.

To determine Person B's PAI monthly income, the CEW adds Person B's monthly income of $700 from January 1 until February 28. The CEW then adds the CMI of $1,600 for March through December.

2 mos. Wages (Jan. and Feb.)	$700 x 2 = $1,400
10 mos. Wages (March through Dec.)	$1,600 x 10 = $16,000
Total	$1,400 + 16,000= $17,400 $17,400 divided by 12 = $1,450 per month PAI

Jan.	Feb.	March	April	May	June
$700	$700	$1,600	$1,600	$1,600	$1,600
$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average
		RAC- New job acquired			

July	Aug.	Sept.	Oct.	Nov.	Dec.
$1,600	$1,600	$1,000	$1,000	$1,000	$1,000
$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average

Based on the projected income for Person B of $17,400, their monthly PAI amount is $1,450.

PAI determines Person B's Medi-Cal eligibility through December 31, 2020, as it is the lesser of the reported budget periods.

In September, Person B reports another change in income. They self-attest to the CEW that they have received an unexpected pay cut and that their new CMI is $1,000. The CEW must re-evaluate the case with the budget period that is the least among the three.

Jan.	Feb.	March	April	May	June
$700	$700	$1,600	$1,600	$1,600	$1,600
$700 Average	$700 Average	$1,450 Average	$1,450 Average	$1,450 Average	$1,450 Average
		RAC- New job acquired			

July	Aug.	Sept.	Oct.	Nov.	Dec.
$1,600	$1,600	$1,000	$1,000	$1,000	$1,000
$1,450 Average	$1,450 Average	$1,000 Average	$1,000 Average	$1,000 Average	$1,000 Average
		RAC- Pay cut, new CMI			

Because Person B's new CMI is less than what their PAI was of $1,450 and they do not qualify for RPAI, the CEW will use their CMI to determine their MAGI Medi-Cal eligibility. They will have their case redetermined the following year in August.

V. Verification of Income

Per Title 22 of California Code of Regulations (C.C.R.) § 50167 and 42 C.F.R. § 435.603(f)(3), all income must be verified, either electronically or administratively. When verifying income, there are several factors to consider:

- CEW's shall not ask for additional verification of income (whether current, changing, or ending) when the income is determined reasonably compatible for that individual per Welfare and Institutions Code (WIC) Section 14013.3. See *"Reasonably Compatible Income for Budget Periods"* below for more information on reasonably compatible income.
- If income is not e-verified, CEWs shall ask for income verification per the current process for requesting verifications (ACWDL 14-18).
- CEWs shall use the manual CMI verification for the PAI budget period when PAI cannot be e-verified.

E-Verifications

When determining eligibility for an individual for MAGI Medi-Cal benefits, WIC § 14013.3 and 42 C.F.R. § 435.949 require electronic verification of the self-attested income (at application, annual renewal or change in circumstance) to determine if the self-attested income is reasonably compatible. To determine reasonable compatibility, CalHEERS compares the individual's self-attested MAGI Medi-Cal household income to information received from the Federal Data Services Hub (FDSH). CalHEERS identifies income that passes the reasonable compatibility rules as electronically verified ("E-Verified").

CalHEERS will evaluate the data returned from the following four sources for income:

- Internal Revenue Service (IRS),
- Franchise Tax Board (FTB),
- Employment Development Department (EDD), and

- Social Security Administration (SSA).

An individual's MAGI household income is reasonably compatible when both self-attested income and the FDSH verified information are below the applicable income eligibility standard for the household size, also known as the federal poverty level (FPL). If the self-attested income is over the MAGI Medi-Cal income limits, the income will not be checked for reasonable compatibility through the FDSH for MAGI Medi-Cal but will be used to determine eligibility for other IAPs.

When comparing household members to the most beneficial eligibility category, it is possible that comparisons will not be in the same category with the same thresholds for all household members. This can result in some of the household members' income being reasonably compatible and others not. As outlined in ACWDL 16-16, e-verification for MAGI Medi-Cal is determined on an individual basis. Therefore, even if a parents' income is e-verified, that verification status will not automatically transfer to the child and manual verifications may be needed from the e-verified parent, in order to verify the child's income.

Note: Former Foster Youth (FFY) group does not have an income eligibility requirement. Reasonable compatibility of income does not apply to FFY. For more information on FFY, refer to ACWDL 14-41E, and ACWDL 15-37.

Reasonably Compatible Income for Budget Periods
As stated above, reasonable compatibility is determined on the individual basis using the household's income and may be different for all three budget periods as outlined in ACWDL 16-16. Since budget periods calculate income based on self-attested income for different periods of time, the self-attested amount of income used in reasonable compatibility comparison will vary.

CEWs shall not ask for additional verification of income from an individual when their income is reasonably compatible for at least one of the budget periods for themselves or another household member (WIC § 14013.3). In the instance where reasonable compatibility cannot be established for any budget period for an individual or their household member that their income applies to, then the CEW may continue to the administrative verification process to verify income to complete an eligibility determination.

How CMI Verifications Affect PAI Income
In any instance where CMI is e-verified, then PAI shall also be treated as being e-verified. If all three budget periods cannot be e-verified, CEWs shall ask for income verification for the newly increased CMI (since the previous income used in the

eligibility determination has already been verified). If manual verification is received for CMI, regardless of the PAI e-verification status, then that manual verification shall be used for PAI. Additionally, if the CEW fails to verify CMI, then that verification shall also fail for PAI.

Note: CEWs should be aware that the PAI budget will not be displayed on the Manual Verification Page in CalHEERs and only on the Budget Worksheet. The CMI verification will display as "fail" on the Budget Worksheet so the CEW is aware that PAI was not used. This will occur because the CMI and PAI verifications are linked with one another.

Reasonably Compatible Income Example 1
A single adult self-attests to income at 120 percent of the FPL and the FDSH returns income of 80 percent of the FPL. Since both the self-attested income and the income in the FDSH are under the 138 percent FPL limits for the New Adult Group, the income is considered reasonably compatible and will display as e-verified.

Reasonably Compatible Income Example 2
A family of three applies for Medi-Cal. The family consists of a married couple: Spouse 1, who has a monthly income of $1,000, and Spouse 2, who has a monthly income of $1,300. They are filing their taxes jointly. They also have one mutual child (Child 1) who is under the age of 18 that they claim as a tax dependent.

Medi-Cal Household	Spouse 1	Spouse 2	Child 1	Family Size	MAGI Based Income Counted?	Household Income
Spouse 1	Included	Included	Included	3	Yes - $1,000	$2,300
Spouse 2	Included	Included	Included	3	Yes - $1,300	$2,300
Child 1	Included	Included	Included	3	No - $0	$2,300

The eligibility evaluation for Spouse 1 and Spouse 2 starts with the Parent/Caretaker group, but because their MAGI household income is above the threshold for that group (109 percent of the FPL) the evaluation continues with the next most beneficial eligibility category, which is the New Adult Group (138 percent of the FPL). For Child 1, their MAGI household income is above the threshold for the Mandatory Children's group (133 percent of the FPL) so their evaluation continues with the Optional Targeted Low Income Children's Program (OTLICP) Age 6-19 group (160 percent of the FPL).

Spouse 1 and Spouse 2's self-attested income is below the New Adult Group category threshold at $2,300 but the data from the FDSH is above the New Adult Group category threshold at $2,500. Therefore the self-attested income does not e-verify and they are deemed pending eligible for MAGI Medi-Cal. Because the parents' income did not e-verify, the CEW must manually verify the parent's income. A chart has been provided below for a visual representation of this evaluation.

Applicant	Category	Category Threshold	FDSH	E-Verified
Spouse 1	New Adult Group	138% FPL	$2,500 (IRS)	No
Spouse 2	New Adult Group	138% FPL	$2,500 (IRS)	No
Child 1	OTLICP	160% FPL	$2,500 (IRS)	Yes

Even though the applicants use the same MAGI Household Income, Child 1 is in a different program category with a higher income threshold. Child 1's income meets reasonable compatibility limits and as a result is e-verified because the self-attested income and the data from the FDSH is below the category threshold for OTLICP.

Reasonable Compatibility and E-Verified Individuals in a Household
Typically, when someone is e-verified, they are not required to send in any other income verifications. However, there may be situations where an individual is e-verified but someone within their household is not, such as their child. If so, the CEW may ask for the e-verified individual to send in their income verification and manually verify them in order to determine eligibility for the unverified individual because they are part of their household composition. The eligibility of the verified individual will not change. However, in order to determine the proper eligibility for the unverified individual, the verified individual's income verification may be necessary.

Example
A household consists of both parents and their mutual child. The parents are unmarried. Parent 1 is e-verified. Parent 2 has been manually verified by a CEW. The child is not e-verified and is placed in "pending" status for MAGI Medi-Cal. The CEW reviews the case and determines that because both parents are within the child's household composition, there needs to be a manual verification for all household members in order to grant the child eligibility. This verification is needed from both parents to properly evaluate the child's eligibility to compare all of the income verifications with the self-attested income to ensure the income reported for the child aligns with the verifications provided. Parent 2 was already manually verified by the CEW and does not need to resend their income verification. However, for Parent 1 who was e-verified, their income verification is necessary in order to determine the child's eligibility. Once Parent 1 sends in their income verification and the CEW compares all the income verifications with the self-attested income, the CEW can make an adequate eligibility determination for the child.

Manual Verification
When self-attested income is not e-verified, then manual (also referenced as "administrative") verification is required. CEWs shall follow the guidance in ACWDL 08-07, ACWDL 14-18, ACWDL 18-25, and Medi-Cal Eligibility Procedures Manual (MEPM), Article 4M when manually verifying income. To manually verify income, CEWs shall request individuals to provide verification of their self-attested income.

Verification of income for CMI, RPAI, and PAI can include, but is not limited to:

- Paystubs; or
- Letters from employers; or
- Tax statements

If the CEW requests verification of income and the beneficiary fails to provide documentation to the counties, the CEW shall discontinue the individual whose income cannot be verified following guidance in ACWDL 14-18 and ACWDL 18-12.

Verifying When No Income Is Reported
Verifying when an individual has no income (also referenced as "zero income") follows the same processes as other types of income described in this letter. When an individual reports zero income, including when an individual self-attests to zero income as a result of income ending, the CEW shall only request additional verifications if the individual's self-attested zero income is not reasonably compatible with the FDSH (WIC § 14013.3). This applies to all individuals who self-attest to zero income, including Non-MAGI individuals who are included in the household composition.

Verifying Income with an Affidavit
When the CEW exhausts all attempts to verify self-attested income, they may obtain an affidavit signed under penalty of perjury from the individual as verification of income (22 C.C.R. § 50167(c)(2)). DHCS does not have an official form for affidavits, so beneficiaries may submit any signed statement as an affidavit as long as it includes the following information:

- The name of the individual whose income is being verified by the affidavit;
- The income details (including the amount, frequency of pay, and source of income);
- A signature with a penalty of perjury statement; and
- The date that the statement was signed.

Note: The affidavit must be no more than 90 days old from the signature date of the document.

Additionally, the following people may sign an affidavit on behalf of others:

- A parent or caretaker relative may sign for a child,
- An individual with power of attorney may sign for another individual,
- A spouse can sign for their spouse, and/or
- An authorized representative may sign on behalf of an applicant or beneficiary, if they have been authorized to do so (see ACWDL 18-26E for more information).

VI. Special Populations and Additional Guidance

There may be special populations that may require additional guidance that are explained below. Additional clarifications regarding Soft Pause, the Bounce Back Rule and Notice of Actions are also explained below.

Special Populations

Retroactive Determinations

When an individual requests retroactive eligibility for one to three months prior to the month of application, the individual is considered an applicant and therefore the PAI methodology cannot be used. The CEW shall use the CMI or RPAI (whichever is less) for each month of requested retroactive eligibility. As with CMI, if RPAI is used, each retroactive month has its own eligibility determination period. Refer to the instructions outlined in MEDIL I 14-27 to determine retroactive eligibility.

Retroactive Example 1

Person D applies for Medi-Cal in June. Person D was employed in previous months earning $4,000 per month, but lost their job unexpectedly before they applied for MAGI Medi-Cal. The CEW determines that they qualify for MAGI Medi-Cal eligibility based on their CMI of $0 in June. Person D also requests that they be evaluated for Retroactive Medi-Cal from March through May. Because Person D is considered an applicant for each month that they are applying for Retroactive Medi-Cal, PAI cannot be used.

March	April	May	June
$4,000	$4,000	$4,000	$0
Retro Month	Retro Month	Retro Month	Applies for Medi-Cal

The CEW determines that Person D's CMI from the months of March through May is $4,000 and over the MAGI Medi-Cal FPL limit. The individual does not qualify for RPAI because they have not provided any evidence of a reasonably predictable income that will fluctuate. Therefore, they do not qualify for benefits in these months. However, Person D does qualify for MAGI Medi-Cal in June when they apply for benefits because their CMI is $0.

Retroactive Example 2

Person F applies for Medi-Cal in May. Person F was seasonally employed in previous months earning $1,600 per month, but has been on unemployment starting in April making $750 a month. The CEW determines that they qualify for MAGI Medi-Cal eligibility based on their CMI of $750 in May. Person F also requests that they be evaluated for Retroactive Medi-Cal from February through April. Because Person F is considered an applicant for each month that they are applying for Retroactive Medi-Cal, PAI cannot be used. Person F provides the CEW with pay stubs to show their historic employment, and their UIB award letter showing their CMI.

February	March	April	May
$1,600	$1,600	$750	$750
Retro Month	Retro Month	Retro Month	Applies for Medi-Cal

The CEW will use CMI for the month of April since the CMI is under the MAGI Medi-Cal threshold. However, the CEW determines that Person F's CMI for the months of February and March is $1,600 and over the MAGI Medi-Cal FPL limit. The CEW then calculates the applicant's RPAI for February and March respectively. The time period used for February's eligibility determination is February through January of the next year. The time period for March's eligibility determination is March through February of the next year.

4 mos. Wages (December through March)	$1,600 x 4 = $6,400
8 mos. UIB (April through November)	$750 x 8 = $6,000
Total	$6,400 + 6,000= $12,400 $12,400 divided by 12 mos.=$1,033 per month RPAI

Retro Month 1	Retro Month 2	Retro Month 3			
Feb.	March	April	May	June	July
$1,600	$1,600	$750	$750	$750	$750
$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average

Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
$750	$750	$750	$750	$1,600	$1,600
$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average	$1,033 Average

The CEW determines Person F's RPAI monthly income is $1,033 for February and March and then compares this amount with Person F's CMI of $1,600 for those months. Because Person F's RPAI monthly income is lower than their CMI, the CEW uses the RPAI monthly income to determine retroactive eligibility for Person F for the months of February and March of the current year.

Registered Domestic Partner (RDP)
Income for RDPs is counted differently than married couples as explained in ACWDL 19-15. Policy guidance in this letter also applies to RDPs as any another individual.

Soft Pause and Consumer Protection Programs
The PAI budget period does not affect Consumer Protection Programs (CPPs) and cases that are in Soft Pause. If at the mandatory, end of the year PAI redetermination, the beneficiary no longer qualifies for MAGI Medi-Cal but qualifies to be in a CPP, the beneficiary shall remain enrolled in that CPP until the period of eligibility under that program has ended. The CEW shall follow current Soft Pause rules and CPPs processes as outlined in ACWDL 14-05, ACWDL 14-18 and ACWDL 17-35. Additional information regarding CPPs will be released in a future ACWDL. If a beneficiary is over income limits for MAGI Medi-Cal and does not qualify for a CPP, they must be evaluated for all Medi-Cal programs before they are discontinued from Medi-Cal benefits (WIC § 14005.37). The CEW shall follow existing processes outlined in ACWDL 14-18 for their Medi-Cal evaluation. Additional information regarding Medi-Cal redetermination processes will be released in a future ACWDL.

Additional Guidance
The 'Bounce Back Rule'
The bounce back rule, although similar to PAI, is not a budget period. The bounce back rule is a legal mechanism to prevent any individual from falling into a gap in

coverage when their MAGI Medi-Cal income is over the FPL threshold. The bounce back rule prevents a gap in coverage by evaluating such individuals using APTC household composition and income counting rules to bring the individual's income below 100% of the FPL (42 CFR § 435.603(i)).

CEWs shall continue to follow the policy guidance as outlined in ACWDL 19-18 for eligibility determinations based on the bounce back rule.

Notices of Action (NOA)

CEWs shall continue to use existing NOAs when determining eligibility based on any budget period. When appropriate, CEWs shall follow ACWDL 19-03 for NOAs issued to beneficiaries who have no change in their Medi-Cal eligibility or level of benefits at annual renewal or when an eligibility determination at change in circumstance results in resetting the annual renewal date.

If you have any questions, or if we can provide further information, please contact Luba Villarreal, by phone at (916) 345-8158 or by email at luba.villarreal@dhcs.ca.gov.

Original Signed By

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