

Bulletin

July 15, 2008

Minnesota Department of Human Services -- P.O. Box 64941 -- St. Paul, MN 55164-0941

OF INTEREST TO

- County Directors
- MinnesotaCare Operations Managers, Supervisors and Staff
- Financial Assistance Supervisors and Staff
- Mille Lacs Tribal TANF
- Social Services Supervisors and Staff
- Case Managers
- County Attorneys

ACTION/DUE DATE

Please read and implement for applications received on or after August 1, 2008 and renewals with a redetermination date of August 31, 2008, or later.

EXPIRATION DATE

July 15, 2010

Clarifications for MinnesotaCare Income Calculation and Redesigned Income Worksheet

TOPIC

Clarifications for the MinnesotaCare income calculation and the introduction of a redesigned MinnesotaCare Income Worksheet.

PURPOSE

To provide clarifications for the MinnesotaCare income calculation and to introduce a redesigned MinnesotaCare Income Worksheet.

CONTACT

MinnesotaCare Operations, counties and tribal agencies should submit policy questions to HealthQuest.

All others should direct questions to:

Health Care Eligibility and Access (HCEA) Division
P.O. Box 64989
540 Cedar Street
St. Paul, MN 55164-0989

SIGNED

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Assistant Commissioner
Health Care Administration

Background and Introduction

In this bulletin, the Department of Human Services (DHS) clarifies the MinnesotaCare income calculation and introduces the redesigned MinnesotaCare Income Worksheet (DHS-3352 7-08, Attachment A). Internal case audits found variations in the way workers calculate income for MinnesotaCare, particularly for self-employed applicants and enrollees. The new MinnesotaCare Income Worksheet simplifies the income calculation and supports a uniform and streamlined method of calculating household income for MinnesotaCare.

The automated MinnesotaCare Income Worksheet is designed to assist in calculating income for MinnesotaCare applicants and enrollees only. Do not use this tool to calculate income for Medical Assistance (MA) or General Assistance Medical Care (GAMC).

This bulletin contains the following sections:

- I. MinnesotaCare Income Calculation Policies
- II. The Redesigned MinnesotaCare Income Worksheet (DHS-3352 07-08)
- III. Systems Instructions
- IV. Attachments
- V. Special Needs

I. MinnesotaCare Income Calculation Policies

A. Wage Income

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires that income is calculated based on wages received in the last 30 days. A longer period may be used if the applicant or enrollee submits more than 30 days of verification.

Applicants and enrollees may verify wages by submitting copies of paystubs, employer statements, tax forms or other documentation. If tax forms are used to verify wages, workers must determine whether the tax forms accurately reflect the household's current situation by comparing the W-2s and amounts on the tax forms to the information provided on the application or renewal.

New wage verification may be requested from people who reapply for MinnesotaCare with an application or renewal on file that was completed in the past 11 months.

2. Policy Effective on or after August 1, 2008

For applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later, continue to calculate annual wages based on wages received in the past 30 days. The past 30 days is defined as a 30-day period no earlier than one calendar month prior to the date of application or renewal. See HCPM 07.20.05 - Date of Application.

Example

Doug submits an application for MinnesotaCare on September 8. He works and receives a regular paycheck.

Action:

Request verification of Doug's wages for the past 30 days. The verification must reflect income he received no earlier than August 1.

a. Types of verification

1) Pay stubs

Request pay stubs from the applicant or enrollee as the preferred form of verification for wages. Require the following number of pay stubs to verify wages for the past 30 days:

- If paid weekly, require four pay stubs;
- If paid bi-weekly (every other week), require two pay stubs;
- If paid semi-monthly (twice a month, such as the 15th and the 30th of every month), require two pay stubs; and
- If paid monthly, require one pay stub

2) Employer Statement (DHS-4279 5-08, Attachment B)

If the applicant or enrollee does not have the necessary pay stubs, use the revised Employer Statement to request pay information for the past 30 days. Use the information the employer provides on the Employer Statement about income from the past 30 days pay in lieu of actual pay stubs. For new employment for which the applicant or enrollee has not accumulated enough pay stubs, use the "Hourly Wage" and "Average Number of Hours Worked per Pay Period" entries on the Employer Statement to calculate annual wages.

Request an Employer Statement completed by the employer only if:

- pay stubs for income from the past 30 days are not available, or
- applicants and enrollees are paid daily or on a varying schedule.

Note: Do not use tax forms or W-2 forms to verify wages for MinnesotaCare, unless the income is from seasonal employment or self-employment.

b. Verification requests

- 1) Request new wage verification for applications or renewals processed for MinnesotaCare following denial of other health care programs if:

- verification submitted previously is not from within a 30-day period no earlier than one calendar month prior to the date of application; or
 - the applicant or enrollee has had a change in hourly rate, number of hours scheduled or has changed jobs.
- 2) Request new wage verification for applications and renewals processed for MinnesotaCare following cancellation from other health care programs if:
- verifications on file do not include wage verification for a 30-day period within one calendar month prior to the effective date of cancellation or the date of transfer, whichever is earlier.
- 3) For applicants who reapply for MinnesotaCare using an application already in a case file that is less than 11 months old, update the application in accordance with HCPM Chapter 07.20.20 and request new wage verification.
- c. Pay stub requirements
The following chart provides information needed for wage verification with pay stubs.

PAY STUB REQUIREMENTS	
DO	DO NOT
Require pay stubs that reflect the past 30 days of income. (A continuous period of 30 days no earlier than one calendar month prior to the date of application/renewal.)	Require more than 30 days of paystubs.
Send the Employer Statement if verifying income from new employment (at application or renewal) and the individual has not been employed long enough to have pay stubs reflecting income for 30 days.	Use more than 30 day's pay stubs to calculate income. If an applicant or enrollee submits more than 30 days pay stubs, use the most recent of those submitted that reflect a 30-day period.
Send the Employer Statement if consecutive pay stubs reflecting income for 30 days are not available.	Accept non-consecutive pay stubs or calculate missing pay stub amounts using the year-to-date amount.
Send the Employer Statement if hand written pay stubs are submitted.	Accept hand written pay stubs.

B. Seasonal Wage Income

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires seasonal income to be calculated based on the previous year's tax forms if the tax forms accurately reflect the applicant or enrollee's current situation. If the applicant or enrollee expects earnings to be different from what is on the tax forms, if the seasonal income is new, or if the seasonal income changes from year to year, workers must determine an annual figure based on the applicant's or enrollee's best estimate of expected income. It is often difficult to verify the expected earnings in these cases.

2. Policy Effective on or after August 1, 2008

For applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later, verifying and calculating seasonal income varies depending on whether the applicant or enrollee has been employed repeatedly at the seasonal job, or it is new employment that is expected to be seasonal.

a. Verifying repeated seasonal income

- 1) Request the prior year's U.S. Individual Tax Return (1040, 1040A or 1040EZ) and W-2 form to verify wages and unemployment compensation (if received) if the individual was seasonally employed the previous year and expects to be seasonally employed to the same extent in the current year. Consider it new seasonal employment if the tax form does not reflect a full season and off-season cycle.
- 2) For applicants and enrollees who have been repeatedly seasonally employed but assert that the prior year tax forms do not accurately reflect the seasonal employment they expect to have this year, follow the instructions for new seasonal employment below and annualize the income based on whether they are currently working or in the off season.

b. Verifying new seasonal employment

- 1) Request pay stubs from the applicant or enrollee from the past 30 days to verify new seasonal employment.
- 2) Request an Employer Statement (DHS-4279) completed by the employer if:
 - Pay stubs from the past 30 days are not available, or
 - The individual has not worked long enough to establish a 30-day pay record.

c. Calculating seasonal income

- 1) Annualize the pay stubs or the pay amounts shown on the Employer Statement as you would for year-round employment. Project a full year of employment.
- 2) Use the hourly wage and average number of hours worked per pay period from the Employer Statement to annualize income if the individual has not been working long enough to establish a 30-day pay record. Project a full year of employment.
- 3) Calculate annual income based on any unemployment compensation the applicant or enrollee is receiving when he or she does not have a prior year tax record of their seasonal employment and is in the off-season of their work cycle. Project a full year of unemployment compensation.

d. End of seasonal employment

If MinnesotaCare is approved pending-awaiting-payment for an individual with new employment known to be seasonal, send a note or worker memo to remind the enrollee to contact the agency when the employment ends or if he or she begins receiving unemployment compensation in the off-season.

- 1) Recalculate annual income based on the new situation (zero income or unemployment compensation) when this change occurs.
- 2) Use the prior year 1040 tax form and W-2s to calculate seasonal employment income once the enrollee has been seasonally employed long enough to include a full year of employment and off-season on a tax return.

Note: Treat applicants and enrollees who are employed year-round, but who actually work and are paid for only part of a year, as seasonally employed for purposes of calculating their annual wage income.

Example

Judith is a teacher who applies for MinnesotaCare. She is employed year-round for a local school district, but she does not work or receive wages during the summer months. She does not qualify for unemployment compensation.

Action:

Verify Judith's wages using her prior year 1040 Individual Tax Form and W-2 form if she was employed the entire previous year for the school district. If the tax form does not reflect a full year of employment, calculate income based on her current work status. Require the past 30-day's pay stubs or an Employer

Statement if she is currently working and annualize this income. If she is not currently working and has no current income, consider her annual income to be zero. Remind Judith to report when her work status changes.

Once Judith has worked for the school district for a calendar year, use the prior year 1040-tax form and W-2s to calculate her annual income.

C. Unearned Income

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires that income be calculated based on gross annual unearned income. Applicants and enrollees must submit verification of unearned income received by all household members in the 30 days before application or renewal. A longer period may be used if the applicant or enrollee submits more than 30 days of verification. If tax forms are used to verify unearned income, workers must determine whether the tax forms accurately reflect the household's current situation by comparing the amounts on the tax forms to the information provided on the application or renewal.

2. Policy Effective on or After August 1, 2008

For applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later, calculate annual unearned income based on unearned income received in the past 30 days. The past 30 days is defined as a 30-day period no earlier than one calendar month prior to the date of application or renewal.

a. Income received in the past 30 days

Require verification of unearned income received by all household members in the past 30 days. Do not use more than 30 day's verification of unearned income to calculate the annual unearned income amount. If an applicant or enrollee submits more than 30 days verification, use the most recent of the verifications submitted that reflect a 30-day period.

b. Income received less frequently than monthly

For unearned income that is received at least once annually, but less frequently than monthly, calculate and verify the annual unearned income based on the payments received in the past 12 months. The past 12 months is defined as a period of 12 months no earlier than one year prior to the month of application.

D. Income from Self-Employment

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires that

income be calculated based on the previous year's tax forms or on business records if tax forms are not available or do not accurately reflect current income. Although the Health Care Programs Manual includes some information about calculating self-employment income for MinnesotaCare, workers use the MinnesotaCare Income Worksheet to identify where to find required information on the tax forms and to guide them through the calculation. If a business is no longer operating, or for new self-employment income, workers must identify and determine the correct amounts to include or exclude from other household income.

2. Policy Effective on or After August 1, 2008

This bulletin clarifies the income calculation for MinnesotaCare self-employed and farm self-employed to promote a more streamlined and uniform calculation for applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later. The MinnesotaCare Income Worksheet has been redesigned to support this policy and to better guide workers through the self-employment income calculation.

a. Calculating self-employment income

Both self-employment and farm self-employment income use as the baseline the adjusted gross income reported on the applicant's or enrollee's 1040 federal income tax form for the previous year.

- 1) Calculate self-employment income for the 12-month period of eligibility by adding depreciation and net operating loss carryover amounts that apply to the business to the adjusted gross income.
- 2) Calculate farm self-employment income for the 12-month period of eligibility by adding depreciation that applies to the farm business to the adjusted gross income. Do not add back the net operating loss carryover amounts.
- 3) For both self-employment and farm self-employment income:
 - ▶ Do not add back or subtract out any additional items from the tax forms.
 - ▶ Do not add back Amortization.
 - ▶ Do not add back Capital Gains.

b. Verifying self-employment income

1) Tax forms

Request the federal tax forms from the previous year from the applicant or enrollee as the preferred form of verification for self-employment income.

- Use tax forms from the previous year to verify self-employment income if the new business was included on the prior year tax forms, even if the business began after January 1 of the prior year.

2) Business records

Accept a business financial statement, detailed records of gross receipts and expenses, a business quarterly report, or a signed statement of business income and expenses from the business' accountant only if the applicant or enrollee asserts that the previous year's tax forms are not available, or that they do not reflect current self-employment income.

- Enter a case note explaining why alternative verification was accepted when using documents other than tax forms to calculate self-employment income
- For new self-employment, request business records for the previous 12 months or since the business began, whichever is less, from applicants and enrollees whose prior year tax forms do not include the new business.

c. Required tax forms to verify and calculate self-employment income

This chart provides information on types of self-employment and the tax forms required to verify income for each type.

Type of Self-Employment	Tax Forms Required
Sole Proprietor	• 1040 U.S. Individual Income Tax Return • Schedule C (Form 1040), Profit or Loss from Business • Form 4562, Depreciation and Amortization, if filed • Form 8829, Expenses for Business Use of Your Home, if filed
Farm (Sole Proprietor)	• 1040 U.S. Individual Income Tax Return • Schedule F (Form 1040), Profit or Loss from Business • Form 4562, Depreciation and Amortization, if filed
Rental Real Estate	• 1040 U.S. Individual Income Tax Return • Schedule E (Form 1040), Supplemental Income and Loss • Form 4562, Depreciation and Amortization, if filed • Form 8825, Rental Real Estate Income & Expenses of a Partnership or S Corporation, if filed
Partnership	• 1040 U.S. Individual Income Tax Return • Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc. • Form 1065 (U.S. Return of Partnership Income)
Farm Partnership	• 1040 U.S. Individual Income Tax Return • Schedule F (Form 1040), Partner's Share of Income, Deductions, Credits, etc. • Schedule K-1 (Form 1065)

S Corporation, (including Farm S Corp)	• 1040 U.S. Individual Income Tax Return • Schedule K-1 (Form 1120S), Partner's Share of Income, Deductions, Credits, etc. • Form 1120S (U.S. Income Tax return for an S Corporation)
Farm Rental	• 1040 U.S. Individual Income Tax Return • Form 4835 Farm Rental Income and Expenses • Form 4562 Depreciation and Amortization, if filed

E. No Income Reported

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires that workers accept the applicant's or enrollee's statement and count zero income if an applicant or enrollee claims no income from any source, and there is no conflicting information.

2. Effective on or After August 1, 2008

New policy requires additional information for MinnesotaCare applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later, on which the applicant or enrollee claims no income from any source.

a. Request additional information when no income is reported.

- 1) Contact the applicant or enrollee by phone to determine how they are meeting their living expenses, such as shelter, food, and transportation.
- 2) Record the applicant's or enrollee's response in case notes.
- 3) Send the Request for Income Verification (DHS-5203; Attachment C) if unable to reach the applicant or enrollee by phone.

b. Verification requirements

- 1) Require verification if a member of the MinnesotaCare household:
 - is newly employed.
 - receives income from other sources, such as child support or Social Security benefits.
 - receives income for living expenses from another person or from an organization.

- o Accept a bank statement or print-out showing the income amount and the frequency of the income or a written statement from the person or organization giving the money to the household member, the amount of money they provide and how often it is given to the household member.
 - has borrowed money for living expenses.
 - o Require a copy of the loan statement or a written agreement to repay the loan. (Loans which the applicant or enrollee has a written obligation to repay are generally excluded income. See HCPM Chapter 20.05 Excluded Income.)
- 2) Do not require verification if:
 - persons or organizations outside the MinnesotaCare household are directly paying an applicant or enrollee's living expenses,
 - the household is using assets held in a bank account to pay living expenses. (Money withdrawn from a bank account or other liquid asset for living expenses is excluded income. See HCPM Chapter 20.05 Excluded Income.),
 - an applicant or enrollee is selling personal property to pay living expenses,
 - a job loss or other circumstance reported between renewals results in an income decrease or the elimination of a source of income between renewals.
 - o Enter a case note to document the change.
 - o Remind enrollees who report that they no longer have a source of income that they must also report any subsequent new sources of income, such as new employment or unemployment benefits.
- c. Pending MinnesotaCare eligibility (P30 or C48) for information or verification.
 - 1) Pend applicants (and enrollees at renewal) while awaiting information to explain how they are meeting their living expenses. Resolve pending codes upon receipt of the information. If verification is required, resolve pending codes upon receipt of verification.
 - Count and verify wages, unearned income and self-employment income that is discovered or reported in the course of following up on a report of no income.
 - 2) MMIS will automatically deny eligibility or cancel coverage in 60 days for applicants or at the end of the renewal period for enrollees renewing coverage if they fail to respond to a request for information or verification.

- 3) Record in case notes all information received and reasons for actions taken.

Example

Dave and Hillary apply for health care programs. They report no employment, self-employment or unearned income. As an adult married couple with no children, they do not have a basis of eligibility for MA. They are not eligible for GAMC because they own a vacation cabin that has a net value exceeding the GAMC asset limit.

Action:

Call Dave and Hillary to ask how they are meeting their living expenses. If they cannot be reached by phone, send the Request for Income Verification (DHS-5203).

Hillary states that Dave quit his job last month and they are both currently looking for work. They had a garage sale last week, and they are living off the proceeds for now.

Action:

Record the information Hillary provided in case notes. Enter “0” income on MMIS and approve MinnesotaCare if Dave and Hillary are otherwise eligible. Record their response in case notes.

F. Inconsistent Income Information

1. Policy Prior to August 1, 2008

For applications received prior to August 1, 2008, and renewals with a redetermination date prior to August 31, 2008, MinnesotaCare policy requires that workers request verification of information, including income information, that is inconsistent with documentation or information on file if the information is needed to determine eligibility or the MinnesotaCare premium.

2. Policy Effective on or After August 1, 2008

New policy clarifies requirements for MinnesotaCare applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later.

a. Verification requirements

- 1) Request verification if income information or documentation provided by a MinnesotaCare applicant or enrollee is inconsistent with:
 - Other information the agency has; or
 - The applicant’s or enrollee’s own statements; or

- Information collected in other ways, including but not limited to information or documentation collected for purposes of a case review, audit, fraud investigation or overpayment analysis.
- 2) Pend MinnesotaCare eligibility (P30 or C48) for applicants and enrollees while awaiting information and verification to resolve an inconsistency.
 - Eligibility will automatically be denied or closed by MMIS in 60 days for applicants or at the end of the renewal period for enrollees renewing coverage.
 - 3) Request information and verification within 10 days from enrollees when inconsistent income information is received or discovered between renewals.
 - Cancel MinnesotaCare with 10-day notice for enrollees who fail to resolve inconsistent income information within 10 days. Use cancellation code 66 “Requested Information Not Received” to cancel coverage in MMIS.

b. Fraud referrals

- 1) County agencies
Refer a MinnesotaCare case to your agency’s fraud investigators if you suspect an applicant or enrollee is withholding, concealing or misrepresenting income information.
- 2) MinnesotaCare Operations
Refer cases to the DHS Program Integrity and Assessment Division (PAID). See Health Care Programs Manual, Chapter 29.10, Fraud.

Example

Elliot is a self-employed small business owner enrolled in MinnesotaCare. Elliot’s MinnesotaCare case is selected for review in an audit, and the auditor finds unreported income for Elliot’s business. The information collected by the auditor shows that Elliot had more gross receipts for his business in the previous year than are indicated on the tax forms he submitted for MinnesotaCare eligibility. The auditor sends copies of Elliot’s bank statements and other business records to MinnesotaCare.

Action:

Send a Request for Information (DHS-3271) to Elliot. Provide a description of the information received that is inconsistent with the tax forms Elliot submitted. Request an explanation of the inconsistent information and verification to support the explanation. Verification may include a signed statement from the enrollee asserting the reason for the inconsistent information.

Elliot admits that he had additional income that he did not report on the verification he originally provided.

Action:

Redetermine MinnesotaCare eligibility including the income as verified by the auditor's documents in the new income calculation. Follow your agency's procedures for assessing an overpayment if Elliot received MinnesotaCare coverage while he was ineligible, received a greater benefit than he was eligible for, or paid a lesser premium than he should have been assessed. See HCPM 29.15 – Overpayments

Refer the case to your agency's fraud investigators if Elliot fails to respond to the request for information or does not provide a reasonable explanation of the inconsistent information, since it appears he may have misrepresented his income.

II. The Redesigned MinnesotaCare Income Worksheet (DHS-3352 7-08)

Use the 8/08 version of the MinnesotaCare Income Worksheet (DHS-3352) to calculate income for MinnesotaCare applications received on or after August 1, 2008, and renewals with a redetermination date of August 31, 2008, or later. This is an updated version of the automated income calculation form.

Step-by-step instructions for the MinnesotaCare Income Worksheet:

Preliminary Information

At the top of the MinnesotaCare Income Worksheet (DHS-3352) enter the date, your worker number, the case name, and case number. If tax forms will be used to calculate self-employment or seasonal income, enter the tax year used.

Note: If using tax forms from a year prior to 2007, the line numbers cited on the MinnesotaCare Income Worksheet for Tax Year 2007 may be incorrect. Send a HealthQuest if you are unsure of the line numbers to use for prior year tax forms.

Section A. Earned wages

Skip this section of the worksheet if the household reports no wage income.

- If documentation other than the three sources listed in the "Source" drop-down menu is used to verify wages, type in the name of the source used.

Paystubs

If using paystubs to calculate annual income from current employment, enter the following in Section A of the MinnesotaCare Income Worksheet:

1. Name of adult/child
Enter the names of household members who have wages. Do not list children under age 19 who are full or part-time students – their earned income is excluded for MinnesotaCare.
2. Source
Choose “Paystubs” from the drop-down menu.
3. Number of times paid per year
Enter the number of times the person is paid per year, such as:
 - a. If paid daily, enter the number of workdays in a year.
 - b. If paid weekly, enter “52”
 - c. If paid bi-weekly (every other week), enter “26”
 - d. If paid semi-monthly (twice a month such as the 15th and the 30th every month), enter “24”
 - e. If paid monthly, enter “12”
 - f. If paid quarterly, enter “4”
 - g. If paid once a year, enter “1”
 - h. If paid on a different schedule, use a calendar to determine the correct number of times paid per year.
4. Income amounts
Enter the gross wage amounts from the pay stubs. Include any tips, commission or other miscellaneous income that is not included in the gross wage amount.

The worksheet will automatically calculate the average income and the annual amount based on the above entries.

Note: The MinnesotaCare Income Worksheet can accommodate up to five “Income amounts” for a single source of wages. Average the gross pay amounts received each week for applicants and enrollees who are paid from a job more than five times in the past 30 days.

Example

Sal works as a day laborer for a temporary placement agency. He is paid each day he works. He submits an Employer Statement to verify his income that shows he works three days per week and has been paid 12 times in the past 30 days. At this rate, he will be paid 156 times in a year (52 weeks x 3 days per week).

Action:

The MinnesotaCare Income Worksheet does not have enough space on one line to record all of Sal's income amounts for the past 30 days. Average the daily pay

amounts he received each week. List the average amounts in the Income amount boxes.

Sal's pay stubs:

Week 1	$\$56 + \$63 + \$56 = \175 divided by 3 = \$58.33 average
Week 2	$\$49 + \$56 + \$56 = \161 divided by 3 = \$53.67 average
Week 3	$\$56 + \$56 + \$35 = \147 divided by 3 = \$49 average
Week 4	$\$63 + \$56 + \$49 = \168 divided by 3 = \$56 average

Complete Section A of the MinnesotaCare Income Worksheet as follows:

1. Name of adult/child: Enter "Sal."
2. Source: Choose "Paystubs" from the drop-down menu.
3. Number of times paid per year: Enter "156."
4. Income amounts: Enter "58.33, 53.67, 49," and "56."

The Income Worksheet will calculate Sal's Average income (\$54.25) and an annual amount (\$8,463) according to the amounts entered.

Employer Statement with Gross Earnings Amounts

To calculate income from gross earnings amounts reported on an Employer Statement enter the following in Section A of the MinnesotaCare Income Worksheet:

1. Name of adult/child
Enter the name of the employed household member.
Do not list children under age 19 who are full or part-time students – their earned income is excluded for MinnesotaCare.
2. Source
Choose "Employer Statements" from the drop-down menu.
3. Number of times paid per year
Enter the number of times the person is paid per year, such as:
 - a. If paid daily, enter the number of workdays in a year.
 - b. If paid weekly, enter "52"
 - c. If paid bi-weekly (every other week), enter "26"
 - d. If paid semi-monthly (twice a month such as the 15th and the 30th every month), enter "24"
 - e. If paid monthly, enter "12"
 - f. If paid on a different schedule, use a calendar to determine the correct number of times paid per year.

4. Income amounts

Enter the gross earnings, plus any additional payments, as shown on the Employer Statement (e.g., if paid weekly, enter the most recent four gross earnings amounts; if paid bi-weekly or semi-monthly enter the most recent two amounts).

5. The worksheet will calculate the average income and annual amount.

Employer Statement with Hourly Wage

Use the hourly wage and number of hours worked from the Employer Statement to annualize income if an individual has not been working long enough to establish a 30-day pay record.

Complete the following in Section A of the MinnesotaCare Income Worksheet:

1. Name of adult/child

Enter the name of employed household member.

Do not list children under age 19 who are full or part-time students – their earned income is excluded for MinnesotaCare.

2. Source

Choose “Employer Statements” from the drop-down menu.

3. Number of times paid per year

Enter the number of times paid per year, such as:

a. If paid daily, enter the number of workdays in a year.

b. If paid weekly, enter “52”

c. If paid bi-weekly (every other week), enter “26”

d. If paid semi-monthly (twice a month such as the 15th and the 30th every month), enter “24”

e. If paid monthly, enter “12”

f. If paid on a different schedule, use a calendar to determine the correct number of times paid per year.

4. Income amounts

Multiply the hourly wage by the average number of hours worked per pay period. Add any amount listed as other income (tips, commissions, overtime).

Enter the total in the first “Income amounts” box.

The worksheet will calculate the average income and annual amount.

Example: New employment

On her renewal form, Kerry reports that she started a new job in the past week. She expects to work 40 hours per week and to be paid \$8.75 per hour.

Action: Send an Employer Statement (DHS 4279) to Kerry for her employer to complete. Kerry has not been employed long enough to have pay stubs that reflect 30 days of income.

Kerry returns the Employer Statement. She is paid twice a month, has an hourly wage of \$8.75, and works an average of 88 hours per pay period.

Action: Complete Section A of the Income Worksheet as follows:

1. Name of adult/child: Enter "Kerry"
2. Source: Choose "Employer Statements" from the drop-down menu.
3. Number of times paid per year: Enter "24"
4. Income amounts: Enter "770" (\$8.75 hourly wage x 88 hours per pay period) in the first box.

The worksheet calculates Kerry's average income of \$770 and annual amount of \$18,480.

Example: New Seasonal Employment

David, age 20, applies for MinnesotaCare and indicates that he just started a new job with a construction company that is expected to be seasonal. He has not yet worked 30 days. The application does not indicate if he did this type of work last year. He does not include any verification of income with the application.

Action: Send a Minnesota Health Care Programs Request for Information (DHS-3271) and an Employer Statement (DHS-4279). Enter text at the bottom of the Request form stating that his 1040 tax form and W-2s are needed if he worked in seasonal construction last year. If he did not work in seasonal construction last year, he must sign the Employer Statement form and have his current employer complete the back of the form.

David returns the Employer Statement. It shows that he is paid \$14 per hour and works 60 hours per pay period. He is paid bi-weekly.

Complete Section A of the MinnesotaCare Income Worksheet as follows:

1. Name of adult/child: Enter "David."
2. Source: Choose "Employer Statements" from the drop-down menu.
3. Number of times paid per year: Enter "26"
4. Amounts: Enter "\$840." (\$14 hourly wage x 60 hours per pay period.)

The worksheet calculates David's average income of \$840 and annual income of \$21,840.

If David is eligible for MinnesotaCare, send him a memo reminding him to contact the agency when his seasonal employment ends.

1040 Individual Tax Form and W-2s

To calculate annual income from seasonal employment using a 1040 tax form and W-2s enter the following in Section A of the MinnesotaCare Income Worksheet:

1. Name of adult/child
Enter the name of seasonally employed household member.
Do not list children under age 19 who are full or part-time students – their earned income is excluded for MinnesotaCare.
2. Source
Choose "W-2" from the drop-down menu.
3. Number of times paid per year
Enter "1" – the W-2 reflects all of the income the individual is expected to receive from the seasonal job in one amount.
4. Income amounts
Enter the amount from Box 5 of the W-2 in the first "Income amount" box.

The worksheet will calculate the annual seasonal income based on the above entries. Since the multiplier is "1" the result will be the same as the W-2 amount.

Note: Enter any Unemployment Compensation found on the Form-1040, Line 19, in Section B of the Income Worksheet.

Example: Seasonal Employment with 1040 Tax Form and W-2s

Leona applies for MinnesotaCare. She is employed seasonally at a garden center. She generally works eight months of the year and collects unemployment compensation the remaining four months. She has worked this seasonal job for several years.

Action: Request Leona's prior year 1040 tax form and W-2s to verify her income. Complete the MinnesotaCare Income Worksheet as follows:

Section A:

1. Name of adult/child: Enter "Leona."
2. Source: Choose "W-2" from the drop-down menu.
3. Number of times paid per year: Enter "1"
4. Income amounts: Enter the amount in Box 5 of the W-2.

The worksheet will calculate the annual seasonal employment income based on the above entries.

Section B

1. Name of adult/child: Enter "Leona."
2. Type: Choose "Unemployment" from the drop-down menu.
3. Source: Enter "1040 tax form."
4. Number of times paid per year: Enter "1" (The 1040 tax form shows one amount that reflects all of the unemployment compensation Leona expects to receive this year.)
5. Income amounts: Enter the amount of unemployment compensation found on Leona's 1040 tax form.

The worksheet will calculate the annual unemployment compensation amount based on the above entries.

Section B. Unearned Income

Skip this section of the worksheet if the household reports no unearned income.

Enter unearned income in Section B of the MinnesotaCare Income Worksheet as follows:

1. Name of adult/child
Enter the name of the household member who receives the unearned income.
2. Type
Choose an income type from the drop-down menu. Enter the type of unearned income if it is not one of the types on the drop-down list.
3. Source
Enter the name of the document used to verify this income.
4. Number of times paid per year
Enter the number of times the person is paid per year, such as:
 - a. If paid daily, enter the number of days paid in a year
 - b. If paid weekly, enter "52"
 - c. If paid bi-weekly (every other week), enter "26"
 - d. If paid semi-monthly (twice a month such as the 15th and the 30th every month), enter "24"
 - e. If paid monthly, enter "12"
 - f. If paid quarterly, enter "4"
 - g. If paid once annually, enter "1"
 - h. If paid on a different schedule, use a calendar to determine the correct number of times paid per year.

5. Income amounts

Enter the amounts of unearned income received in the past 30 days. If the income is received less frequently than monthly, enter the amounts received in the past 12 months.

The worksheet will calculate the average income amount and the annual amount based on the above entries.

Example: Unearned Income Received Less Frequently than Monthly

Josh applies for health care programs in April 2008. He reports that he received a \$2,000 payment from a trust this month and that he receives this income four times each year. This is his only source of income.

Action: Request verification of the trust income for the past 12 months.

Complete Section B of the MinnesotaCare Income Worksheet as follows:

1. Name of adult/child: Enter "Josh."
2. Type: Enter "Trust."
3. Source: Enter the name of the verification Josh provided, such as "Bank Statement."
4. Number of times paid per year: Enter "4"
5. Income amounts: Enter "2000."

The worksheet calculates Josh's average unearned income amount of \$2,000 and the annual unearned income of \$8,000 based on the above entries.

The MinnesotaCare Income Worksheet can accommodate up to four "Income amounts" for a single source of unearned income. For applicants and enrollees who receive unearned income less frequently than monthly, but more than four times per year, average the unearned income amounts and enter the average amount in the "Income amounts" boxes.

Example: Unearned Income Received Sporadically

Trisha applies for MinnesotaCare for herself and her son in October 2008. Trisha reports that she is supposed to receive child support of \$300 monthly. However, the payments are irregular and in some months she has not received a payment. She has not received any child support in the past 30 days.

Action: Treat this as unearned income received at least once annually, but less frequently than monthly. Determine how often Trisha can expect to get this income based on how often she has received it in the past 12 months. Request verification of the past 12 months of child support payments.

Trisha submits proof that she has received child support seven times in the past year:

October 2008	0	April 2008	\$300
September 2008	\$300	March 2008	0
August 2008	0	February 2008	\$300
July 2008	\$300	January 2008	\$525
June 2008	\$500	December 2007	0
May 2008	0	November 2007	\$300

The average of the payments is \$360.71 ($\$300 + \$300 + \$500 + \$300 + \$300 + \$525 + \$300 = \$2,525 / 7 = \360.71).

Enter Trisha's unearned income in Section B of the MinnesotaCare Income Worksheet as follows:

1. Name of adult/child: Enter "Trisha."
2. Type: Choose "Child Support" from the drop-down men
3. Source: Manually enter the name of the document used to verify this income, such as "bank statement."
4. Number of times paid per year: Enter "7"
5. Income amounts: Enter "\$360.71."

The worksheet calculates Trisha's Average income of \$360.71 and the Annual amount of \$2,524.97 based on the above entries.

Section C. Income from Self-Employment

Skip this section of the worksheet if the household reports no self-employment activity.

Enter self-employment income in Section C as follows:

Box 1 Total Adjusted Gross Income
Enter the adjusted gross income found on the Form 1040, Form 1040A, or Form 1040EZ.

Box 2 Subtract 1040 wages not associated with self-employment
Enter an amount in this box if there are wages found on the Form 1040, Form 1040A, or Form 1040EZ that are not associated with the self-employment activity.

If the self-employed household member is drawing wages from the self-employment activity, and those wages are listed on the Form 1040, Form 1040A or Form 1040EZ, do not enter those wages in Section C. They are part of self-employment income and should not be subtracted out.

Box 3 **Subtract duplicate unearned income**
Enter an amount in this box if there is unearned income included on Form 1040, Form 1040A, or Form 1040EZ that is already listed in Section B.

Box 4 **Depreciation**
Choose a type of self-employment from the drop-down menu. The corresponding depreciation calculation will appear. Enter the name of the business and the “% Ownership” if applicable. Use the tax forms to determine the appropriate depreciation amount. Enter the depreciation amount to be added back to income in the “Annual amount” box.

Note: Depreciation expenses for a business may appear purposely or in error on more than one tax schedule or form. Submit a HealthQuest if there are multiple or conflicting depreciation amounts and you are unsure of which depreciation amount should be added back to self-employment income.

Box 5 **Carry Forward Net Operating Loss**
Enter an amount in this box for non-farm self-employment income that includes a net operating loss carry forward (also called an NOL carry over) on line 21 of the 1040 tax form. Enter the net operating loss carry forward amount to be added back to self-employment income in the “Annual Amount” box.

Box 6 **Other**
Use this box to add self-employment wages paid to a member of the MinnesotaCare household that are not included as wages on line 7 of the 1040 tax form. Add self-employment wages that are paid to:

- adult household members,
- children who are over age 19, or
- children under age 19 who are not students.

Do not add wages paid to children who are under age 19 and are full- or part-time students – their earned income is excluded for MinnesotaCare. See HCPM 20.05.05, Program Provisions for Excluded Income

Section D. New/Changed Self-employment Income

Use this Section to calculate self-employment income for applicants and enrollees who report:

- New self-employment income from a business that is less than one year old and has not yet been included on a tax return; or

- Self-employment income from a business that was included on the prior year's tax forms for part of the year; or
- Self-employment income (or loss) that has ended and should be removed from the income calculation.

For new self-employment, enter a case note to indicate the start date of the business, whether tax forms are available, and what verifications were submitted if prior year tax forms do not include the new self-employment income.

New self-employment income from business records

Enter new self-employment income from business records in Section D of the MinnesotaCare Income Worksheet as follows:

- Box 1 Gross Income
Enter the calculation used to annualize the gross income and the Annual amount.
- Box 4 Expenses
Enter the calculation to annualize the business expenses and the Annual amount.
- Box 5 Depreciation
Enter the calculation to annualize the depreciation and the Annual amount.

New self-employment income from the prior year tax forms

Use Sections C and D of the MinnesotaCare Income Worksheet to calculate self-employment income for applicants and enrollees who report new self-employment income from a business that was included on the prior year tax return, but was not in business the full calendar year.

Enter new self-employment income from tax forms that reflect a partial year of the new business as follows:

Section C:

- Box 1 Total Adjusted Gross Income
Enter the adjusted gross income found on the Form 1040, Form 1040A or Form 1040EZ.
- Box 2 Subtract 1040 wages not associated with self-employment
- Enter an amount in this box if there are wages found on the Form 1040, Form 1040A or Form 1040EZ that are not associated with self-employment activity.

- If a household member is drawing wages from the new self-employment activity, and those wages are listed on the Form 1040, Form 1040A or Form 1040EZ, do not enter those wages in Section C. The partial year self-employment wages will be handled in Section D.

Box 3 Subtract duplicate unearned income
Enter an amount in this box if there is unearned income included on Form 1040, Form 1040A or Form 1040EZ that is already listed in Section B.

Boxes 4, 5, and 6. Skip these boxes. All information about the new self-employment income will be entered in Section D.

Section D:

Box 2 Subtract old 1040 self-employment income
Subtract out the partial year of business income found on the 1040 tax form. If the partial year business income amount is a loss, enter that amount as a negative number by putting a minus sign before the Annual amount. The partial year business income or loss may include any or all of the following:

- Self-employment wages found on the 1040 tax form, Line 7;
- Business income or loss from a Schedule C or C-EZ found on the 1040, Line 12;
- Other gains or losses from the sale of business property from Form 4797, found on the 1040, Line 14;
- Rental real estate, partnership or S Corp income found on the 1040 tax form, Line 17;
- Farm income or loss from Schedule F, found on the 1040, Line 18.
- Other business income found on the 1040, Line 21.

Do not add back deductions found on the 1040 tax form on Lines 23 through 35.

If the household has one or more other businesses and it is unclear which income or loss amounts were derived from the new business, contact the applicant or enrollee to determine the amounts that are attributable to the new business.

Box 3 Add new/changed self-employment income
Annualize the self-employment income or loss for the new business:

- Under “Calculation” enter the Annual amount from Box 2.
- Divide this amount by the number of months reflected in the partial year of business income to establish a monthly amount. (Count any

part of a month the business was in existence as a full month in this calculation.)

- Multiply this amount by twelve and enter the result in Box 3 under Annual amount. Show your work in the Calculation box.

Box 5 Depreciation

Annualize depreciation for the new business. Use the drop-down information in Section C to locate the correct depreciation amounts on the tax forms.

- Enter the partial year depreciation for the new business in Box 5 under “Calculation.”
- Divide this amount by the number of months reflected in the partial year of business income to establish a monthly depreciation amount.
- Multiply this amount by twelve and enter the result in Box 5 under Annual amount. Show your work in the Calculation box.

Example: New self-employment derived from tax forms

Harry is a self-employed MinnesotaCare applicant. He is the sole proprietor of a bait shop he started on July 12 of last year. He submits his prior year tax return, including business schedules, as verification of his self-employment income. He had a net profit of \$6,000 on a Schedule C for his new business with a deduction of \$300 for depreciation. He worked a wage job prior to starting the new business, but receives no wages currently. He reports no unearned income.

Action:

Complete the following sections of the MinnesotaCare Income Worksheet:

1. Skip Sections A and B since Harry has no wages or unearned income.
2. Section C:
 - a. Total Adjusted Gross Income: Enter the adjusted gross income found on the 1040/1040A/1040EZ form.
 - b. Subtract 1040 wages not associated with self-employment: Subtract all wage income found on the 1040 tax form line 7.
 - c. Skip boxes 3, 4, 5, and 6. Harry has no unearned income and all information for his new self-employment will be entered in Section D.
3. Section D
 - a. Box 2, Subtract old 1040 self-employment income: Subtract the partial year self-employment income for the new business. (This could include 1040 lines 7, 12, 14, 17, 18 and/or 21 depending on the nature of the new business.) For Harry, this is Schedule C income of \$6,000 on 1040 line 12.

- b. Box 3, Add new/changed self-employment income: Annualize the income found on the 1040 tax form for the new business. Since Harry started his new business in July, the \$6,000 net profit reflects 6 months of income.

$\$6,000 / 6 = \$1,000$ per month.

$\$1,000 \times 12 = \$12,000$ annual income.

Enter "12,000" as the Annual amount.

Show your work in the Calculation box.

- c. Box 5, Depreciation: Harry had a deduction of \$300 for depreciation on his Schedule C. Since Harry started his new business in July, \$300 reflects 6 months of depreciation.

$\$300 / 6 = \50 ; $\$50 \times 12 = \600 annual amount.

Enter "600" as the Annual amount.

Show your work in the Calculation box.

4. The worksheet calculates Harry's Total Household Income of \$12,600. Review the worksheet to ensure all amounts and calculations are recorded correctly.
5. Enter "\$12,600" on the RINC screen in MMIS.
6. Record the monthly premium on the MinnesotaCare Income Worksheet.

Self-employment income that has ended

Use Sections C and D of the MinnesotaCare Income Worksheet to calculate self-employment income for applicants and enrollees with more than one source of self-employment income who report that one of their sources of self-employment income has ended. (If all self-employment income has ended, recalculate the total household income based solely on wages and unearned income using Sections A and B of the worksheet.)

Enter the following in Sections C and D to subtract out self-employment income that has ended, while other self-employment income continues:

Section C:

- Box 1 Total Adjusted Gross Income
Enter the adjusted gross income found on the Form 1040, Form 1040A or Form 1040EZ.
- Box 2 Subtract 1040 wages not associated with self-employment
Enter an amount in this box if there are wages found on the Form 1040, Form 1040A or Form 1040EZ that are not associated with self-employment activity.

If a household member was drawing wages from the defunct self-employment activity, and those wages are listed on the Form 1040, Form 1040A or Form 1040EZ, do not enter those wages in Section C. The self-employment wages will be handled in Section D.

Box 3 Subtract duplicate unearned income
Enter an amount in this box if there is unearned income included on the 1040/1040A/1040EZ that is already listed in Section B.

Box 4 Complete the remainder of Section C for the businesses that are still operating.

Section D:

Box 2 Subtract old 1040 self-employment income
Subtract all 1040 income attributed to the defunct business. This may include any or all of the following:

- a. Self-employment wages (1040 Line 7)
- b. Business income or loss from a Schedule C or C-EZ, (1040 Line 12)
- c. Other gains or losses from the sale of business property (1040 Line 14)
- d. Rental real estate, partnership or S Corp income (1040 Line 17),
- e. Farm income or loss (1040 Line 18)
- f. Other business income (1040 Line 21)

Add together all of the amounts attributed to the defunct business. Loss amounts and any Carry Forward Net Operating Loss attributed to the business will offset income amounts. Enter the total in Box 2 under Annual amount. If the total is a loss, enter it as a negative number by putting a minus sign before the amount.

Do not add back deductions found on the 1040 tax form on Lines 23 through 35.

Example: Change in Self-Employment Income Derived from Tax Forms

Keith and Maya are enrolled in MinnesotaCare with their two children. They are both self-employed, and together they participate in a sole proprietor home decorating business, an S-Corp machine shop and they farm. At renewal, they report that Maya has closed her home decorating business. They are still participating in the S-Corp and the farm. Keith is paid wages from the S-Corp. They have no non-self employment wage income and no unearned income. They submit their prior year 1040 tax return and all related schedules as verification of their income.

Action:

Complete the following sections of the MinnesotaCare Income Worksheet:

1. Skip Sections A and B since the family reports no wage income or unearned income.
2. Section C:
 - a. Enter the Adjusted Gross Income from line 37 of the 1040 form in Section C, Box 1.
 - b. Leave Box 2 blank, since the only wages shown on the couple's 1040 tax form are Keith's wages from the S-Corp.
 - c. Complete the remainder of Section C for the two businesses that are still operating. Enter S-Corp depreciation found on using Schedule K-1 and Form 1120S. Enter farm depreciation found on Form 4562 or Schedule F, if no 4562 was filed.
 - d. Enter any Carry Forward Net Operating Loss from the S-Corp in Box 5.
3. In Section D, Box 2, subtract all 1040 income attributed to the home decorating business. This may include any or all of the following:
 - a. Self-employment wages (1040 Line 7),
 - b. Business income or loss from a Schedule C or C-EZ, (1040 Line 12),
 - c. Other gains or losses from a sale of business property (1040 Line 14),
 - d. Rental real estate, partnership or S Corp income (1040 Line 17),
 - e. Farm income or loss (1040 Line 18),
 - f. Other income (1040 Line 21).

Add together all of the amounts attributed to the defunct business. Loss amounts and any Net Operating Loss Carry forward attributed to the home decorating business will offset income amounts. Enter the total in Box 2 under Annual amount. If the total is a loss, enter it as a negative number by putting a – sign before the amount.

Do not add back deductions found on the 1040 tax form on lines 23 through 35.

4. Review the worksheet to ensure all amounts and calculations are recorded correctly. Enter the Total Household Income amount summed by the worksheet on the RINC screen in MMIS.
5. Enter the monthly premium on the MinnesotaCare Income Worksheet.

Total Household Income

The worksheet will automatically compute the total household income and will divide the total by twelve for a monthly income amount.

- Enter the Total Household Income on the RINC screen in MMIS.
- Compare the monthly figure to the total monthly income amount on the RSLT screen.

III. Systems Instructions

There are no MMIS system changes.

IV. Attachments

Attachment A: MinnesotaCare Income Worksheet (DHS-3352 7-08)

Attachment B: Employer Statement (DHS-4279 5-08)

Attachment C: Request for Income Verification (DHS-5203 3-08)

V. Special Needs

This information is available in other forms to people with disabilities by contacting us at (651) 431-2283 or toll free at (800) 938-3224, or through the Minnesota Relay Service at (800) 627-3529 (TDD), 711 or (877) 627-3848 (speech to speech relay service).