



COLORADO

Department of Health Care
Policy & Financing

FIVE PERCENT INCOME DISREGARD

Frequently Asked Questions

Effective October 1, 2013 as part of the Affordable Care Act, an income disregard in the amount equal to five percent (5%) of the Federal Poverty Level (FPL) was established. Currently, the five percent (5%) income disregard is automatically applied to all Modified Adjusted Gross Income (MAGI) populations for the purposes of determining eligibility for Medicaid and Child Health Plan *Plus* (CHP+). The Centers for Medicare and Medicaid Services (CMS) allowed states to implement the interim rule until the proposal of the finalized rule was approved by CMS. Following CMS approval, the agency permitted states to schedule systems and business process updates no later than January 1, 2015 in order to be in compliance with the revised rule.

Beginning January 1, 2015, the Department will implement changes to the manner in which the five percent (5%) income disregard is applied to individuals applying for Medicaid and CHP+.

The following frequently asked questions seek to address questions regarding the Department's plan to implement this policy change in order to comply with new federal regulations.

What changes are being made to the current federal policy?

In July 2013, CMS revised the federal rules regarding the applicability of the five percent (5%) income disregard. The revised federal rules require states to amend the disregard for the purpose of determining eligibility for individuals whose MAGI-based income is above the highest applicable income standard under the program Medicaid or CHP+. CMS has set a deadline of January 1, 2015 for the implementation of this policy change by states.

Does the implementation of this federal policy change require a change to state rules?

Yes, the Medical Services Board must review and approve this policy change.

Do changes need to be made to Colorado's eligibility system in order to implement this policy change?

Yes, changes to the Colorado Benefits Management System (CBMS) are necessary to implement this policy. The Department initiated steps to incorporate this policy change into the project plan. The change will take effect January 1, 2015.

How will the five percent (5%) income disregard be applied when determining eligibility starting January 1, 2015?

The five percent (5%) income disregard will be applied when countable income exceeds the Federal Poverty Level for MAGI populations under Medicaid or CHP+. The five percent (5%) income disregard is **not** applied to every MAGI eligibility determination and will be applied as a last step in determining eligibility when an individual exceeds the income limit, but is within the income standard if the five percent (5%) income disregard were applied.

How will the five percent (5%) income disregard be applied to countable income ?

The five percent (5 %) income disregard will be subtracted from the household's monthly gross income. The resulting amount will then equal to the net countable income, in which one can compare to the income guideline charts.

$$\text{Monthly gross income} - (5\%) \text{ disregard} = \text{Net countable income}$$

How will the five percent (5%) income disregard affect those currently enrolled in a MAGI-Medical Assistance program?

For individuals who are approved as of January 1, 2014 or redetermined after implementation, or their eligibility could have different results based on the five percent (5%) income disregard no longer be applied. For example, if an individual is currently enrolled in Medicaid, but when redetermined they could potentially be eligible for CHP+ because of the increase in income and the income disregard no longer being applied. Also, for children who are currently enrolled in CHP+ and remain eligible for CHP+, they could potentially now owe an enrollment fee due to a change in income rating code. Cases ran prior to January 1, 2015 will continue to receive the five (5%) income disregard and no changes will be made to their eligibility until their redetermination.

Will the five percent (5%) income disregard impact reasonable compatibility?

There is no correlation between the five percent (5%) income disregard and reasonable compatibility therefore, there would be no impact. Reasonable Compatibility refers to an allowable difference or discrepancy between the income an applicant self attests and the amount of income reported by an electronic data source.

Are deductions connected to the five percent (5%) income disregard?

No, there is no connection between the five percent (5%) income disregard and a deduction. A deduction is an amount that an applicant or client can subtract from their gross income to get their adjusted gross income. A deduction is based off of the U.S. Tax Code, and the adjusted gross income is used to help determine whether they qualify for Modified Adjusted Gross Income-based Medical Assistance (Medicaid and CHP+), tax credits, or other help purchasing health insurance.

For more information on Deductions visit: [Colorado.gov/hcpf/training-topics-reference-documents-and-guides](https://colorado.gov/hcpf/training-topics-reference-documents-and-guides)

Example 1: Children

A child has MAGI household income of 136% FPL. The five percent (5%) income disregard **will not be applied** because the highest income standard for which the child may be eligible for is 142% FPL. The child would be eligible for MAGI child under Medicaid. If child's household income is 265% FPL, then the five percent (5%) income disregard **would be applied** to bring the child's household income within 260% FPL. The child would be eligible for CHP+ coverage.

Example 2: Pregnant Women

A pregnant woman's household income is 200% FPL. The five percent (5%) income disregard **would be applied** to bring her household income within 195% FPL. The Pregnant women would be eligible for MAGI pregnant under Medicaid. If a pregnant woman has MAGI household income of 225% FPL, the five percent (5%) income disregard **will not be applied** because the highest income standard for which she may be eligible for is 260% FPL, making her eligible for CHP+ prenatal.

Example 3: Adult

Adult male has MAGI household income of 125% FPL. The five percent (5%) income disregard **will not be applied** because the highest income standard for which he may be eligible for is 133% FPL, making him eligible for MAGI adult under Medicaid. If his household income is 145% FPL, the five percent (5%) income disregard **would be applied** to bring his household income within 140% FPL. The Adult male would be denied for MAGI adult because the highest income limit for which he may be eligible for is 133% FPL.

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CHILD HEALTH PLAN *PLUS* Monthly Maximum Income Guidelines Effective April 1, 2014

Yellow indicates if an individual exceeds the Federal Poverty Level the 5% income disregard will be applied.

Enrollment Fee: 1 Child \$25.00 2 or More \$35.00	Enrollment Fee: 1 Child \$75.00 2 or More \$105.00
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Poverty Level	143-156%	157-159%	160-170%	171-185%	186-200%	201-213%	214-225%	226-235%	236-260%
Family Size	F-	F+	G-	G+	J	K	L	M	O
1	1,382 – 1,518	1,519 – 1,547	1,548 – 1,654	1,655 – 1,800	1,801 – 1,945	1,946 – 2,072	2,073– 2,189	2,190 – 2,286	2,287 – 2,529
2	1,863 – 2,045	2,046– 2,085	2,086 – 2,229	2,230 – 2,426	2,427 – 2,622	2,623 – 2,793	2,794 – 2,950	2,951 – 3,081	3,082 – 3,409
3	2,343 – 2,573	2,574 – 2,623	2,624 – 2,804	2,805 – 3,051	3,052 – 3,299	3,300 – 3,513	3,514 – 3,711	3,712 – 3,876	3,8277– 4,288
4	2,824 – 3,101	3,102 – 3,161	3,162 – 3,379	3,380 – 3,677	3,678 – 3,975	3,976 – 4,234	4,235 – 4,472	4,473– 4,671	4,672 – 5,168
5	3,304 – 3,629	3,630 – 3,699	3,700 – 3,954	3,955 – 4,303	4,304 – 4,652	4,653 – 4,955	4,956– 5,234	5,235 – 5,466	5,467 – 6,048
6	3,785 – 4,157	4,158 – 4,237	4,238 – 4,530	4,531 – 4,929	4,930 – 5,329	5,330 – 5,675	5,676 – 5,995	5,996 – 6,261	6,262 – 6,927
7	4,265 – 4,684	4,685 – 4,774	4,775 – 5,105	5,106 – 5,555	5,556 – 6,005	6,006 – 6,396	6,397 – 6,756	6,757 – 7,056	7,057 – 7,807
8	4,745 – 5,212	5,213 – 5,312	5,313 – 5,680	5,681– 6,181	6,182 – 6,682	6,683 – 7,116	7,117 – 7,517	7,518 – 7,851	7,852 – 8,687
9	5,226 – 5,740	5,741 – 5,850	5,851 – 6,255	6,256 – 6,807	6,808 – 7,359	7,360 – 7,837	7,838 – 8,279	8,280 – 8,647	8,648 – 9,566
10	5,706 – 6,268	6,269 – 6,388	6,389 – 6,830	6,831 – 7,433	7,434 – 8,035	8,036 – 8,558	8,559 – 9,040	9,041 – 9,442	9,443 – 10,446

- Percent of Federal Poverty Level corresponds to the upper limit of income in each rating level
- No enrollment fee or co-pays for Native Americans and Alaska Natives
- Co-pays may apply
- No enrollment fee for pregnant women and her household
- Letters in Header Rows correspond to the rate codes in CBMS



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MAGI MEDICAID Monthly Maximum Income Guidelines Effective April 1, 2014

Yellow indicates if an individual exceeds the Federal Poverty Level the 5% income disregard will be applied.

Family Size	Children (Ages 0-18) 142% Poverty Level	Pregnant Women 195% Poverty Level	Parents & Caretaker Relatives 107% Poverty Level	Adults, Parents & Caretaker Relatives 133% Poverty Level (effective 1/1/2014)
1	1,381	1,897	1,041	1,294
2	1,862	2,557	1,403	1,744
3	2,342	3,216	1,765	2,194
4	2,823	3,876	2,127	2,644
5	3,303	4,536	2,489	3,094
6	3,784	5,196	2,851	3,544
7	4,264	5,855	3,213	3,994
8	4,744	6,515	3,575	4,444
9	5,225	7,175	3,937	4,894
10	5,705	7,835	4,299	5,344