

**NC Department of Health and Human Services**

# **Certified Public Accountant Single Audit Medicaid Overview**

**Office of Compliance and Program Integrity**

**June 6, 2019**



- **Dear County Director Letter, Single Audit Compliance, May 2019**
- **Medicaid Population Report**
- **Overview to Modified Adjusted Gross Income (MAGI)**
- **Introduction to MAGI Eligibility**
- **Reminders**
- **Single Audit SFY 2018**
- **Questions**

# Dear County Director Letter (DCDL)

- **Single Audit Compliance May 2, 2019**
- **Local Government Commission**
- **SFY 2019 includes MAGI and Non-MAGI programs**
- **Test case shows beneficiary currently residing in another County**
- **DCDL link**
  - <https://files.nc.gov/ncdma/DCDL-Single-Audit-Compliance-05022019.pdf>

# Medicaid Population Report

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- **State – Provide report to county Director**
- **CPA Firm – Reach out to county for Population Report**
- **CPA Firm – Provide the county sample for testing**

*Population Report Fields:*

*\*MID, PDC Number, DOS, Date Paid & Amount Paid*

# Overview

## Modified Addjusted Gross Income

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- MAGI Methodology
- Programs and Categories (MAGI and Non-MAGI)
- Eligibility Review Document (MAGI Revisions)

# MAGI Methodology

- **Budgeting methodology required by the Patient Protection and Affordable Care Act of 2010 (effective January 1, 2014)**
- **Uses federal income tax rules and tax filer's family size to determine eligibility for Medicaid and NC Health Choice eligibility**
- **Determines household composition, family size, and whose income is counted**

# Medicaid Programs & Categories

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- **MAGI & Non-MAGI Programs**
- **MAGI & Non-MAGI Key**
- **Based on Eligibility Criteria**
- **NC FAST Benefit History**







# Medicaid Classification Codes

Code	Description	Code	Description
<b>B</b>	Categorically Needy (Used only with MAABD or MQB)	<b>X</b>	Not applicable to the case
<b>C</b>	Categorically Needy	<b>O</b>	Medically Needy - Emergency services for non-qualified aliens (includes nonimmigrants and illegal and undocumented aliens)
<b>D</b>	Categorically Needy (Used only as MAF-D – Limited to Family Planning Services)	<b>P</b>	Medically Needy – Full Medicaid coverage for qualified aliens (after 5 year ban or when five year ban does not apply)
<b>N</b>	Categorically Needy	<b>R</b>	Medically Needy - Emergency services for qualified aliens (during 5 year ban)
<b>Q</b>	Categorically Needy (Used Only With Dually Eligible Cases or M-QB Cases)	<b>E</b>	Qualifying Individual (Used Only With MQB).
<b>F</b>	Categorically Needy – Emergency services for non-qualified aliens (includes non-immigrants and illegal and undocumented aliens)	<b>1</b>	Categorically Needy (Used only as MIC-1-Expanded Medicaid)
<b>G</b>	Categorically Needy – Full Medicaid coverage for qualified aliens (after 5 year ban or when five year ban does not apply)	<b>W</b>	Brest and Cervical Cancer Medicaid (BCCM) - Full Regular Coverage (non-alien)
<b>H</b>	Categorically Needy – Emergency services for qualified aliens (during five year ban)	<b>T</b>	BCCM - Full Coverage (qualified alien-after 5 year ban or 5 year ban does not apply)
<b>I</b>	Categorically Needy – Full Medicaid coverage for pregnant qualified alien	<b>U</b>	BCCM - Emergency Coverage (qualified alien-during 5 year ban)
<b>M</b>	Medically Needy	<b>V</b>	BCCM - Emergency Coverage (non-qualified alien; includes non-immigrant, Illegal, and undocumented)

## MAGI & Non-MAGI Key

Program Category	Classification
<b>Modified Adjusted Income (MAGI)</b>	
<b>MAF</b>	<b>C/N/D/F/G/H/I/O/W/T/U/V</b>
<b>MIC</b>	<b>N/1</b>
<b>IAS</b>	
<b>Traditional Medicaid (Non-MAGI)</b>	
<b>MAD</b>	<b>C/N/M/Q/B/F/G/H</b>
<b>MAA</b>	<b>C/N/M/Q/B/F/G/H</b>
<b>MAB</b>	<b>C/N/M/Q/B/G/H</b>
<b>MQB</b>	<b>Q/B/E</b>
<b>MAF</b>	<b>M/P/R</b>

# Eligibility Review Document

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- **Assists with basic program requirements**
- **Provides guidance with evidence, verifications and reports**
- **Defines electronic match acronyms**

### Eligibility Review Document – NC Medicaid/NC Health Choice

(Pages of the Eligibility Review Document may be copied and used to review each case file. Attachments provide information about some verifications.)

County:	Auditor:	Date of Review:	Case Name:
Aid Program:	Date of Application: Certification period:	Date of Disposition:	Approval <input type="checkbox"/> Denial <input type="checkbox"/> Withdrawal <input type="checkbox"/> Exparte <input type="checkbox"/>

Please note that counties may have their own versions of forms or worksheets and/or may have automated forms that the State only provides in a paper format. If you have questions, discuss with a Medicaid supervisor or caseworker. NCFast system also has screens that replace the paper versions of forms. Counties may have an image document system for paper images; therefore, when the term “case file” is used in document, NC Medicaid is referring to image system or NCFast.

Basic Program Requirements		
	Guidance	Auditor Notes
<p><b>General Guidance regarding evidence, electronic verifications and reports:</b></p> <p>For each individual, there is an Evidence Dashboard in NCFast. All the types of evidences for eligibility are shown on the Evidence Dashboard. If an evidence type is highlighted, caseworker has selected and input evidence. The case file/NCFast must contain some type of verification and/or notes for the evidence. Verification may be (1) electronic, (2) electronic and paper, or (3) electronic and scanned image.</p> <p>Electronic matches are required at applications and redeterminations.</p> <ul style="list-style-type: none"><li>• ACTS OVS - used as verification of IV-D Child Support</li><li>• Asset Verification System (AVS) – verification of financial accounts, such as bank accounts, IRAs, Keogh</li><li>• Bendex OVS/OLV- used as verification of Social Security, verification of Medicare</li><li>• DMV OVS- used as verification of residency, verification of vehicles, verification of personal property</li><li>• ESC OVS for Unemployment Insurance- used as verification of residency, verification of wages, verification of unemployment insurance</li><li>• SDX OVS for SSI- used as verification of Supplemental Security Income (SSI), verification of disability,</li><li>• SOLQ OVS/OLV- used as verification for date of birth, verification of citizenship/identity, verification of Social Security, lead to bank account, verification of Social Security Number, verification of disability, verification of blindness, verification of Medicare</li></ul> <p>PARIS VA Match Report in XPTR (or XNET) is run quarterly by DHHS IT Applications Management Section for ongoing cases to be used to compare information to what may or may not be reported by the beneficiary.</p> <p>Register of Deeds is checked by caseworker to verify real property. Register of Deeds information can generally be found online in counties.</p>		

					<ul style="list-style-type: none"> <li>If documentation does not exist, determine case was terminated by the "termination date" referenced in the notice sent to applicant.</li> </ul> <p>SOLQIC in OVS is one source of verification.</p> <p><b>Note:</b> Verification of citizenship status is not applicable for automatic newborn coverage.</p> <p>.</p>	
3.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	State Residence verified	<p>This is required <b>only for applications</b>. The case file should contain two acceptable verifications of State Residence as determined by the county.</p> <p>See <b>Attachment 2</b> for acceptable types of verification.</p> <p>If two sources of verification are not available, the applicant may sign the DMA-5153, North Carolina Residency Applicant Declaration, that they do not have two of the documents listed. See <b>Attachment 2</b></p> <p><b>Auditor Should:</b> Verify that there are two sources of acceptable verification or completed declaration (DMA-5153) in the applicant's case file to verify state residence.</p>	
4.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	Household Composition and Relationship documented	<p>Household Composition and Relationship should be entered correctly in NCFast as this determines whether NCFast counts income.</p> <p>Participants' file may contain paper applications, birth certificates, Federally Facilitated Marketplace application, or other documentation of household composition/relationship. These documents will be in the county's image system or in NCFast document image system.</p> <p><b>Auditors should:</b> Verify that the household and relationship information were correctly entered on the evidence dashboard in to NCFast, For MAGI, see MAGI-Household Composition Chart</p>	

				<p>Auditor should:</p> <p>If case is Long Term Care, CAP, Innovations, TBI or PACE, the auditor should look for transfers of significant value, either in a lump sum or the aggregate by DMV or notes in the case file.</p> <p>If the auditor finds transfer, the auditor should go to case file and determine if caseworker conducted sufficient investigation of the transfer. If the caseworker did not address, the audit should cite as an error. Caseworker will need to redetermine eligibility. See MA-2240 in the Adult Medicaid Manual.</p> <p>Note: Resources are not counted for MAGI Households: Family and Children Medicaid Categorically Needy, Medicaid for Infants and Children (MIC), Medicaid for Pregnant Women (MPW) and NC Health Choice do not have resource requirements or limits and do not require verification of assets. This requirement is n/a for programs.</p>	
3.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<p>Real Property</p> <p>The requirement for real property verification is only applicable to Medicaid for the Aged, Blind, Disabled and MOB programs.</p> <p>Case file should contain documentation that Register of Deeds was checked to verify if the individual owns property.</p> <p>Auditor should:</p> <ul style="list-style-type: none"> <li>Verify that the Register of Deeds was checked and documented in case file.</li> <li>Verify that information obtained from the Register was entered correctly into NCFAS.</li> </ul> <p>Auditor should:</p> <p>If case is Long Term Care, CAP, Innovations, TBI or PACE, the auditor should look for transfers of significant value, either in a lump sum or the aggregate by Register of Deeds or notes in the case file.</p> <p>If the auditor finds transfer, the auditor should go to case file and determine if caseworker conducted sufficient investigation of the transfer. If the caseworker did not address, the audit</p>	



				<p>Verification of self-employment operational expenses should be present in case file, if any were reported and verified. Verifications of self-employment income and operational expenses may be tax returns, business records or other verification.</p> <p>Countable self-employment income is converted to a monthly amount.</p> <p><b>Auditor should verify that the income conversion and computation was done in accordance with policy manuals. See Attachment 3 for reference to appropriate manuals and sections of the manual and Attachment 4 for income levels.</b></p> <p>Countable income as calculated by the caseworker should be reflected in NCFAS.</p> <p><b>Auditor should verify that the accurate income amount was entered in NCFAS.</b></p>	
7.	<p>Yes <input type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>N/A <input type="checkbox"/></p>	<p>Other Earned Income Verified</p> <p>The case should contain verification of earned income. Earned income includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Wages</li> <li>• Earnings from babysitting</li> <li>• Foster care payments above state maximum rates for beneficiaries with foster care status.</li> </ul> <p><b>Most taxable income is countable for MAGI, however; non-taxable interest and Foreign earned income are also countable.</b></p> <p>Employment Verification Commission (ESC) OVS/OLV must be completed and in case file.</p> <p>For wages reported by the applicant/beneficiary, the case file must indicate that the caseworker compared the applicant's self-attestation of the amount of wages to amount of wages computed based on electronic verification in the form of the ESC OVS/OLV or The Work Number (an electronic system verification for some employers), if available.</p>	



				<p>If there is earned income that should have been included but was not, the auditor should count this as an error and the caseworker should redetermine eligibility.</p> <p>Countable earned income is converted to a monthly amount.</p> <p>Auditor should verify that the income conversion and computation was done in accordance with policy manuals. See Attachment 3 for reference to appropriate manuals and sections of the manual and Attachment 4 for income levels.</p> <p>Countable income as calculated by the caseworker should be reflected in NCFAS.</p> <p>Auditor should verify that the accurate income amount was entered in NCFAS.</p>	
8.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	<p>Unearned Income</p> <p>Unearned income includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Social Security (also known as RSDI)</li> <li>• Supplemental Security Income (SSI)</li> <li>• Veteran's Administration Benefits (Non-countable for MAGI)</li> <li>• Unemployment Insurance</li> <li>• Alimony</li> <li>• Child Support (Non-countable for MAGI)</li> <li>• Private Disability, Pensions, Retirement Benefits</li> </ul> <p>Electronic matches must be completed in OVS/OLV and in case file:</p> <ul style="list-style-type: none"> <li>• SOLQ OVS/OLV for Social Security</li> <li>• Bendex OVS/OLV for Social Security</li> <li>• SDX OVS for SSI</li> <li>• ESC OVS for Unemployment Insurance</li> <li>• ACTS OVS for IV-D Child Support</li> </ul> <p>Case file should indicate verification of unearned income (paper or electronic).</p>	

# Introduction to MAGI Eligibility

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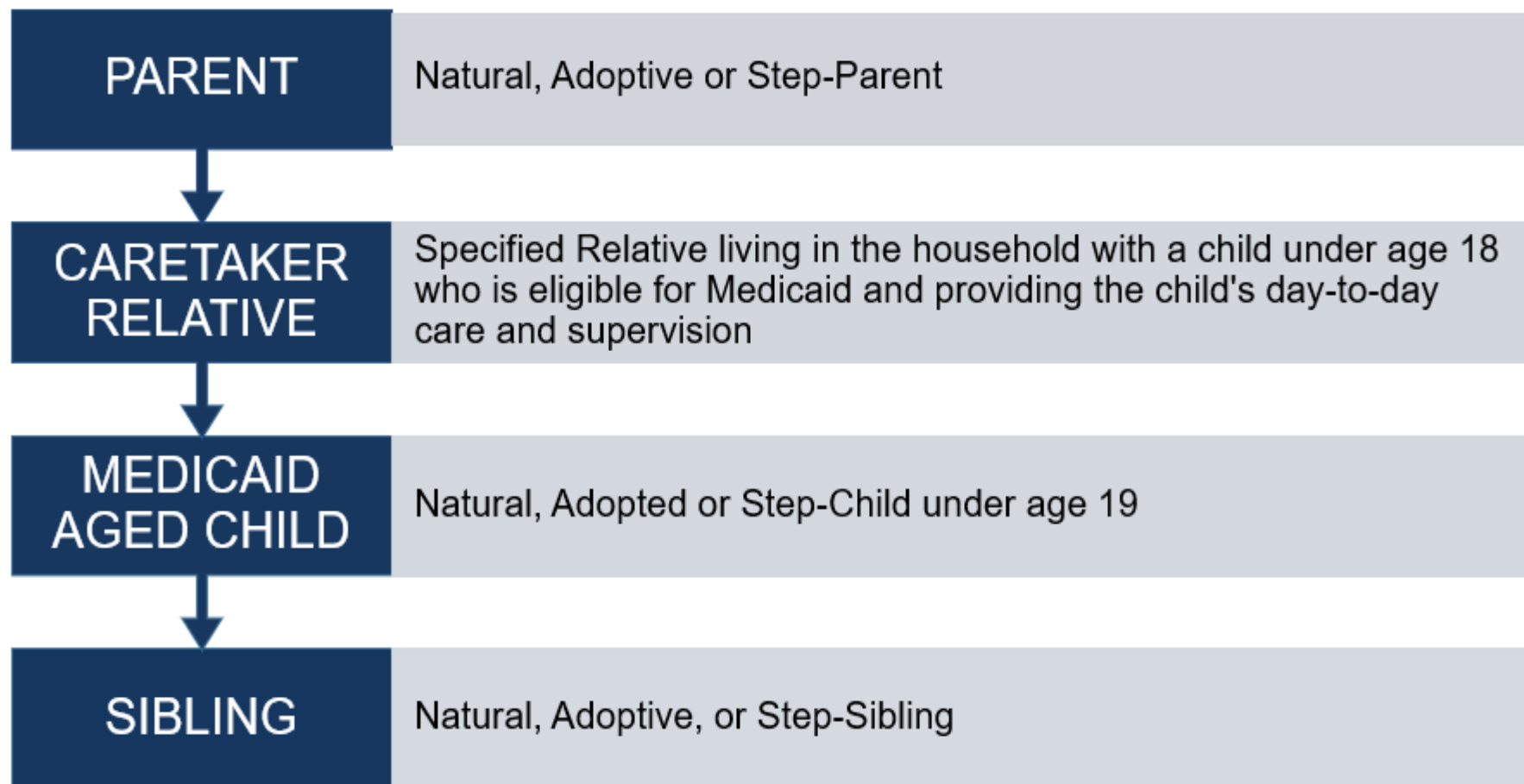


- **MAGI Covered Groups**
- **MAGI Terminology**
- **MAGI Eligibility Charts**
- **MAGI Countable/Non-Countable Income With Allowable Deductions**
- **MAGI Household Composition**
- **Scenarios**

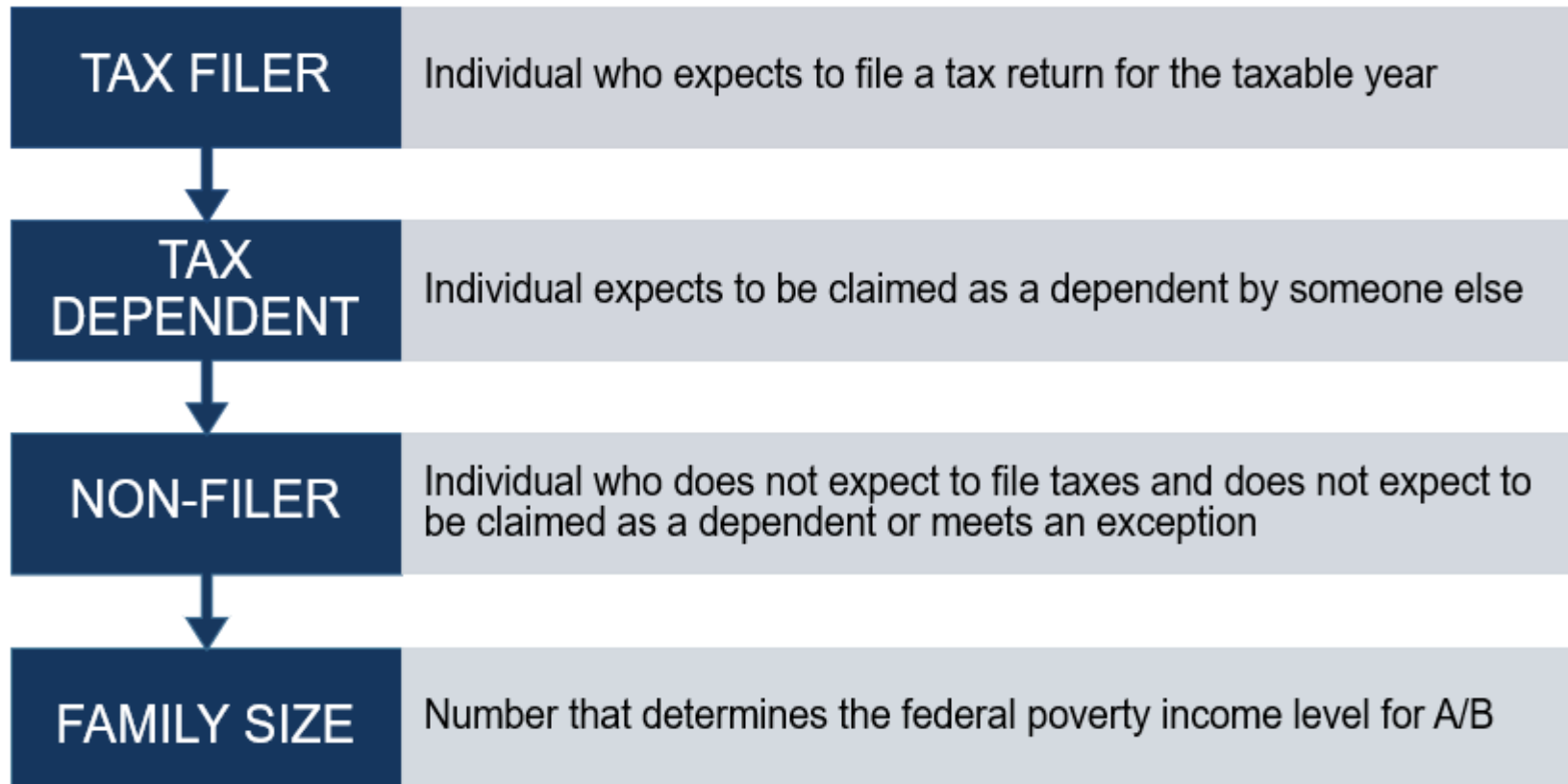
# **Family Medicaid Covered Groups**

- **Parents/Caretaker Relatives of a child under age 18**
- **Infants and Children under age 19**
- **Pregnant Women**
- **19 and 20-Year-Olds**
- **Family Planning Individuals**
- **Current and Former Foster Care Children**

# MAGI Terminology



# MAGI Terminology – Cont'd



# MAGI Eligibility Charts

## Household Composition Chart

Household Comp, Family Size & Household Type







## Types of MAGI Households

Whose Money is Included

## Income Limit Charts

Allowable Income Limits

# MAGI ~ Household Composition

1	2	3	4	5	6
Will applicant/ beneficiary <b>file</b> Taxes?	Will applicant/ beneficiary <b>file</b> Taxes?	Will applicant/ beneficiary <b>file</b> Taxes?	Will applicant/ beneficiary <b>file</b> Taxes?	Will applicant/ beneficiary <b>file</b> Taxes?	Will applicant/ beneficiary <b>file</b> Taxes?
<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>Yes</b>
Will applicant/ beneficiary be a tax <b>dependent</b> for anyone else?	Will applicant/ beneficiary be a tax <b>dependent</b> for anyone else?	Will applicant/ beneficiary be a tax <b>dependent</b> for anyone else?	Will applicant/ beneficiary be a tax <b>dependent</b> for anyone else?	Will applicant/ beneficiary be a tax <b>dependent</b> for anyone else?	Will applicant/ Beneficiary be a tax <b>dependent</b> for anyone else?
<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
	Does the applicant/ beneficiary meet any of the <b>exceptions*?</b>	Does the applicant/ beneficiary meet any of the <b>exceptions*?</b>		Does the applicant/ beneficiary meet any of the <b>exceptions*?</b>	Does the applicant/ beneficiary meet any of the <b>exceptions*?</b>
	<b>No</b>	<b>No</b>		<b>Yes</b>	<b>Yes</b>
					
<b>Tax HH:</b> HH is applicant, co-filer spouse and a/b's tax dependents. Include live in spouse if not included in tax HH.	<b>Tax HH:</b> HH is tax filer's household claiming a/b as a dependent. Include a/b's live-in spouse if not included in tax HH.		<b>Non-Filer HH:</b> HH is applicant/beneficiary, spouse in the home, and their children in home under age 19. <u>If applicant/beneficiary is under age 19:</u> Also includes: live-in parent(s) and live-in siblings under age 19		

**\*EXCEPTIONS:** Is the applicant/beneficiary:

1. A tax dependent of someone other than spouse or parent?
2. Under age 19 and living with both parents who will **not** file jointly?
3. Under age 19 and will be claimed by a non-custodial parent?

### **Types of Medicaid/NCHC MAGI Households**

**Tax Household** – Used as Medicaid/NCHC when applicant/beneficiary is tax filer or tax dependent and no exceptions apply. The household includes:

- Tax Filer(s)
- Tax Dependents of Tax Filer(s)
- Spouse of applicant/beneficiary, if in the home and not in the tax household

**Non-filer household** – Used when applicant/beneficiary is not tax filer or tax dependent or meets one of the exceptions. The household includes:

- Individual, and if living in the home:
- Individual's spouse
- Individual's natural, adoptive and step children under age 19

If individual is under age 19, includes same as above AND

- Individual's natural, adoptive and step parent(s) in the home
- Individual's natural, adoptive and step siblings in the home under age 19

### **Pregnant Women**

**NOTE:** Under either type of household (tax or non-filer), when a pregnant woman is the applicant/beneficiary, always include the unborn(s) in her household when determining her eligibility for any MAGI program. When the pregnant woman is a household member of another applicant/beneficiary, include only the PW – do not add the unborn(s).



### Counting Income Tax Household

	Tax Filer(s)	Tax Dependent – child of tax filer – does not meet an exception
Tax Household	<p>Count income of tax filer and co-filer spouse. Include live in spouse's income if not already included in tax HH.</p> <p>Only count income of tax dependents who expect to file a tax return.</p>	<p>Count income of tax filer(s)</p> <p>Count income of the tax dependent applicant and other tax dependents who expect to file a tax return. Count the income of the tax dependent's spouse if not included in the tax household.</p>

### Counting Income Non Filer

	<p>Tax Dependent – not child of tax filer</p> <p>(non-filer rules)</p>	Adult – age 19 or older	Medicaid age child – under age 19
Non-filer rules	<p>Count income for own household regardless of whether they expect to file taxes and count income of live-in spouse.</p> <p>If the tax dependent has children under age 19 in the household, count income of children under age 19 if they expect to file return.</p> <p>If the tax dependent is under age 19 ( see last column for Medicaid age child-under age 19)</p>	<p>Count income of applicant and spouse, if in home.</p> <p>Count income of children in household under 19 only if expect to file return</p>	<p>If parent(s) is <b>not</b> in the household count income for own household regardless of whether they expect to file taxes and count income of live in spouse and live in siblings under age 19.</p> <p>If the Medicaid age child has children under age 19, count income of children under age 19 if expect to file return.</p> <p>If parent(s) is in the household, count the income of the parent(s). Do not count income of the child and siblings under age 19 unless they expect to file a tax return.</p>

# MAGI MEDICAID/NCHC INCOME LIMITS

\*\*\* MAGI groups do not have Reserve Limits – Only MAF-M group \*\*\*

Revised effective 4/1/2019

<i>Family &amp; Children's MA</i>	1	2	3	4	5	6	7	8	9	10	Add'l
196% MPW	2041	2762	3484	4206	4928	5650	6372	7094	7816	8538	722
195% MAF-D	2030	2748	3467	4185	4903	5621	6340	7058	7776	8494	719
194%-210% MIC-1<1	2020.01-2186	2734.01-2960	3449.01-3733	4163.01-4507	4878.01-5280	5593.01-6054	6307.01-6827	7022.01-7601	7736.01-8374	8451.01-9148	774
194% MIC-N <1	2020	2734	3449	4163	4878	5593	6307	7022	7736	8451	715
141%-210% MIC-1 (Age 1-5)	1468.01-2186	1987.01-2960	2507.01-3733	3026.01-4507	3545.01-5280	4065.01-6054	4584.01-6827	5104.01-7601	5623.01-8374	6142.01-9148	774
141% MIC-N (Age 1-5)	1468	1987	2507	3026	3545	4065	4584	5104	5623	6142	520
107%-133% MIC-1 (Age 6-18)	1114.01-1385	1508.01-1875	1902.01-2365	2297.01-2854	2691.01-3344	3085.01-3834	3479.01-4324	3873.01-4814	4267.01-5304	4661.01-5794	490
107% MIC-N (Age 6-18)	1114	1508	1902	2297	2691	3085	3479	3873	4267	4661	395
MAF-C/N	434	569	667	744	824	901	975	1036	1096	1169	78
185% TMA	1926	2607	3289	3970	4652	5333	6015	6696	7378	8060	682
<i>NC Health Choice</i>	1	2	3	4	5	6	7	8	9	10	Add'l
133%-159% MIC-J (Age 6-18)	1385.01-1655	1875.01-2241	2365.01-2827	2854.01-3412	3344.01-3998	3834.01-4584	4324.01-5169	4814.01-5755	5304.01-6341	5794.01-6926	586
>159%-211% MIC-K (Age 6-18)	1655.01-2197	2241.01-2974	2827.01-3751	3412.01-4528	3998.01-5305	4584.01-6083	5169.01-6860	5755.01-7637	6341.01-8414	6926.01-9191	778
<i>MAGI disregard</i>	1	2	3	4	5	6	7	8	9	10	Add'l
FPL 5% DISREGARD	52.04	70.46	88.88	107.29	125.71	144.13	162.54	180.96	199.38	217.79	18.42

# MAGI MEDICAID/NCHC INCOME LIMITS

\*\*\* MAGI groups do not have Reserve Limits – Only MAF-M group \*\*\*

Revised effective 4/1/2018

<i>Family &amp; Children's MA</i>	1	2	3	4	5	6	7	8	9	10	Add'l
196% MPW	1983	2689	3395	4100	4806	5511	6217	6923	7628	8334	706
195% MAF-D	1973	2675	3377	4079	4781	5483	6185	6887	7589	8291	702
194%-210% MIC-1<1	1963.01-2125	2662.01-2881	3360.01-3637	4058.01-4393	4757.01-5149	5455.01-5905	6154.01-6661	6852.01-7417	7550.01-8173	8249.01-8929	756
194% MIC-N <1	1963	2662	3360	4058	4757	5455	6154	6852	7550	8249	699
141%-210% MIC-1 (Age 1-5)	1427.01-2125	1935.01-2881	2442.01-3637	2950.01-4393	3457.01-5149	3965.01-5905	4473.01-6661	4980.01-7417	5488.01-8173	5995.01-8929	756
141% MIC-N (Age 1-5)	1427	1935	2442	2950	3457	3965	4473	4980	5488	5995	508
107%-133% MIC-1 (Age 6-18)	1083.01-1346	1468.01-1825	1853.01-2304	2239.01-2782	2624.01-3261	3009.01-3740	3394.01-4219	3779.01-4698	4165.01-5176	4550.01-5655	479
107% MIC-N (Age 6-18)	1083	1468	1853	2239	2624	3009	3394	3779	4165	4550	386
MAF-C/N	434	569	667	744	824	901	975	1036	1096	1169	78
185% TMA	1872	2538	3204	3870	4536	5202	5868	6534	7200	7866	666
<i>NC Health Choice</i>	1	2	3	4	5	6	7	8	9	10	Add'l
133%-159% MIC-J (Age 6-18)	1346.01-1609	1825.01-2181	2304.01-2754	2782.01-3326	3261.01-3899	3740.01-4471	4219.01-5043	4698.01-5616	5176.01-6188	5655.01-6761	573
>159%-211% MIC-K (Age 6-18)	1609.01-2135	2181.01-2895	2754.01-3654	3326.01-4414	3899.01-5174	4471.01-5933	5043.01-6693	5616.01-7452	6188.01-8212	6761.01-8972	760
<i>MAGI disregard</i>	1	2	3	4	5	6	7	8	9	10	Add'l
FPL 5% DISREGARD	50.58	68.58	86.58	104.58	122.58	140.58	158.58	176.58	194.58	212.58	18.00

# MAGI Income & Deductions

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- **Countable Income**
- **Non-Countable Income**
- **Pre-Tax Deductions**

# Countable Income

- **Wages**
- **Unemployment benefits**
- **Pension and annuities**
- **Income from business or personal services**
- **Alimony received**
- **Social Security benefits**

***This is not an all-inclusive list. See MA-3306 IV***

# Non-Countable Income

- Child Support
- Veteran's Benefits
- Gifts and inheritances
- Worker's Compensation
- Scholarships, awards, fellowship grants used for educational expenses (living expenses/room and board is countable)
- Certain Native American and Alaska Native income
- Salary deferrals
  - Contributions to 401K
  - Flexible spending
  - Cafeteria plans
  - Pre-tax retirement contributions
  - Pre-tax insurance premiums

***This is not an all inclusive list. See MA-3306 IV., Non-Countable Income***

# Pre-Tax Deduction Examples

- Student loan interest
- IRA deduction
- Educator expenses
- IRA contributions

**Refer to the IRS 1040 for additional deductions**

Adjustments to Income	23	Educator expenses . . . . .	23			
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . .	24			
	25	Health savings account deduction. Attach Form 8889 .	25			
	26	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	26			
	27	Deductible part of self-employment tax. Attach Schedule SE	27			
	28	Self-employed SEP, SIMPLE, and qualified plans . .	28			
	29	Self-employed health insurance deduction . . . . .	29			
	30	Penalty on early withdrawal of savings . . . . .	30			
	31a	Alimony paid b Recipient's SSN ▶	31a			
	32	IRA deduction . . . . .	32			
	33	Student loan interest deduction . . . . .	33			
	34	Reserved . . . . .	34			
	35	Reserved . . . . .	35			
	36	Add lines 23 through 35 . . . . .	36			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

# MAGI Scenarios

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- **Tax Filer Applicant**
- **Dependent Applicant**
- **Tax Filer & Dependent Applicant**
- **Dependent Beneficiary of an External HH**
- **Tax Filer Applicant (Pregnant)**



# **The Two Important Questions**

- 1. Does the A/B expect to file taxes?**
  - 2. Will the A/B be a tax dependent for anyone else?**
- Both questions pertain to the time period for which the A/B is requesting assistance**
  - The local agency will document the A/B's response**
  - Client's statement is the only verification required**

# Tax Filer Applicant

## James Sr:

- Divorced
- Files taxes
- Not a dependent and has no dependents
- Employed with J&J Towing
- Receives Veterans Affairs (VA) pension

## Household Composition Size:

- Will James file taxes? **YES**
- Will James be a dependent for anyone else? **NO**
- Column 1 on the MAGI HH Composition chart identifies James as a **HH Size of 1**

## Tax Household: (Tax Filer)

- Count income of James
- J&J Towing earnings countable
- VA pension is **not** countable for MAGI

# Tax Dependent Applicant

## Trisha:

- 11 year old female
- Does not file taxes
- Is a dependent of her Uncle James who she resides with
- She receives Social Security - survivor benefits

## Household Composition Size:

- Will Trisha file taxes? **NO**
- Will Trisha be a dependent for anyone else? **YES**
- Will Trisha meet an exception? **YES**
- Column 5 on the Composition chart identifies Trisha as a **HH Size of 1**

## Non-filer Household:(Medicaid Age Child)

- Count income of Trisha
- Social Security - survivor benefits countable

# Tax Filer and Dependent Applicant

## James Jr:

- 18 year old male
- Files taxes
- Is a dependent of his father James Sr who he resides with
- He is employed with Target

## Household Composition Size:

- Will James Jr file taxes? **YES**
- Will James Jr be a dependent for anyone else? **YES**
- Will James Jr meet an exception? **NO**
- Column 3 on the Composition chart identifies James Jr as a **HH Size of 3**

## Tax Household: (Tax Dependent – child of Tax Filer)

- Count income of James Sr (J&J Towing)
- Count of income of James Jr (Target)

# Tax Dependent of External Household

## **James Jr is up for recertification!**

- 19 year old male
- Does not file taxes
- Is a dependent of his mother Jennifer who he does not reside
- Jennifer is employed with Rex Hospital and has no other dependents

## **Household Composition Size:**

- Will James Jr file taxes? **NO**
- Will James Jr be a dependent for anyone else? **YES**
- Will James Jr meet an exception? **NO**
- Column 2 on the Composition chart identifies James Jr as a **HH Size of 2**

## **Tax Household:** (Tax Dependent – child of Tax Filer)

- Count income of Jennifer

# Tax Filer Applicant (Pregnant)

## **Jennifer:**

- Remarried and expecting twins
- Files taxes jointly with her spouse
- Both are employed with Rex Hospital and claim Jennifer's son, James Jr, as a dependent

## **Household Composition Size:**

- Will Jennifer file taxes? **YES**
- Will Jennifer be a dependent for anyone else? **NO**
- Column 1 on the Composition chart identifies Jennifer as a MAGI HH size of 5

## **Tax Household:** (Tax Filer)

- Count income of Jennifer
- County income of Spouse

# Reminders

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- **Key Points**
- **DSS Responsibilities**
- **Reminders to CPA Firms**

# MAGI Key Points

- Tax rules are used to establish household composition, family size and countable income
- Tax returns are not requested to verify tax status
- Local Agencies do not report information to the Internal Revenue Service
- Medicaid eligibility can be determined for a/b that file or do not file a tax return
- There is no resource test



# **DSS Responsibilities**

- **Identify County DSS staff to assist the auditor with NCFAST evidence and questions**
- **Provide additional evidence to clarify eligibility**
- **Validate any findings prior to final submission of report by CPA firm**
- **Provide corrective action plan with Single Audit Financial Management Report**

# Reminders to CPA Firms

- **Coordinate with County DSS staff to obtain needed evidence**
- **Allow counties to review and validate findings prior to sending preliminary findings to County Manager**
- **Request County Director to be included in the exit conference**
- **Questionable Cost *versus* Actual Overpayment**

# Single Audit SFY 2018

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- **Error trends identified**
- **OCPI recommendations**

# Single Audit SFY 2018

## Error Trends Identified:

- **Verification of income**
- **Verification of resources**

## OCPI Recommendations:

- **OST provide training to county staff**
- **Counties perform target 2<sup>nd</sup> party reviews**
- **MES revise Medicaid manuals to provide clarity to policy**

# QUESTIONS

# Acronym Glossary

Acronym	Definition	Acronym	Definition
<b>A/B</b>	Applicant/Beneficiary	<b>MAGI</b>	Modified Adjusted Gross Income
<b>CAP</b>	Corrective Action Plan	<b>MES</b>	Medicaid Eligibility Services
<b>CPA</b>	Certified Public Account	<b>MFC</b>	Medicaid for Former Foster Care
<b>DOS</b>	Date of Service	<b>MIC</b>	Medicaid for Infants and Children
<b>DSS</b>	Department of County Services	<b>MID</b>	Medicaid Identification Number
<b>HCWD</b>	Health Coverage for Workers with Disabilities	<b>MPW</b>	Medicaid for Pregnant Women
<b>HH</b>	Household	<b>MQB</b>	Medicare Beneficiary
<b>HSF</b>	State Foster Home Fund	<b>NC FAST</b>	North Carolina Families Accessing Services through Technology
<b>MAA</b>	Medical Assistance to the Aged	<b>NCHC</b>	North Carolina Health Choice
<b>MAB</b>	Medical Assistance to the Blind	<b>OCPI</b>	Office of Compliance and Program Integrity
<b>MAD</b>	Medical Assistance to the Disabled	<b>OST</b>	Operational Support Team
<b>MAF</b>	Medical Assistance to Families with Dependent Children	<b>PDC</b>	Product Delivery Case

# **Future Questions**

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