

Health Care Finance and Administration	Section: Categories of Eligibility
Policy Manual Number: 015.045	Chapter: Child Medically Needy

CHILD MEDICALLY NEEDED

Legal Authority: 42 CFR 435.4; 42 CFR 435.301; 42 CFR 435.308; 42 CFR 435.602; 42 CFR 435.603; 42 CFR 435.831; 45 CFR 233.20; TCA 49-4-902(18) and (29)

1. Policy Statement

TennCare Medicaid benefits are available to children under age 21 who are not eligible for a MAGI category, who have resources under the Medically Needy resource limit based on household size, and who have countable income equal to or less than the Medically Needy Income Standard based on household size, or have met the spend down requirement. Eligible children must meet all of the Child Medically Needy non-financial eligibility requirements.

2. Definitions

Major Parent: The parent of a parent under the age of 21 (the minor parent) applying for TennCare Medicaid. The major parent must live in the same household as the minor parent and his or her child.

Minor Parent: A parent under the age of 21 who is applying for TennCare Medicaid along with his or her child.

Step-parent: The spouse of a parent under age 21 applying for assistance for both him or herself and his or her child.

3. Non-Financial Eligibility Requirements

Children eligible for the Child Medically Needy category must meet all non-financial eligibility requirements. Additional information about each condition of eligibility is available in the Non-Financial Eligibility chapters.

- i. Age:** A child must be under age 21.
- ii. Citizenship:** A child must be a U.S. citizen, U.S. national or eligible non-citizen.
- iii. Enumeration:** A child must possess and provide a valid Social Security Number (SSN) or proof of application for an SSN, unless they meet an exception.
- iv. State Residence:** A child must be a resident of Tennessee.
- v. Cooperation with Child Support Services:** A child is not required to agree to cooperate with Child Support Services. If the parent or caretaker of the child who is applying for benefits refuses to cooperate, the child will not be penalized and will be reviewed for eligibility in this category.

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4. Financial Eligibility Requirements

a. Household Composition

Household composition is governed by the principle of FRRs. Financial responsibility is limited to spouse to spouse, and parent to child. For household composition details see the *Medically Needy Household Composition* policy.

Note: When a parent who is under age 21 applies for coverage with his or her child, and there is a stepparent or major parent living in the home, the parent's household composition and income is subject to financial rules specific to the Medically Needy category. See Section 4.c.ii.

b. Resources

i. Resource Limit

The resource limit for the Child Medically Needy category is \$2,000 for one individual and \$3,000 for 2 individuals. An additional \$100 is added for each additional individual.

ii. Whose Resources are Counted

Count the individually owned and pro-rata share of jointly owned assets of children under age 21 and their FRR.

Do not include resources of a Families First, Supplemental Security Income (SSI) or needs-based Veterans Affairs (VA) Benefits recipient. See the *Treatment of Resources: Ownership, Equity Value & Accessibility* policy for additional information.

iii. Stepparent and/or Major Parent Deemed Resources

Resources owned by a stepparent when his or her spouse is applying for assistance, or a major parent when a minor parent is requesting assistance, are not deemed available to the spouse/minor parent. Resources owned by a stepparent or major parent cannot be deemed available to children for whom he or she is not financially responsible.

c. Household Income

i. General Rule

Countable and excluded income is determined using the 1996 Aid to Dependent Children and Families (AFDC) methodology. See the *Medically Needy Countable and Excluded Income Policy*.

The income (except income subject to an exclusion or disregard) of the following household members will be counted:

- Individuals under age 21 for whom assistance is requested; and
- Their FRRs.

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Note: See income deeming rules from a stepparent or major parent living in the home. Section 4.c.ii.

Count the income (except that subject to exclusion or disregard) of the parent serving a sentence of unpaid public or community service work while living in the home, less an amount equal to the Medically Needy Income Standard (MNIS) for one to meet his or her needs.

Do not use the income in the budget of a FRR who receives Families First, Supplemental Security (SSI) or needs-based Veterans Affairs (VA) Benefits.

ii. Stepparent or Major Parent Living in the Home

1. Overview

The financial assets of a stepparent or major parent living in the home with a parent or minor parent who is applying for Medically Needy coverage are not available to the child(ren) for whom he or she has no financial responsibility.

A stepparent/major parent's income is available to his or her spouse or child. Income belonging to a stepparent/major parent is deemed to the parent/minor parent applying for coverage, and the amount of income available to deem determines whether the income is counted in the parent's/minor parent's budget.

2. Stepparent or Major Parent Deeming Budget

The stepparent or major parent's income is subject to the Medically Needy countable and excluded income policy. See the *Medically Needy Countable and Excluded Income* Policy.

a. Determine Net Unearned Income

Gross Unearned Income = Net Unearned Income

b. Determine Net Earned Income

Gross Earned Income
- Earned Income Disregard (\$90 work expense)
 Net Earned Income

c. Determine Net Total Income

Net Unearned Income
+ Net Earned Income
 = Net Total Income

d. Apply Dependent Deductions

Net Total Income

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- MNIS per number of in-home dependents, including the step parent/major parent/spouse. Do not include any individuals in the Medically Needy Household.
 - Contributions to out-of-home dependents paid by the stepparent/major parent/spouse
 - Child support and/or alimony to out-of-home dependents
- = Deemed Income Amount

Note: Contributions to out-of-home dependents paid by the stepparent/major parent/spouse must be verified. Verification may include copies of checks or signed affidavits of support.

3. Deemed Income Amount Analysis

Once the amount of income to deem to the parent/minor parent is determined, apply the following rules:

- If the deemed income amount is equal to or less than the MNIS (based on the number of people that the stepparent or major parent is financially responsible for), then the deemed income is not counted in the parent/caretaker relative's household income.
- If the deemed income amount is greater than the MNIS (based on the number of people that the stepparent or major parent is financially responsible for), then the deemed income is counted in the parent/caretaker relatives budget.

If stepparent or major parent income is deemed available, it does not change the household composition of individuals applying for assistance, but the applicants' budgets will be different.

4. Stepparent Deeming Budget Example

A 20 year old woman applies for TennCare Medicaid. She has one child, age 3, by a previous marriage who receives \$200 per month in child support. She also has one child, age 1, with her current husband. She earns \$1,200 a month. Her husband earns \$2,000 a month and has \$1,600 in unearned monthly income. He is not applying for TennCare Medicaid. All 4 family members live together.

Deeming Budget from Husband to Wife and their Child

i. Gross Unearned Income = \$1,600

ii. Net Earned Income

\$2,000 Gross Earned Income
- \$90 Earned Income Disregard
 \$1,910 Net Earned Income

iii. Determine Total Net Income

\$1,600 Net Unearned Income

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+ \$1,910 Net Earned Income
 \$3,510 Total Net Income

iv. Apply Dependent Deductions

\$3,510 Total Net Income
 - \$241 MNIS for 1 Person
 \$3,269 Deemed Income Amount

The deemed income amount is greater than the \$258, the MNIS for 2 people (wife/mother and “their” child). The wife/mother’s household will include their common child, and the deemed income will be counted in the budget. Her two children from the previous marriage will be in their own budget, and the deemed income will not be counted in their budget.

d. Medically Needy Income Standard (MNIS)

Household Size	Income Standard	Household Size	Income Standard
1	\$241	10	\$625
2	\$258	11	\$683
3	\$317	12	\$733
4	\$325	13	\$792
5	\$392	14	\$842
6	\$408	15	\$900
7	\$467	16	\$950
8	\$517	17	\$1,008
9	\$567	18	\$1,058

e. Disregards

i. Earned Income

The following situations specify disregards that are applied to an individual’s earned income.

1. Earned Income Disregard

A \$90 disregard for work expenses is permitted per month for each individual with earned income.

2. Payments on Behalf of Dependents within the Home

A day care expense of up to \$175 per month per dependent age 2 or older is applied. A day care expense up to \$200 per month per dependent under age 2 is applied.

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3. Student Income

Exclude the earnings of a full-time student who works part-time.

Exclude the earnings of a full-time student who works full-time.

Exclude the earnings of a part-time student who works part-time.

Count the earnings of a part-time student who works full-time

A student is defined as a child under age 21 attending primary or secondary school, college, university, or a course of vocational or technical training.

- A child retains his or her student status during official school vacations and breaks if the requirement prior to the vacation or break were met, and the student plans to return.
- A child who is receiving elementary/secondary or equivalent vocational/technical instruction from a homebound teacher meets student requirements.
- An elementary school is defined as a state-approved educational institution comprised of grade kindergarten through eighth grade.
- Participation in apprenticeships, correspondence courses, other courses of home study and rehabilitation programs other than academic, institutional, vocational or technical training do not qualify a child as a student.

A full-time student for college or university is an individual who is enrolled in at least 12 credit or semester hours per semester. A part-time student is an individual who is enrolled in at least 6 but less than 12 credit or semester hours per semester. (TCA 49-4-902(18) and (29)).

ii. Unearned Income

1. Child Support Disregard

If an applicant that receives Temporary Assistance for Needy Families (TANF)/Families First assistance also receives child support payments (current only), exclude up to \$50 per month of child support payments received.

f. Income Budget

Income eligibility for the Medically Needy Child category is determined using a two-step process. The first step determines the applicant's total net income, and the second step determines whether the applicant must meet spend down. See the *Medically Needy Spend Down* policy for complete spend down policy and procedures.

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If the applicant's total net income does not exceed the Medically Needy Income Standard (MNIS) by household size, and the applicant is otherwise eligible, the applicant will be approved for eligibility as Exceptionally Eligible.

If the applicant has total net income that exceeds the MNIS by household size, the applicant will have to spend down their net income to the MNIS using incurred or paid medical expenses.

i. Budget Overview

Countable and excluded income is determined using the AFDC methodology. See the *Medically Needy Countable and Excluded Income Policy*.

1. Net Unearned Income Computation (for each household member)

Gross Unearned Income = Net Unearned Income

2. Net Earned Income Computation (for each household member)

Gross Earned Income

- Earned Income Disregard (\$90 work expense)

- Dependent Care Disregard (\$175 for child age 2 and over; \$200 for child under age 2)

Net Earned Income

3. Total Net Income Computation (for household)

Net Unearned Income for all household members

+ Net Earned Income for all household members

Total Net Income

4. Determine Exceptional Eligibility

Is Total Net Income less than or equal to the MNIS for the household size?

If Yes, Pass the household as Exceptionally Eligible.

If No, Continue processing eligibility. Go to Step 5.

5. Exclude Children with Sufficient Income

Determine whether any of the children in the household have countable income. A child with countable income may be excluded if his or her income makes the household ineligible, and this child is not the only eligible child in the household. Exclude the individually owned resources of any child excluded under this step during the resource determination. Children who are excluded from the household will group into their own case, along with their financially responsible relatives, if applying and eligible for TennCare Medicaid.

Do not exclude any children who have been identified by the caretaker as having special medical needs. Children with special medical needs should remain in the household and have eligibility determined under the spend down provision.

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If a child with income has been removed, test the remaining household members for exceptional eligibility (Step 4).

6. Determine Eligibility under Spend Down Provision

Total Net Income
 - MNIS, based on household size
 Spend Down Amount (See Section 4. Spend Down)

ii. Example Budget

The following budget is based on a household with a dependent age 1 year and includes the child's mother. This budget example determines eligibility for the child. The mother's gross income is \$2,600. A disregard for dependent expense paid within the home is applied. This child does have \$100,000 in allowable medical expenses. This child does not meet the income standard until spend down with allowable medical expenses is applied. Only \$2,052 of the \$100,000 in allowable medical expenses is required to meet spend down. A carryover of \$97,958 maybe used when the child is reviewed for eligibility in 12 months.

1. Net Unearned Income Computation

The household has \$0 of unearned income.

2. Net Earned Income Computation

\$2,600 Gross Earned Income
 - \$90 Earned Income Disregard (Work Expense)
 - \$200 Dependent Care Disregard (Daughter is under two years old)
 = \$2,310 Net Earned Income

3. Total Net Income Computation

\$0 Net Unearned Income
 + \$2,310 Net Earned Income
 = \$2,310 Total Net Income

4. Determine Exceptional Eligibility

Is Total Net Income (\$2,310) less than or equal to the MNIS for 2 (\$258)?

No. The household is not exceptionally eligible.

There is only one child in the household, and the child has no income, so no children can be excluded from the household.

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5. Determine Eligibility Under Spend Down Provision

\$2,310 Total Net Income
\$258 MNIS for 2
= \$2,052 Spend Down Amount

See the *Medically Needy Spend Down* policy for complete spend down policy and procedures.

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