

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

Legal Authority: 45 CFR 233.20

The Medically Needy TennCare Medicaid categories are the only TennCare categories that continue to use the AFDC financial methodology. Additional descriptions about specific income types may be found in the MAGI and ABD income chapters, but the Medically Needy treatment of income types may differ in these policies and income treatment should be guided by this document.

Countable Earned Income			
Income Type	Treatment	Income Type	Treatment
Bonus	Count in the month received.	Rental Income	Earned income when individually materially participates in the production of income, or bears some responsibility in earning income. Count in the month received. Count the amount of income remaining after expenses related to maintaining the property are applied.
Commission	Count in the month received.	Royalties and Honoraria	Count as earned income in the month received.
Contractual	Average the full amount of income paid over the number of months the contract covers.	Self-Employment	Count the annual NESE, and divide by the months in the taxable year.
Deferred Wages	If wages are deferred at employee's request, count wages when they normally would have been received. If wages are deferred by the employer, count wages when they are received.	Severance	Count in the month received.
Differential	Count payment made to an individual by an employer for a period during which he or she is performing service in the uniformed services while on active duty for a period of more than 30 days.	Sick and Disability Pay	Count as earned income if received within the first 6 months after individual stops work.
Farming and Fishing	Earned income when individual materially participates in the production of income. Count in the month received.	Tips	Count cash tips over \$20/month.
In-Kind Income: Wages, Food, Shelter or other	Provided to the applicant by an employer or union. Countable when received, set aside for use or credited to an account.	Wages and Salaries	Count at the earliest of the following: 1) when they are received or paid; 2) when they are credited to the individual's account; or 3) when they are set aside for the individual's use.
Earnings of a Part-Time Student Working Full-Time	Count the earnings of a student who attends school part time while working full-time.		

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

Countable Unearned Income			
Income Type	Treatment	Income Type	Treatment
Alimony Received	Unearned income in the month of receipt.	Life Insurance	Proceeds of life insurance are unearned income in the month of receipt.
Annuity Payments	If annuity payment is being received, count in the month received.	Lump Sum	Count in the month received, if they are not from an excluded source.
Assistance from other States	Financial assistance provided by another state to help the household pay for necessary items. Assistance payments are countable.	Military Allotments	Certain allowances paid to service members and their families are countable unearned income. The Family Subsistence Supplemental Allowance (FSSA) and the Military Basic Allowance for Housing (BAH) are countable.
Capital Gains	Income an individual receives when a capital asset is sold and there is a profit from the sale. Count in the month received or when available for use.	Pension	If pension payments are made, count in the month received.
Cash Inheritance	Cash inheritance is counted in the month of receipt.	Railroad Retirement Benefits	Countable income in the month received.
Cash Support	Regular contributions made directly to the individual, unless excluded as infrequent income.	Rental Income	Unearned income when the individual is not actively engaged in producing the income, or bears no responsibility in earning the income. Count the amount of income remaining after expenses related to maintaining the property are applied.
Child Support and Child Support Arrearages	Child support is unearned income in the month of receipt. Child support received is subject to a \$50 disregard. Arrearages received, whether on a regular basis or as a one-time payment, are countable in the month received. Arrear payments received by the household are not subject to any disregard.	Retirement	If retirement payments are made, count in the month received.
Court Awards	Settlement amounts received either by compromise or judgment, unless excluded by federal law, are countable in the month	Sick and Disability Payments	Unearned income when payments are being made 6 months or more after the individual stopped working.

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

	received. Compensatory damages for personal physical injury or sickness are not countable income.		
Death Benefits	Unearned income when the total amount exceeds the expense of deceased person's last illness and burial costs.	Social Security Benefits (OASDI)	Countable income in the month received.
FEMA Payment Not due to an Emergency	Count in the month received. These are FEMA payments made to a household when there is no major disaster or emergency declaration.	Strike Benefits	Unearned income in the month of receipt.
Farming and Fishing	Unearned income when the individual does not materially participate in the production of income. Gross farm income is subject to deductions.	Temporary Disability	Compensation received for loss of wages caused by temporary non-occupational disability is countable. These are payments an individual does not receive from an employer.
Gambling, Prizes and Awards	Unearned income in the month it is received.	Trusts	Money withdrawn from the body of a trust or interest/dividends accrued to the trust and paid to the individual is unearned income in the month of receipt.
Gifts	Cash gifts are counted in whole in the month of receipt, unless excluded as infrequent or irregular income. The value of in-kind gifts is equal to the gift's CMV.	Unemployment Compensation	Unearned income in the month of receipt.
Interest Income	Interest payments made to an applicant or household member on a note held by the applicant or household member. Notes may include a contract for deed, mortgage or promissory note.	Veterans Affairs (VA) Benefits	Countable VA benefits or payments include: VA Pension; VA Compensation; DIC; Augmented benefits, or Apportioned benefits paid directly to the dependent if dependent is the applicant.
Investment Income	Dividends and interest income are returns on capital investments such as stocks, bonds, mutual funds, CDs and savings accounts. Count in the month received or in the month when it is available for use.	Worker's Compensation	Gross amount of all benefits is unearned income in the month of receipt.
Jury Duty	Count in the month received. Any jury duty pay that is turned over to an individual's employer is excluded.		

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

Excluded Earned Income	
Income Type	Treatment
Domestic Volunteer Act	Compensation paid to volunteers under the Foster Grandparent Program and the Domestic Volunteer Service Act.
Earned Income Tax Credits (EITC)	Excluded.
Earnings of a Student Who Does Not Attend School Part-Time While Working Full-Time	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.
Infrequent or Irregular Income	Up to \$30 of earned income received infrequently or irregularly per quarter may be excluded. Income is received infrequently if it is received only once during a calendar quarter and the individual did not receive that type of income in the month immediately preceding or following the month in which it was received. Income is considered to be received irregularly if an individual cannot reasonably expect to receive it. Source of income must be an employer, trade or business in order to be considered as earned income.
Plan for Achieving Self-Support (PASS)	Earnings received to fulfill a Plan to Achieve Self Support (PASS) Plan. PASS-enrolled individuals are SSI Medicaid recipients.
Rehabilitation	Monies associated with vocational rehabilitation services.
Workforce Investment Act (WIA)	WIA payments are excluded.

Excluded Unearned Income (Medically Needy categories only)	
Type	Treatment
ABLE Accounts	<p>Tax-advantaged savings accounts for individuals with disabilities that are established under a qualified ABLE program. The funds within an ABLE account are intended to cover the individual's qualified disability expenses (QDEs) related to his or her blindness or disability.</p> <p>Contributions and earnings within a single ABLE account for an individual are excluded, except that contributions are not deducted from countable income of the individual making the contribution. Distributions from an ABLE account are not considered income, but are a conversion of one resource to another. See <i>Countable and Excluded Resources for Medically</i></p>

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

	<i>Needy Categories policy.</i>
Adoption Subsidies	Payments to an individual from state adoption assistance programs or Title IV-E funds for special needs children.
Cancelled Debts	Excluded.
Census Payments	Excluded.
Child/Spousal Support Transferred to IV-D Agency	Payments transferred by the household to DCS as assigned support are excluded.
CSIMA	If an applicant receives a CSIMA, and his or her spouse is not part of the applicant's household, the CISMA is considered derived and is excluded.
DIMA	If an applicant receives a DIMA, and the institutionalized individual is not part of the applicant's household, the DIMA is considered derived and is excluded.
Domestic Commercial Transportation Tickets	Excluded as long as tickets are not converted to cash.
Dwelling-related assistance in which HUD or FMHA is involved	Excluded.
Education Income Not Work Study	Includes: Pell Grant; SEOG Grant; National Direct Student Loan; Guaranteed Student Loan; State Student Initiative and any financial aid paid directly to the school and unavailable to the student.
Families First Payments	Excluded. Retroactive FF payments are also excluded.
Federal Emergency Management Agency (FEMA) Payments	Excluded, if due to a presidentially declared emergency or major disaster.
Foster Care Payments	Payments made for a child placed by a public or non-profit child placement or child care agency.
Fuel Assistance payments and allowances	Excluded
In Kind Support and Maintenance	Excluded
Infrequent or Irregular Income	Up to \$30 of unearned income received infrequently or irregularly per quarter may be excluded. In order to be considered unearned, income must be received from an individual, a household, an organization or an investment.
Interest on excluded burial funds and burial spaces	Excluded
Low Income Home Energy Assistance Payments	LIHEAP benefits are excluded
Money received from a source outside the home designated for the care and maintenance of a person who is not included in the Medicaid household	Excluded
Protective Payee	Funds received by a protective payee and used for the care and maintenance of a third party beneficiary who may or may not be a member of the protective payee's household are excluded as income to the protective payee. If any part of the payment is retained by the protective payee for his

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

	or her own personal use, it is countable income.
Refund of taxes on real property or food	Excluded
Reimbursements	Applies only to expenses an employee incurs in the performance of his or her duties for items other than normal living expenses.
Settlements and Restitutions	Settlement and restitution payments are excluded. See the <i>ABD Unearned Income</i> policy for a complete list of included programs.
Social Security Administration Educational Benefits	Exclude from the SSA benefit paid to a student up to age 18 the amount equal to the following costs of education: tuition and fees; required books and supplies; transportation to and from school; costs of child care necessary to attend school (\$200 per month for child under age 2, \$175 per month for child age 2 and over).
SSI Payments	Excluded. Retroactive SSI payments are also excluded.
Social Services	Excluded. Any service (other than medical) which is intended to assist a handicapped or socially disadvantaged individual to function in society on a level comparable to that of an individual who does not have such a handicap or disadvantage.
Value of SNAP benefit	Excluded
Value of free or reduced food under WIC or the National School Lunch Act	Excluded
Veterans Administration Payments	Includes: Educational benefits, VA Aid & Attendance; Augmented VA benefits; VA payments from Unusual Medical Expenses
VISTA Payments	Excluded.
Work Study	Exclude college work study income up to the amount necessary to pay for tuition and mandatory fees. Income in excess of tuition and fee costs is countable earned income.

Document Title	Medically Needy Countable and Excluded Income
First Published	06.05.2015

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.045	Chapter: Medically Needy Countable and Excluded Income

Revision History					
Revision Date	Section	Section Title	Page Number(s)	Reason for Revision	Reviser
6.17.2016	Countable Earned Income	Bonus	1	Policy Clarification	NF
6.17.2016	Countable Unearned Income	Cash Support	2	Policy Clarification	NF
8.10.2016	Excluded Unearned Income	ABLE Accounts	4	Policy Change	AJ
8.10.2016	Excluded Unearned Income	Census Payments	5	Policy Change	NF
11.1.2016	Excluded Unearned Income	Education Income Not Work Study	5	Policy Clarification	NF
11.1.2016	Excluded Unearned Income	Work Study	6	Policy Clarification	NF
12.1.2016	Countable Earned Income	Earnings of a Part Time Student Employed Full Time	1	Policy Clarification	RS
12.1.2016	Excluded Earned Income	Earnings of a Student Who Does Not Attend School Part-Time While Working Full-Time	4	Policy Clarification	RS